

# CPUR

Research Report, August 2014



## **Immigration and Unemployment in 2014**

Bob Birrell  
Ernest Healy

## Table of contents

<b>Executive summary.....</b>	<b>3</b>
<b>Introduction – the blindness of experts .....</b>	<b>5</b>
<i>Immigration and unemployment – an overview.....</i>	<i>6</i>
<b>The Setting .....</b>	<b>7</b>
<i>Almost all of the growth in jobs is going to recently arrived migrants.....</i>	<i>7</i>
<i>The Coalition government has not adjusted the permanent entry program settings.....</i>	<i>9</i>
<b>Official justifications for high migration when unemployment is rising.....</b>	<b>9</b>
<i>The need to augment the labour supply.....</i>	<i>10</i>
<i>The need to fill skill shortages.....</i>	<i>10</i>
<b>Some key indicators of poor skill targeting.....</b>	<b>11</b>
<i>Other temporary entry migrant workers.....</i>	<i>12</i>
<b>Implications for Australian resident job seekers.....</b>	<b>13</b>
<b>Skilled occupations.....</b>	<b>13</b>
<i>Accountants.....</i>	<i>13</i>
<i>Where are all these accountants (and cooks) coming from?.....</i>	<i>15</i>
<i>Other Skilled Occupations.....</i>	<i>17</i>
<i>Nurses.....</i>	<i>18</i>
<i>ICT professionals.....</i>	<i>19</i>
<b>The threat of employer sponsorship to job opportunities for Australian residents.....</b>	<b>20</b>
<i>The dynamics of employer sponsorship.....</i>	<i>20</i>
<i>Case studies – cooks.....</i>	<i>22</i>
<i>Nurses.....</i>	<i>22</i>
<b>Lower skilled occupations.....</b>	<b>23</b>
<b>Concluding comments.....</b>	<b>24</b>
<b>Appendix A – the 2010 concessional arrangements.....</b>	<b>26</b>
<b>Appendix B - Job outcomes for former overseas students.....</b>	<b>27</b>
<b>.References.....</b>	<b>28</b>

**Acknowledgements:** The authors wish to thank Katherine Betts for her advice and editorial assistance.

## Executive summary

Immigration remains at very high levels because there have been few adjustments to policy from the lax settings put in place during the resources boom. These are urgently needed to address the current oversupply of job seekers. It will not be enough to rely on the current slow-down in demand for workers. Immigrants will keep coming if permitted because labour market conditions in the major countries of origin are much worse than they are in Australia.

This high rate of recent migration has coincided with a slump in the rate of new job creation in Australia to around 100,000 a year.

Net Overseas Migration (NOM) is running at some 240,000 a year. The result is that, as of May 2014, the number of overseas born persons aged 15 plus in Australia, who arrived since the beginning of 2011, was around 709,000. Most of these people are job hungry. According to the Australian Bureau of Statistics (ABS) Labour Force Survey, 380,000 of these recent arrivals were employed as of May 2014. Over the same three years, the net growth in jobs in Australia is estimated by the ABS to have been only 400,000. This means that these recent overseas born arrivals have taken almost all of the net growth in jobs over this period.

They are doing so at the expense of Australian-born and overseas-born residents who arrived in Australia before 2011. This is showing up in increased unemployment and decreased participation in the labour force in this resident group.

The hardest hit are amongst young people seeking entry level semi-skilled jobs and recent graduates in a widening range of professions, including nursing, information communication technology (ICT) and accounting.

This is not the way it was supposed to be. Successive governments have argued that high migration is beneficial because the migration program is targeting skills not available in Australia.

This study shows that this is not the case. One reason is that the skilled program is currently granting visas to thousands of the former overseas students who remained in Australia after the immigration reforms announced by the Labor Government in early 2010 (see pages 15-16 and in Appendix A). Most were granted concessions, which allowed them to apply for points-tested visas on favourable terms. This is why accountants and cooks have been amongst the largest occupational categories visaed, despite being in surplus.

A second reason is that the procedures that are supposed to limit the migrant intake to skills needed in Australia since the reforms and to protect the interests of resident job seekers are not working. The Skilled Occupation List (SOL) purports to identify skilled occupations which are in shortage in Australia. This determines the eligibility of applicants for the points-tested visa subclasses. However, the SOL currently includes accountants, registered nurses and dentists (among others) despite strong evidence of oversupply in these fields.

For example, hundreds of resident graduate nurses cannot find registered nursing positions. Yet in 2012-13 there were 2,855 permanent entry and 2,853 temporary skill visas issued to registered nurses. Many more are in the visa pipeline (p. 19). In the case of Australian resident higher education graduates in ICT occupations, though there are less than 5,000 completions each year,

they are having trouble finding entry level jobs. This is because some 20,000 permanent and temporary entry visas are being issued to migrants with ICT qualifications a year (p. 19).

A third reason concerns the rules governing employer sponsorship for permanent entry and temporary entry skilled employment. The migrants sponsored make up over half the skilled intake. Employers can sponsor who they want in any occupation (as long as skilled) regardless of the state of the Australian labour market for the occupation in question. Around half of those sponsored are already onshore. They are being drawn from the huge pool of 1.1 million migrants in Australia on various temporary resident visas (Table 5).

This is why there are more cooks being sponsored by employers than for any other occupation (p. 22). The result is that employer sponsorship is being transformed into a pathway to permanent residence unrelated to genuine skill needs in Australia.

Successive governments have allowed the pool of temporary residents to access the Australian labour market (including Working Holiday Makers and students) and to prolong their stay in Australia by churning from one visa to another. 142,000 students did so in 2012-13, including 28,484 who were granted a tourist visa (Table 7). Most of these are likely to be working illegally. These temporary entrants are feeding the ranks of those keen to find an employer to sponsor them for a temporary or permanent employment visa. They are also competing with young Australian resident job seekers for semi-skilled entry level jobs.

The main purpose of this study has been to lift the wraps that have hitherto shrouded the seriousness of the issues discussed and to expose the myths propagated to justify the current scale of immigration.

The findings indicate that action should be taken to ensure that Australian resident job seekers are given priority access to the limited number of new jobs being created in Australia. This action must include a reduction in the permanent entry program such that it is restricted to migrants where there is a well-documented case that the occupations are in short supply. Those sponsored by employers should provide evidence that they could not find an Australian resident to fill the job. There is also a need to cap the number of temporary entry visas issued, particularly to WHMs, and a toughening up of the rules so as to prevent the current scale of visa churning.

In a new era in which job growth is likely to be far less than during the last decade, it is no longer justifiable to place so much reliance on immigration to fill these jobs. Australian governments and employers need to get serious about training Australian residents for these jobs where they do not have the required skills.

## **Introduction – the blindness of experts**

Australia's labour force (those employed and unemployed) has been growing faster than the total number in jobs since mid-2011. This is despite a significant drop in the labour force participation rate. As a result, the ABS estimates that, between May 2011 and May 2014, the number of unemployed persons in Australia has increased from 589,800 to 718,900. This is an increase of 129,000 or an average of around 43,000, a year.<sup>1</sup>

There are two causes of this outcome. The first is that the level of job creation in Australia since mid-2011 has slowed to about 100,000 a year. This is less than half that of the eight years of the resources boom to 2011. The second is that Australia's labour force continues to grow at a faster pace than employment growth. The main source of this labour force growth is migrant workers. These include those visaed under the permanent entry and temporary entry visa subclasses (ranging from the 457 employer sponsored category to Working Holiday Makers, students and visitors). This growth continues because the Labor Government made no adjustment to its migration policy and consequent visa rule settings after the boom ended in 2011, nor has the Coalition since taking office in September 2013.

Remarkably, there has been no acknowledgement of the migrant contribution to this outcome from the experts who dominate commentary on the labour market. For example, in an otherwise useful recent analysis of Australia's labour market, the Assistant Governor of the Reserve Bank manages not to mention immigration at all.<sup>2</sup>

On the right, the main response has been that governments should redouble their efforts to improve business conditions so that businesses will create more jobs. Some (as we will see) want more immigration on the grounds that this will boost the economy by filling skill vacancies. There are others who argue that extra migrants will drive domestic demand, particularly for housing. Maybe they will, but who knows how long it will take, given that Australians import such a high share of what they consume. Even in the case of housing, immigration is a double edged sword. It has contributed to the housing price boom, which has helped disenfranchise new entrants from home ownership.

On the left, some, like Professor Bill Mitchell, ignore the migration issue and instead focus on job creation by governments.<sup>3</sup> Who could disagree, but the likelihood of the Coalition taking up this option is remote. In the meantime, the casualties of Australia's present migration policy settings continue to mount among Australian residents.

There are some signs of a breakthrough in this lack of interest from the union movement, including from the CMFEU. But unions are being distracted by problems partly of their own making. One source, not so constrained, is populist politicians – looking for a political constituency.

Here is a voice of common sense from Glen Lazarus, Leader of the Palmer United Party in the Senate.<sup>4</sup> On July 12, Senator Lazarus asked Senator Cash, the Assistant Minister for Immigration and Border Protection in the Coalition Government, the following question:

I note that the Queensland Nurses' Union estimate that this year only around 600 of the 2,500 nursing graduates will be successful in gaining employment.... Can the senator explain why the federal government continues to support the importation of overseas nurses and

midwives on 457 working visas while Queensland has the highest level of new graduate unemployment and underemployment in the nursing and midwifery sector.

Senator Cash replied:

I make the point that, in relation to the 457 visa scheme, this government does support foreign workers, absolutely; however, I also make the point that it is a fundamental position of this government that where there is an Australian worker who is ready, willing and able to perform a job or a role then we expect the employer to look to this person first.

This is a fine statement of principle by Senator Cash. It is true that the Coalition Government inherited an immigration mess from Labor. It is now up to the Coalition to act. So far, however, as we document below, it has not taken any measures that will deliver on this statement of principle. If it did, it would probably have the support of Senator Lazarus and many of his cross bench colleagues.

#### *Immigration and unemployment – an overview*

The impact of the current oversupply of labour is manifest at two ends of the labour market for younger Australians. The first is amongst young people seeking to enter relatively low-skilled jobs. Australia's total unemployment rate has edged up over the last couple of years to six per cent. However, this aggregate figure hides a nasty worsening of the situation for young people. In the case of those aged 15-19 years, their unemployment rate increased from the already high level of 14.6 per cent in May 2013 to 17.9 per cent in May 2014.

The second is amongst new graduates. Hot spots are emerging in accounting, nursing, information communication technology (ICT) and dentistry (among others), with many recent graduates struggling to get started in their profession, in part because of the competition they are encountering from recently-arrived migrant professionals. The Coalition Government continues to allow employers to sponsor migrant professionals in these areas under the temporary entry 457 program and under the permanent entry employer sponsorship program despite this evidence.

As noted, the Labor Government and the current Coalition Government has sought to allay public concerns about the possibility of such outcomes. They point to a series of reforms in the skilled migration program since 2010, which allegedly result in better targeting skills needed in Australia. The Labor Government initiated these reforms because of the scandal flowing from the out-of-control overseas student industry. Hundreds of thousands of vocational and higher education students were attracted to Australia during the 2000s with the expectation that, on their completion of an Australian qualification, they would be able to gain a permanent residence visa.

The Labor Government introduced a more restrictive Skilled Occupation List (SOL) in 2010 (which did not include cooks) followed by a new points-tested visa subclass test, which put more emphasis on attributes important in the labour market (including English proficiency). Then, in mid-2012, it introduced a new SkillSelect system which required prospective migrants to first register an expression of interest (EOI), after which DIBP issued an invitation to apply to those that met its priorities. SkillSelect involved the setting of annual ceilings or quotas on the number of invitations issued for each occupation.

In addition, in another major change in policy, the Labor Government prioritised (in the visa applications process) skilled migrants sponsored by employers under the permanent entry and temporary entry (457) employer sponsorship programs.

Since 2010, successive Labor Governments and the Coalition Government (since late 2013) have claimed that these reforms have been effective in targeting skills which are in short supply in Australia and genuinely needed by employers. Indeed, a constant refrain is that Australia is now attracting the 'best and the brightest' migrants from around the world. As Kruno Kukoc, the head of migration planning in DIBP put it:

Australia is focussing on attracting the best and brightest from around the world, to match Australia's unique labour force needs while boosting productivity.<sup>5</sup>

As we document below, these claims are false. There has been a serious deterioration in the skill level and relevance of the skilled migrants being visaed to skill vacancies in Australia.

## The Setting

As Table 1 shows, there has been a sea change in Australia's employment situation since 2011-12. Up until 2011-12 the annual growth in the numbers employed grew strongly. Since then, employment growth has slumped to around 100,000 a year.

<b>Table 1 Annual growth in the Labour Force and Employment, Australia, and labour force participation as of May 2012 to May 2014</b>			
<b>Year</b>	<b>Labour force (000s)</b>	<b>Employment (000s)</b>	<b>Participation rate (at year end) (%)</b>
2011-2012	223.2	192.8	65.5
2012-2013	161.8	106.6	65.2
2013-2014	142.4	99.4	64.8
<b>Total</b>	<b>527.4</b>	<b>398.8</b>	
Source: ABS Labour Force Survey, various issues			

Meanwhile, as Table 1 shows the labour force has continued to grow in greater numbers than those employed. The consequence is that the total number of unemployed persons has increased since May 2011 from 589,800 to 718,900 in May 2014. The labour force would have grown even faster if it had not been for the drop in the labour force participation rate from 65.5 per cent in May 2011 to 64.8 per cent in May 2014. Most of this fall is due to a decline in the participation rate of young people. They are both dropping out of the labour market and increasing their engagement in education. Some the decline is also due to the ageing effect of Australia's relatively large cohort of baby boomers who are approaching retirement age.

*Almost all of the growth in jobs is going to recently arrived migrants*

The level of Net Overseas Migration (NOM) to Australia is at very high levels because of the permissive policy settings referred to above. NOM has grown from 180,400 in 2010-11 to 242,000 in 2013-14.<sup>6</sup> NOM is defined as the difference between the sum of all movements into and out of

Australia, including both residents and migrants. Most of the growth in NOM is due to the arrival of persons born outside Australia. The net loss of Australian-born people is currently quite low.

DIBP cannot provide data on the labour market participation of the people added to Australia's population each year. Thus, it is not possible to identify precisely the contribution of NOM to the growth in the labour force shown in Table 1.

Nevertheless, it is clear from the estimates published in the ABS Labour Force Survey that recently arrived migrants are currently the main source of the growth in Australia's labour force and of those gaining employment. This is shown in Table 2. The Table provides a snap shot of the increase in the number of migrants who arrived in Australia since the beginning of 2011 as of May 2012, May 2013 and May 2014. These numbers underestimate the total impact of recent arrivals on the Australian market because some of the arrivals in 2011-12 and 2012-13 had found employment by May 2014.

Period	Employed (000s)	Labour force (000s)
May 2011 to May 2012	129.9	146.2
May 2012 to May 2013	109.3	122.6
May 2013 to May 2014	117.9	130.5

Table 3 shows that by May 2014, 380,000 overseas-born persons who arrived in Australia since the beginning of 2011 were estimated to be in employment. Yet Table 1 showed that over this three year period the total growth in employment of all residents whether recently arrived overseas born, overseas born persons who arrived before 2011 and the Australian-born, only grew by around 400,000. This means that almost all of the net growth in jobs over the three years to May 2014 were taken by these recently arrived overseas born migrants. We detail later who are the major resident casualties of this competition.

Employed	380,100
Unemployed	48,200
Not in labour force	280,700
Civilian population	709,000

Source: ABS, Labour Force Survey, (data cube ST LM7)

This is a conclusion that will astound most readers, in part because it has never been admitted by left or right commentators or by the official agencies, like the Reserve Bank.

This finding should not come as a surprise given the very high level of NOM, of some 240,000 a year. Table 3 provides the ABS estimate of the total number of the 15 year plus population comprised of overseas born arrivals in Australia as of May 2014 who arrived since the beginning of 2011. It was 709,000. They made up the greater part of the total growth of the Australian civilian population in this age group over the three years to May 2011. This was 989,100. One implication of these data is that the resident population (other than these recent arrivals) was still growing strongly (by 280,000) during this period. This latter source of growth in Australia's population could have provided for the people needed to fill the net growth in new jobs over the three years in question, especially if accompanied by an increase in the labour force participation rate.



Most of the recently arrived overseas born persons were attracted to Australia by what they could earn in the Australian labour market relative to their home country. In addition, few could access welfare benefits like Newstart. They had to and did find work. As noted, the ABS estimates that some 380,000 were employed as of May 2014. For further detail on the data used and its interpretation see end note seven.<sup>7</sup>

*The Coalition government has not adjusted the permanent entry program settings*

The Coalition Government had the opportunity to adjust the permanent entry program at the time of the May 2014 Budget Statements in the light of the situation described. It did not do so. There were only minor changes to the overall immigration program for 2014-15. It was left at the record high level of 190,000 places, with the skill stream unchanged at 128,550, the same as for Labor's program in 2013-14 (see Table 4).

**Table 4 Migration Programme planning levels by visa Category for 2013-14 and 2014-15**

	2013-14 Planning level	2014-15 Planning level
<i>Skill stream</i>		
Employer sponsored	47 250	48 250
Skilled independent	44 990	43 990
State/territory and regional nominated	28 850	28 850
Distinguished talent	200	200
Business innovation and investment programme *	7 260	7 260
<i>Total skill</i>	128 550	128 550
<i>Total family</i>	60 885	60 885
<i>Total special eligibility</i>	565	565
<i>Total programme</i>	190 000	190 000
<small>Source: DIBP, Migration Programme Statistics; <a href="http://www.immi.gov.au/media/statistics/statistical-info/visa-grants/migrant.htm">http://www.immi.gov.au/media/statistics/statistical-info/visa-grants/migrant.htm</a></small>		
<small>* Known as business skills prior to July 2012.</small>		

On the labour demand side of the equation, there is little sign of any strong recovery. The slump in employment growth since 2011-12 is largely a reflection of the economic slowdown in China and the consequent drop in commodity prices. This has, in turn, led to a slow-down in resource industry investment in Australia. As the Coalition Government has acknowledged, the annual investment expenditure in new projects will fall sharply over the next few years. Opinions differ on the immediate outlook for employment. Even the relatively bullish Treasury forecasts at the time of the 2014-15 Budget Statements were that employment will increase, but only by 1.5 per cent in 2014-15 and 2015-16. As a result, Treasury forecasts that unemployment will increase from the current six per cent to 6.25 per cent in 2014-15 and 2015-16.

**Official justifications for high migration when unemployment is rising**

One of the reasons why there have been few adjustments to migration policy settings is that employers, particularly in the building industry, want high migration in order to promote their business activity. Though not usually stated explicitly, many employers and politicians also see high migration as important in providing an impetus to the economy now that the minerals investment boom has plateaued. For public consumption, however, the dominant justifications are as follows.

The first is that, with Australia's ageing population, there is a need to augment the labour supply. The second is that, despite the recent increase in unemployment, there are still widespread skill shortages, which immigration policy is designed to rectify. We discuss these in turn.

#### *The need to augment the labour supply*

Readers will be familiar with this view, but here are a couple of examples. In 2011, the former Labor Minister for Immigration, Mr Chris Bowen, stated that:

*Without immigration, it is projected that Australia's labour force growth will almost cease within the next decade and actually start going backwards from 2036.<sup>8</sup>*

From the business perspective, there is KPMG demographer, Bernard Salt. Salt speaks tirelessly for big business concerns on this matter; in his recent book, *The Big Tilt*, he states that:

*2011 is a break point year. From this year onwards, more baby boomers exit the workforce than generation Ys enter.<sup>9</sup>*

It is true that the large baby-boomer cohort is on the threshold of retirement and that, as this cohort retires, this will (other things being equal) reduce the total labour force participation rate of the resident working aged population. However, it will take a long time before Salt's projection comes to pass. ANU demographers Peter McDonald and Jeremy Temple have shown that, even with zero net migration, the numbers exiting the 55-64 age group in the workforce will not exceed those entering the 15-24 year age group until around 2042.<sup>10</sup>

Moreover, other things are *not* equal. There has been a striking increase in the labour force participation rate of persons aged 55 plus in recent years, which so far has helped offset the 'ageing effect' of the baby boomer cohort.<sup>11</sup> This increase has slowed recently. As a result, according to the Reserve Bank, the ageing of Australia's population is currently reducing the overall labour force participation rate by perhaps 0.1 to 0.2 percentage points a year.<sup>12</sup>

For the immediate future, there will be no shortage of potential workers. As Table 1 shows, the resident population is growing at a much faster pace than employment.

#### *The need to fill skill shortages*

Our focus is on this second claim, that Australia needs migrants in order to fill skill shortages. As noted, this has been the main justification for continuing high levels of migration. For example, the Business Council of Australia wants the 457 visa program to be opened up by a reduction in the English language, skill and labour market testing requirements currently in place. In its submission to the Independent Review of Integrity in the Subclass 457 Programme in May 2014, it justifies this on the grounds that:

Temporary skilled migration enables economic expansion and basic service provision to proceed where there are skills shortages in the domestic workforce. The demand-driven, uncapped nature of the 457 visa programme is critical to enable businesses to find the critical skills they need and cannot find locally.<sup>13</sup>

The migration reforms since 2010 cited earlier have been repeatedly cited to justify claims that migrants really are filling the skill gaps referred to by the Business Council. One key reform was the establishment of a new Skilled Occupation List (SOL) in 2010. The first SOL under a new methodology was compiled by Skills Australia, an independent authority reporting to the Department of Employment. Skills Australia has since been rebadged as the Australian Workforce Productivity Agency (AWPA). AWPA is now located in the Department of Industry.

The basis for SOL listing is explored in detail later, but it includes information on the Australian labour market provided by the Federal Department of Employment. The SOL has long been proclaimed by successive governments as a mechanism to better target skilled migrants, and is widely regarded as an indicator of occupations which are in shortage in Australia, currently as well as in the medium term.

However, as flagged in the following section and detailed further below, this turns out not to be true.

### **Some key indicators of poor skill targeting**

In 2012-13, only 36 per cent of those sponsored by employers under the permanent entry program had occupations listed on the SOL. The situation is similar for the 457 stream that Senator Cash asserts only recruits migrants for occupations where locals are not available. Yet, in 2012-13, only 39.7 per cent of the principal applicants visaed under the 457 program were sponsored for occupations listed on the SOL. For the first nine months of 2013-14, this proportion fell to 34.9 per cent.<sup>14</sup>

Another indicator of poor targeting is the occupations for which migrants are being recruited. By far the largest single occupation visaed in 2012-13 under the permanent entry skill program was cooking. Yet cooks were not listed on the SOL in 2010 and have not been listed since then. In 2012-13, there were 8,449 cooks as well as another 1,022 bakers and pastry cooks and 696 chefs visaed under the permanent entry skill program in 2012-13. These 10,167 migrants made up 16 per cent of the 63,048 principal applicants visaed in the skill stream for 2012-13. The next largest occupation was accountants (5,766), software engineers (2,167), ICT business analysts (1,555), and hairdressers (1,502).

Cooks were also the largest single occupational group of principal applicants visaed under the 457 visa subclass in 2012-13. They constituted 3,040 of the 68,480 visas issued to principal applicants in this subclass. In addition, there were 1,090 457 visas issued to chefs and 1,900 to café or restaurant managers.

One response may be that cooks are in genuine need in the tourist industry, especially in Queensland. This defence does not hold water. Of the 3,040 cooks visaed under the 457 program in 2012-13, most were nominated by employers in NSW (1,000) and Victoria (1,030), compared with 620 in Queensland. The same pattern is evident for café and restaurant managers.

### *Other temporary entry migrant workers*

The skilled visa subclasses so far examined are only one component of the influx of migrants who are entering the Australian labour market. There is another huge category of labour market participants where there is no consideration at all as to their labour market impact on the resident workforce. As Table 4 shows, there were 1.1 million persons holding temporary entry visas in Australia as of March 2014, as well as approximately another 640,000 New Zealand citizens.

About half of the 242,000 NOM in 2012-13 was made up of temporary migrants. Others (all temporary visa holders) include students, Working Holiday Makers (WHMs), visitors and New Zealanders (see Table 4). With the exception of the visitors, all have work rights in Australia (and in the case of visitors many work illegally).

There is no way to determine accurately how many of these temporaries are in the workforce. As explained in a previous paper, one cannot rely on the ABS for such an estimate because the Labor Force Survey does not survey persons unless they meet the criteria for being a resident (that is they have to have been in Australia for 12 months out of the 16 months that ensued since first arrival in Australia).<sup>15</sup> This definition excludes most of the WHMs because their visa is only valid for a period of 12 months, as well as most of the visitors and some of the students, some 457 visa holders and New Zealanders. Yet, most of these temporary entry visa holders would have worked while in Australia.

The stock of temporary visa holders is listed in Table 5 as of March 2012, 2013, and 2014. These are accurate counts because DIBP keeps a record of the arrival and departure of each person, so that it can identify the stock of each visa subclass in Australia at any point in time.

	Mar-12	Mar-13	Mar-14
Students	344,480	332,470	366,910
Visitors	220,380	248,250	234,180
457s	160,420	190,920	201,560
Working Holiday Makers	142,600	170,700	174,210
Bridging visas	132,320	118,820	107,190
Temporary Graduate visa holders	27,980	41,090	25,110
Others	28,670	30,310	33,410
Total	1,056,850	1,132,560	1,142,560
New Zealanders	616,110	632,890	644,890

Source, DIBP, Temporary entrants in Australia 31 March 2014

The numbers coming and going who hold temporary visas are 'demand driven' in the sense that they reflect the desire of those eligible for entry to take up the opportunities offered by the rules governing entry and work rights for each of these visa subclasses. Australia is highly attractive destination and, as a result, the numbers attracted have grown, even as the labour market has weakened in recent years.

## **Implications for Australian resident job seekers**

This issue will be dealt with in two parts. Migrants currently entering the Australian labour market do so as part of two quite different streams. The first consists of those with trade, technical, professional and managerial occupations, who are predominantly recruited either under the permanent entry skilled visa subclasses or the 457 program.

The second stream includes most of those arriving on temporary visas (except 457s). Many of these migrants have little choice, but to seek work in entry-level jobs, where skill requirements are low, regardless of their formal qualifications. This is because many employers prefer to appoint permanent residents or locals to professional jobs.

### ***Skilled occupations***

Amongst the occupations which best illustrate the deficiencies of current immigration policy are accountants, nurses and ICT professionals among the professions and cooks among the trades. Thousands of migrants are being visaed in each of these fields despite evidence that they are not needed and in many cases are competing with Australian residents for available jobs.

#### *Accountants*

There were 5,766 accountants visaed under the permanent resident skilled program in 2012-13 as well as another thousand visaed under the 457 visa program. This is a similar number to the 7,200 completions of domestic students from Australian universities in accounting at the bachelor and higher degree level in 2012.<sup>16</sup>

By 2012, there was evidence of an oversupply of accountants in Australia. On the basis of labour market research conducted in 2011 and 2012, the Commonwealth Department of Employment concluded that: 'There is a more than adequate supply of accountants. Employers generally experience little difficulty filling their vacancies, attracting multiple suitable applicants.'<sup>17</sup>

The Department of Employment repeated this conclusion in its submission to AWPA's 2013-14 review of the SOL. It stated that the oversupply of accountants is leading to a declining rate of success on the part of accounting graduates in obtaining accounting work and to relatively poor starting salaries.<sup>18</sup> The Department of Employment recommended that accountants be taken off the SOL as of mid-2014.

AWPA prepared a review of the *Demand and Supply of Accountants* in 2014. This review was part of the input to its deliberations on the SOL for 2014. The review notes that, from 2006-07 to 2012-13, there was only a tiny 0.5 per cent increase in the number of accountants employed in Australia.<sup>19</sup> AWPA acknowledges that, in the light of the 7,200 domestic completions in accounting in 2012, and the similar number of visas issued to migrants (cited above) 'at current levels there is an increased risk of skilled migrants crowding out domestic workers in the future.'<sup>20</sup>

Yet, AWPA rejected the Department of Employment's advice that it should remove accountants from the SOL. How could this be? Observers could be forgiven for believing that, if an occupation is

listed on the SOL, it implies that there are significant skill shortages in the occupation. For AWPA, this is not necessarily the case.

AWPA also prepares a Specialised Occupations List (separate from the SOL) which includes almost all professional occupations, including accounting and nursing. These occupations are defined as those 'that are of high value and where skills take a long time to develop and acquire'.<sup>21</sup> For AWPA, the fact that there is a current oversupply in an occupation may not justify removing the occupation from the SOL. The reason according to AWPA is that, if shortages subsequently emerge in these occupations, 'we risk recurring skill shortages and resource wastage as a result of mismatches between educational supply and workforce demands'.<sup>22</sup>

For such occupations, AWPA looks beyond the immediate labour market situation to the medium to long-term outlook for the occupations in question. Since almost all professional occupations are on the Specialist Occupation List, this gives AWPA the opportunity to argue that, whatever the immediate labour-market situation in the occupation, it may be justified in leaving the occupation in question on the SOL. This is what has happened for accounting and nursing (amongst other occupations still listed on the SOL).

The outlook for accounting, according to the forecasts AWPA has commissioned, is that there will be a replacement demand (taking account of people moving out of accounting, moving back into accounting and emigration) of 11,000-12,000 accountants by 2020.<sup>23</sup> These forecasts were prepared by Deloitte Economics for the period 2011-2025. They incorporated bullish assumptions about Australia's medium-term economic future in some of the scenarios considered. For the 'Long Boom' scenario, it was assumed that real output (or Gross Domestic Product) would exceed three per cent per annum and that productivity would average 1.86 per cent per year.<sup>24</sup> For this scenario, net job growth in Australia was forecast to average 260,000 a year.<sup>25</sup>

On the basis of this optimistic job outlook, AWPA recommended that accounting should remain on the SOL. In other words, Deloitte's forecasts to 2025 trumped the current surplus of accountants. Nevertheless, in a gesture to the current oversupply, AWPA recommended, and the Coalition Government accepted, that there should be a ceiling on the number of accountants visaed. As indicated above, under the SkillSelect system there is an annual ceiling on the number of visas issued in each occupation. This has been set at six per cent of the stock of those employed in the occupation in Australia. However, AWPA recommended that, in the case of accountants, the ceiling be reduced to three per cent. This is equivalent to around 5,000 per year.

The 5,000 ceiling remains a very high number given the current surplus of accountants. It is a ceiling that will almost certainly be reached. According to DIBP, there were 7,978 offers to accountants to apply through SkillSelect in the year to 23 June 2014.<sup>26</sup> This is more than for any other occupation except IT professionals (detailed below). Though not all of those invited will apply, the number of offers indicates the continuing strength of interest on the part of migrants accountants in obtaining a permanent entry visa.

There will be many more accountants visaed because this 5,000 ceiling only refers to the Skilled Independent visa subclasses. There is nothing to stop accountants being visaed in other visa subclasses, including the State/Territory nominated visa subclasses and the permanent entry employer sponsorship visa subclasses.

For 2014-15, the Coalition has allocated 28,850 visas (principal applicants and dependents) for these State/Territory visa subclasses. If the heavy users of this visa subclass, notably South Australia and Victoria, want to nominate accountants, they can do so. In 2012-13, State and Territories nominations resulted in 978 accountants (principal applicants) being visaed. There were also another 446 accountants visaed under the permanent entry employer sponsored visa subclasses. Employers can sponsor as many accountants as they like under these visa subclasses.

Why is the Government disregarding the current surplus of accountants? AWPA provides the excuse. But, there is more to it than this. The Government faces strong pressure from the overseas student industry to keep accountants on the SOL. Universities have already had to cope with a decline in accounting commencements on the part of overseas students from 17,100 in 2009 to 11,500 in 2012. The removal of accounting from the SOL would be a further blow. This is because access to the Australian labour market and the hope of acquiring a permanent visa is important in the marketing of such courses.

*Where are all these accountants (and cooks) coming from?*

This is a puzzle because, if the skilled migration program is really attracting the 'best and the brightest' and at the same time attracting skills that are in short supply, one would not expect the program to be delivering so many accountants (and cooks). The series of reforms implemented in 2010 and after were supposed to avoid such an outcome. The new selection system introduced in mid-2011 put greater priority on English language skills and work experience. In addition, since 2011, the accounting accrediting agencies have required an English standard of level 7 on the IELTS testing system. This is referred to as 'proficient English'. It is close to the level needed to perform a professional occupation. It is a demanding test which overseas student graduates from non-English Speaking Countries have had difficulty meeting.

Yet, in 2010-11, there was an enormous 14,000 accountants visaed in the permanent entry skilled stream, most of whom were visaed in the points-tested visa subclasses. Accountants were also by far the largest individual occupation visaed in 2011-12. In 2012-13, as indicated, a further 5,766 accountants were issue permanent entry skill visas (4,144 in the points-tested visa subclasses). By this time, accountants had been overtaken by cooks. The number of cooks visaed in the permanent entry skill program in 2012-13 surged to 8,449. Of these, 5,818 were visaed under the points-tested visa subclasses. Yet, cooks have not on the SOL since before 2010.

Those interested in the explanation will search in vain for an official explanation of this anomaly. To have admitted what was happening would have exploded the carefully cultivated story that the migration program was selecting skills currently needed in Australia.

The reason why so many accountants and cooks are being granted skilled permanent visas is that they represent the flow-on from the enormous stock of former overseas students who were in Australia at the time the 2010 reforms were announced. As of mid-2009, there were 386,523 people on an overseas student visas in Australia, about 80 per cent of whom were enrolled in higher-education and VET course.<sup>27</sup> Many of these had entered these courses with the expectation that it would lead to subsequent participation in the Australian labour market and ultimately, to a permanent residence visa.

When the reforms were introduced in 2010, some of these overseas students had already applied for a points-tested visa, or had obtained or applied for a Graduate Skills visa (485) which allowed them to stay for eighteen months with full work rights. They were given concessional rights to apply for a permanent residence points-tested visa and to be assessed under the rules in place before the 2010 reforms. The details of these concessions are complex and are explained in Appendix A.

This situation has meant that tens of thousands of accountants and cooks (among others affected – including hairdressers) remained in Australia under various visa conditions. This is why so many accountants have obtained permanent resident visas since, as well as the cooks, visaed in 2012-13. As noted, some of these former overseas students, including most of the cooks, were processed under the less rigorous pre-reform points-test rules.

We know this is the case because the DIBP visa-issued data set identifies those who were on overseas student visas at the time they applied for a permanent resident visa.

As of 1 July 2011, the Labor Government introduced a priority processing list which determined the order in which visa applications were processed. Since that time, applications from those sponsored by States/Territories and by employers have been given priority over those visaed under the points-tested visa subclasses since mid-2011 (all of whom had to have occupations listed on the SOL). All other applicants, including those benefiting from the 2010 concessions, including cooks whose occupation was not on the SOL, were placed at the bottom of the priority list. They were granted bridging visas with full work rights while they waited until there were places available for them. They have been ‘warehoused’.

The Labor Government told the overseas students affected by these new rules that would be put at back of the queue of applicants and that, among the options they could pursue, was to find an employer willing to sponsor them for a permanent or temporary entry employer sponsored visa. These arrangements meant that many thousands of former overseas students have been in the search of willing employers. As is documented below, this situation has helped undermine the integrity of these visa subclasses.

As regards the point-tested visa subclasses, places were subsequently found because DIBP ran out of applicants in the higher priority categories. The Department has, in effect, scraped the bottom of the barrel (in terms of its visa priorities) in order to achieve the migration program targets set by the Labor Government and more recently by the Coalition. This process has not yet ended. As of mid-2013, there were still 11,200 principal applicants in the warehoused group yet to be processed (mostly cooks and hairdressers).

This situation has had serious consequences for the quality of the skilled migrants visaed. Almost all of the overseas students in question were from non-English-Speaking-Countries (NESC) who had completed degree level courses or, in the case of the cooks, certificate three level courses at vocational colleges during the 2000s. Those with university qualifications have struggled to obtain professional jobs. Employers, including the major audit and consulting companies have been very reluctant to take them on for these roles. There is a great deal of anecdotal evidence which confirms that this is a continuing problem.<sup>28</sup> Our analysis of the job outcomes of former overseas students drawn from the 2011 Census is detailed in Appendix Two. It shows that only a small minority of



recently-arrived graduates in accounting and in other professional courses who were from Non-English speaking countries has been able to find professional positions in their field of qualification.

In the case of accountants, not surprisingly, the hardest hit of those struggling to find employment given the serious oversupply of applicants are the former overseas students.

The situation is different for other university graduates, particularly nurses and ICT professionals. For these resident graduates, the influx of migrants is having a serious impact on their employment prospects.

### *Other Skilled Occupations*

As stated at the outset, there is a growing number of professional occupations where recent graduates are finding it hard to get relevant jobs. This is evident in the health fields of nursing, and dentistry, as well as in ICT, engineering and of course in accounting. Problems are even emerging in the general practice labour market for medical graduates.

There is distinctive pattern emerging. This is that, during the resources boom, when shortages in most professional labour markets were evident, successive governments encouraged growth in domestic student enrolments. Young people responded strongly to the opportunities in the health fields. For a significant price in HECS debt and study time there appeared to be a guarantee of a good and well paid job.

This outcome is no longer assured as increasing numbers of graduates enter the labour market, just as job opportunities in professional fields are contracting and migrant competition is continuing. This is particularly in engineering as the resources boom has slowed, but it also holds in the health fields because of government budgetary belt tightening. In all of these professions, local graduates are facing competition from continued high levels of permanent and temporary migrants.

We have documented the case for GPs elsewhere. The number of domestic medical graduates doubled between 2006 and 2011. Yet, GP migration through the permanent and 457 programs has continued unabated. Australia is now 'awash with doctors'.<sup>29</sup> Even the AMA, which has hitherto been mute on the migration issue, is now recommending that the government should introduce labour market testing for intern and resident medical officer positions where migrants are sponsored for a 457 visa.<sup>30</sup>

Dentists too are hurting. According to Australian Dental Association's submission to the 2014 SOL review, there is a 'substantial oversupply in metropolitan areas.' The Association reports that the number of vacancies is 'substantially less than the number of graduates expected to enter the workforce.'<sup>31</sup> This concern is justified, given that there were 255 permanent entry visas issued to dentists in 2012-13. There will be even more in 2013-14 and 2014-15 since DIBP issued 330 invitations to dental practitioners to apply for a permanent entry visa through SkillSelect in the year to June 2014.

## *Nurses*

In the case of nursing, as with doctors, concerns about shortages during the boom years led to an increasing supply of nursing places in universities. The number of undergraduate completions in nursing increased from 5,650 in 2005 to 8,425 in 2012.<sup>32</sup> Partly because of this increase, nursing graduates can no longer readily find nursing appointments. Their indignation is palpable. Despite their investment and their expectations, nursing is not offering the immediate pathway to employment that they had expected.

Graduate nurses face a job market in which they must compete with large numbers of migrants. In 2012-13, there were 2,855 visas issued to registered nurses under the permanent entry skilled program and 2,853 in the 457 program. According to the Australian Nursing and Midwifery Federation (the nurses' union), hundreds of recent nursing graduates in each of the states of Queensland, Victoria, Western Australia and South Australia have been unable to find nursing positions.<sup>33</sup> Senator Lazarus is correct in drawing attention to the matter.

The Department of Employment, in its submission to AWPAs on the 2014 SOL, backs up these concerns. It states that, 'The labour market for nurses has eased considerably over recent years. National shortages are no longer evident and recruiting difficulties are confined to particular specialisations and specific locations.'<sup>34</sup>

The AWPAs were unmoved by these concerns. Nursing, dentistry and general medical practice were all left on the 2014 SOL. AWPAs applied the same rationale to the health occupations as for accountants. All the health occupations (and engineering) are on the Specialised Occupation List because a long period of training is required. In the case of nurses, the AWPAs summary on the profession states that nurses meet the required Specialised Occupation List criteria, because 'a substantial training commitment' is required, their skills are usually 'deployed for the uses intended' and their absence would result in 'high risk' in that a shortage would result in a 'significant cost to the community'.<sup>35</sup>

The AWPAs then argue that, should shortages arise, it would take a long time to rectify them. From AWPAs perspective (and the Coalition Government, since it accepted AWPAs recommendation) these longer-term issues trump the current oversupply of recently graduated nurses. These recent graduates have to suffer in the presumed longer-term interests of the nation. Apart from the AWPAs poor record of predicting future labour market demand, the response to this logic ought to be – so what? Given Australia's immense attractions to immigrant professionals, should domestic output fall short, it can easily be filled on a temporary basis through migration. That was the original purpose for setting up the 457 visa program.

As matters now stand, the 2014-15 quota for Registered Nurses under SkillSelect is 15,042. Fortunately, this enormous figure is unlikely to be reached, since for the year to June 2014 'only' 4,320 Registered Nurses were issued with invitations to apply for a permanent residence visa. In addition, there is no limit on how many Registered Nurses can be sponsored for 457 visas – an issue elaborated on below.

### *ICT professionals*

In the case of ICT professionals, the output of Australian resident graduates has fallen well short of the growth in demand for such professionals. This is in large part because resident higher education completions have fallen from a peak of over 9,000 in 2002, to around 4,500 in 2011.<sup>36</sup>

Immigrants have filled the void. There were 9,723 visas issued to migrants with ICT occupations under the permanent entry program in 2012-13 and 11,691 under the 457 visa program in the year to 31 August 2012.<sup>37</sup>

That immigrant recruitment into this field is dwarfing the resident contribution is a disturbing situation given current concerns about the need to create opportunities for young residents in skilled jobs. There is no doubt that the demand for ICT skills will increase. Yet, if the present pattern continues it will be immigrants that fill them.

Why have Australian residents turned away in droves from ICT courses? AWPA has pointed out in its ICT Workforce Study, published in 2013 that 'many students who pursue an ICT education experience difficulty in finding employment in the sector on graduation'. This is because 'there are a limited number of entry-level positions'.<sup>38</sup> This situation reflects the structure of the ICT industry. There is a high level of contracting or outsourcing of ICT functions. Employers have a 'just in time' view of their needs. Both the end-use business and the outsourcing firms want staff that have the knowledge base and experience needed to produce immediately at the lowest cost in wages.

This makes it hard for resident graduates to get a start. The ready availability of migrants means that there is no need to provide for the systematic training of new graduates. ICT consulting companies can bring in as many immigrants with specialist skills, such as in SAP, as they need on 457 visas. Sometimes, as is explored later, they recruit such migrants on terms and conditions that disadvantage resident ICT workers.

AWPA's study of the ICT workforce recommends a number of measures to improve training opportunities for residents. These are directed at arresting the precipitous slide in resident enrolments over the past decade. Remarkably, the Report has nothing to say about the contribution which the escalation of migration recruitment has played in this decline, nor any recommendation that it be reduced so that employers have a greater incentive to take or and train recent ICT graduates.

We conclude that, for the points-tested visa subclasses, there is no mechanism to exclude professional occupations from eligibility on account of a current oversupply. As we have seen, the AWPA does acknowledge that some of these occupations may be currently on the SOL are oversupplied. It even has a list of 'flagged occupations' which in effect signals that they might need AWPA's attention in future.<sup>39</sup> This list currently includes dentists and engineers. But, these occupations are all on the Specialised Occupation List, a list which trumps any evidence of current oversupply. Thus they all remain on the SOL.

## **The threat of employer sponsorship to job opportunities for Australian residents**

The SOL, imperfect though it is in shaping the selection of points-tested applicants, at least takes some account of whether the occupations are in short supply in Australia. But, in the case of those sponsored by employers under the permanent entry employer sponsorship visa subclasses, there is no reference to the local labour market at all. Consistent with the longstanding strategy to outsource migrant recruitment, Table x showed that the planning level for these visa subclasses in 2014-15 has been set at the high level of 48,250 places (principal applicants and dependents). The same is true for employers who wish to sponsor a migrant on a temporary entry 457 visa. Employers can sponsor who they like as long as the jobs are at trade level or above, and even at the sub-trade level under the 457 'Labour Agreement' arrangements.

Only a small minority of employers have to make any effort to demonstrate through labour market testing that they were unable to find residents for the work in question. This minority includes employers who sponsor migrants for a 457 visa in the trade occupations (Skill level 3) and at the professional level in nursing and engineering. This provision was legislated by Labor in July 2013. The occupations in question cover only about 35 per cent of 457 visa nominations.<sup>40</sup> As detailed elsewhere, while the labour-market testing requirements themselves have been considerably watered down by the Coalition government, they appear nevertheless to have reduced both the rate of 457 visa nominations and the approval rate for 457 visa nominations in all occupations subject to LMT.<sup>41</sup>

As indicated earlier, only around a third of those sponsored under the temporary entry 457 and the permanent entry employer sponsored visa subclasses have occupations listed on the SOL. This listing is irrelevant for the 457 program, but it is a good indication of the lack of targeting of the 457 visa program to skills in short supply in Australia. This situation should be raising red flags because, as the following analysis shows, employers are sponsoring migrants in some fields that are already demonstrably oversupplied.

### *The dynamics of employer sponsorship*

The employer sponsorship visa subclasses were originally intended to allow employers to bring in skilled migrants where vacancies existed. In the case of the 457 program, it allowed employers in multinational firms to transfer staff temporarily to Australia in order to train resident employees and to transfer skills. It still does play this role particularly at the professional and managerial level. But, increasingly, the 457 program is regarded by the sponsored migrants and by employers alike, as a pathway to permanent residence.

About half of all those sponsored on a 457 visa subsequently achieve permanent residence. Most do so through sponsorship by their employer for a permanent entry employer sponsorship visa. The great majority of all those sponsored in the latter visa subclasses (21,651 principal applicants in 2012-13) were already working for their employer on a 457 visa. Very few are sponsored from offshore. Successive governments have facilitated this process by granting concessions to employers who sponsor those already working for them on a 457 visa. For example, from mid-2012, the rules governing permanent entry employer sponsorship were modified so that, if the 457 visa holder had worked for the sponsoring employer for two years, there would be no test of the applicant's English language skills or any assessment of their qualifications.

There are advantages here to both employers and sponsored employees. Employers can benefit from employing someone on 457 visa because, if the sponsored person regards the sponsorship as a pathway to permanent immigration, he or she may be unwilling to leave the job with the sponsoring employer for two years (the qualifying period for an employer-sponsored permanent entry visa under the Temporary Residence Transition Stream); and willing to work on terms and conditions lower than the employer would have had to provide an Australian resident.

The employer holds the whip hand in this relationship because 457 visa holders are unlikely to protest given their desire to obtain permanent residence through sponsorship by their employer or their desire to prolong their work stay in Australia on a temporary visa. Employers are just as likely to be advantaged when there is a surplus of locals available for the work as when there is a shortage. In the former situation, an employer taking on a 457 visa holder when the economy is slack and competition in the industry in question is fierce, as in the food service and construction industries, may obtain a competitive advantage relative to other employers.

Given that both the employer and sponsored employee have an interest in keeping the arrangements secret, the evidence that such practices occur is largely anecdotal.

There is no lack of people willing to take on such arrangements. Employers are being inundated by migrants already in Australia on temporary visas who are desperate to find work, especially if it leads to a long-term temporary visa followed by permanent residence. As shown in Table 4, there are currently over one million migrants on temporary visas in Australia. Most have work rights. They are being allowed to churn from one temporary visa to another over extended periods, during which time they can make connections with employers who might be willing to sponsor them on a 457 visa.

The extent of this process is shown in Table 6. It indicates that, for the year to 31 August 2012, there were 30,032 457 visas issued to onshore applicants (just over half the total principal applicants visaed in this period). The table lists the top five occupations with the greatest numbers of those who succeeded in obtaining a 457 visa.

**Table 6 last substantive visa status of those issued 457 visas onshore, year to 31 August, 2012**

Occupation	WHMs	457	VET student *	Higher Ed student	Visitor	Temporary Graduate (485) *	Other	Total
Visa class at the time of 457 visa issuance								
Cooks	55	35	960	291	43	285	25	1,694
Program & project administrator	597	166	334	172	151	33	100	1,553
Marketing specialist	353	123	112	130	106	42	91	957
Carpenter	465	43	43	0	103	0	12	666
Chef	152	63	195	45	69	66	22	612
Other	7,336	6,987	2,014	1,926	3,532	430	2,325	24,550
<b>Total</b>	<b>8,958</b>	<b>7,417</b>	<b>3,658</b>	<b>2,564</b>	<b>4,004</b>	<b>856</b>	<b>2,575</b>	<b>30,032</b>

Source, DIBP, Department of immigration and Citizenship, 2013, (BE6153.02)

\* VET stands for Vocational Education and Training Student. The Temporary Graduate Visa (485) is for former overseas students who completed a higher education or VET qualification, who meet certain qualifying conditions. It permits them to stay on and work in Australia for up to two years.

### *Case studies - cooks*

It is no surprise to find cooks at the top of table 5. As noted, there are tens of thousands of former overseas students still in Australia, whose stay dates to before the 2010 skilled migration visa reforms. Though overseas student enrolments in VET cooking courses plummeted after 2010, there were large numbers enrolled who had not finished their course. They could apply for a Temporary Graduate visa (485), but not a points-tested visa because cooking was no longer listed on the SOL. Those who had enrolled in a hospitality course at the VET level since 2010 were in a similar situation.

Their main option for getting onto the permanent entry visa pathway was to find an employer willing to sponsor them for a 457 visa (or even better, a permanent-entry employer sponsored visa). As Table 5 shows, some 960 former VET students succeeded in gaining a 457 visa in the year to 31 August 2012 as did another 285 who held a 485 visa (most of whom would have completed a cooking course). Note that some 291 former higher education students also succeeded in being sponsored for a 457 visa as a cook, yet cooking is not taught in Australian universities!

As expected, thousands of these cooks are subsequently obtaining permanent residence via employer sponsorships. In 2012-13, some 2,631 cooks gained such visas under the employer sponsored visa subclasses, most of whom were already in Australia on 457 visas.

It is highly likely that employers are exploiting these former students' search for permanent residence. Since 2009, employers notionally have had to pay a minimum annual salary, which is currently \$53,900, or the 'market salary rate' defined as the same rate as an 'equivalent Australian worker' if higher than the minimum rate.<sup>42</sup> With on costs, an employer of one of these cooks would be paying some \$60,000. The average wage for cooks in Australia is \$35-40,000. Employers of these cooks are almost certainly violating the rules by paying less than the minimum amount and/or perhaps requiring extra hours beyond the award level.

It is highly likely that similar dynamics apply to some of the other occupations high on the Table 5 list, especially program administrators and marketing specialists. The functions of people in these occupations are so variable that it would be difficult for DIBP to check if the role they are performing is genuinely at the professional level. Most if not all genuine vacancies in such occupations could currently be filled by residents.<sup>43</sup> No labour market testing or any other proof that locals are lacking is required because these occupations are not Skill level 3 trade or nursing or engineering occupations (as noted, the only occupations for which labour market testing is required for 457 visas). There is no labour market testing requirement at all for the permanent entry employer sponsorship visa subclasses.

### *Nurses*

In the case of nursing, about half of the total of 2,855 visas issued to nurses in 2012-13 under the permanent-entry skilled program, were sponsored by employers. In the same year, employers sponsored another 2,853 nurses under the 457 temporary entry program. About half of these were nurses already in Australia when sponsored.

Employers continue to recruit nurses under the 457 program because it is an advantage to have staff tied to the job, given the benefits to employers of compliant and dependent staff in this and other sectors. Such nurses are also attractive to nursing home employers, where the wages and working

conditions make it harder to attract local graduates. There were 811 nominations for 457 visas in nursing from employers between 23 November 2013 and 31 May 2014.<sup>44</sup>

The twenty third of November 2013 is the date from which employers subject to labour market testing (including nursing) had to meet the labour-market testing requirements. The rate of nominations has slowed appreciably in nursing. However, it is not possible to assess how much of this reflects the current surplus of nurses and how much the labour market testing obligations are responsible, due to lack of data.

As with nursing, employers continue to sponsor large numbers of doctors, dentists and accountants, despite the evidence of oversupply in each of these occupations.

### **Lower-skilled occupations**

Each year around 350 000 young people aged 15-24 leave school, some 250,000 of whom enter the labour force. Since this latter group does not possess any post-school educational qualifications. They therefore have to find work in low-skilled entry level jobs. These include positions in the retail and hospitality industries.

The employment market is particularly tight for these jobs. Young residents have to compete for such work against recently-arrived migrants, particularly those on temporary-entry visas. The numbers of these migrants, as documented in Table 4, are large and growing. As we and others have shown, this competition is a major contributor to high youth unemployment.<sup>45</sup>

In the case of the WHMs (subclass 417), the numbers visaed grew from 185,480 in 2010-11, 214,644 in 2011-12 to 249,231 in 2012-13. Part of this growth stems from the increasing use of WHM visa holders, who are taking up the option (introduced by the Coalition Government in November 2005 and later extended by Labor) of an additional one year visa. They can obtain this if they work in a regional area in agriculture, mining or construction for 88 days. In 2012-13, 38,862 qualified for this second WHM visa. The country of origin of these WHMs has also changed with big increases from Ireland, Taiwan and Italy as well as continuing high numbers from Korea. Most of them are not coming for the traditional working holiday. Rather, they are job-hungry migrants. As is well known, WHMs now play a crucial role from the point of view of employers in the horticultural industries. It is often argued that by doing so they have become an essential ingredient to the viability of these industries. However, it is a mistake to generalise from this contribution to the total impact of the WHM presence in Australia. By far the majority of the WHMs in Australia spend their time in the major cities. They, along with students and other temporary visa holders, are proving to be ferocious competitors for the same entry level jobs that Australian resident youth are seeking.

The impact of these temporary-entry migrants is no accident. It is a product of a hands-off policy on the part of successive governments. The Labor Government could have, but did not cap any of the temporary entry visa subclasses, despite the deterioration of the Australian labour market since 2011. Nor has the Coalition Government moved to do so since taking office.

The temporary entry challenge has also been magnified by the accommodating stance of successive governments towards visa churning on the part of those holding temporary entry visas. They can

move from one temporary visa to another thus prolonging their presence in the labour force and their opportunities, as noted above, to find employers willing to sponsor them for employment on 457 visas and then subsequently for a permanent residence visa.

Table 7 indicates the number of those with an overseas student visa who successfully obtained another visa by visa type for 2011-12 and 2012-13. The numbers are huge – reaching 142,405 in 2013-14. Some 19,768 obtained a tourist visa.<sup>46</sup> It is extraordinary that this is allowed, given that DIBP must know that most of these former students will obtain the visa in order to continue working in Australia, even though it is illegal to do so. Another 18,833 obtained a 457 visa, 8,671 found a permanent resident to sponsor them for a spouse visa and 2978 extended their stay by obtaining a WHM visa.

This visa churning is perfectly legal, but nonetheless reflects the generous setting of the rules. We do not hold the data needed to detail the numbers of those holding a WHM or other temporary visa who engage in a similar merri-go-round of visa churning. It is likely to be on a large scale. The fact that Table 6 shows that 8,958 WHMs found an employer to sponsor them for a 457 visa in the year to August 2012, is an indication.

<b>New Visa</b>	<b>2011-12</b>	<b>2012-13</b>
Temporary Graduate (485)	35,273	31,833
Student	32,425	29,490
Tourist	26,442	28,484
Temporary Skilled Migration (457)	10,567	18,050
Partner	7,257	8,671
Skilled Independent	7,083	6,146
Regional Sponsored Migration Scheme	3,902	5,508
Other Skilled	4,717	5,248
Working Holiday Maker	2,810	2,978
Business	2,102	1,563
Onshore Protection	946	1,226
Employer Nomination Scheme	1,133	827
Other Temporary Resident	489	690
Other Family	476	687
Other Visitor	316	397
Other visa categories	713	607
<b>Total</b>	<b>136,651</b>	<b>142,405</b>

Source: DIBP, Student visa program quarterly report, BR0097, 30 June 2013

### *Concluding comments*

The main purpose of this study has been to lift the wraps that have hitherto shrouded the seriousness of the issues discussed and to expose the myths propagated to justify the current scale of immigration.

A key finding was that, as of May 2014, almost all of the net growth in jobs in Australia over the three years May 2011 to May 2014 has been filled by overseas born migrants who arrived in Australia since the beginning of 2011. To our knowledge this has never been mentioned in the labour market literature. It is certainly not acknowledged by the Coalition Government.

Readers will also search in vain for any acknowledgement that a high proportion of the skilled migrants being selected under the points-tested visa subclasses and the employer sponsorship visa subclasses are former overseas students benefiting from concessions dating to 2010. These



accountants, cooks and hairdressers (among others) are doing poorly in the Australian labour market and for the most part are not filling positions that are in short supply.

Those interested will find a recent literature questioning whether the SOL is actually functioning to ensure that occupations where there is a surplus in Australia are ineligible to apply for a points-tested visa. But for the most part this literature is buried in the official files of AWPA and other government agencies. It is hoped that our analysis will lead to changes in the Government's SOL methodology.

The findings indicate that action should be taken to ensure that Australian resident job seekers are given priority access to the limited number of net new jobs being created in Australia. This action must include a reduction in the permanent entry program such that it is restricted to migrants where there is well-documented case that the occupations are in short supply. This should be done by applying the SOL which is prepared for the points-tested visa subclasses to the employer sponsored subclasses as well. Currently, employers can sponsor persons to whatever skilled job they want. To the extent that exceptions are granted, employers should be required to show evidence that they have tested the market to ensure that no Australian residents are available to do the work.

There is also a need to establish caps on the number of temporary entry visas issued, particularly to WHMs, and to tighten the rules so as to diminish the current scale of visa churning.

## **Appendix A – the 2010 concessional arrangements**

To understand why so many cooks and accountants are currently being visaed under the points tested visa subclasses, we have to go back to 2010 when the skill selection system was tightened. In May 2010, a new SOL was announced, which did not include cooks or hairdressers. This spelled the end of the explosion of overseas student enrolments in hospitality training courses that had peaked in 2008 and 2009. This explosion had been driven by the expectation of overseas students that such qualifications would ensure that they could subsequently obtain a permanent-resident points tested visa.

A new points test for the points-tested skilled visa subclasses was introduced in mid-2011 which increased the minimum English language requirements. Then, in 2012, the Labor Government introduced a welcome reform in the form of the SkillSelect system. Prospective applicants for points-tested visas had to first lodge an expression of interest detailing their occupation and other qualifications relevant to the points test. They were only permitted to apply for a points tested visa if invited to do so by the Commonwealth government or by a State Government. These governments invited the best qualified.

Prior to SkillSelect, applicants in Australia could apply for a points-tested visa and, regardless of their merits, obtain a bridging visa with full work rights in Australia, pending the evaluation of their application. Since the introduction of SkillSelect this can no longer occur, since only those invited to apply have an entitlement to stay on in Australia once their student visa expires.

Unfortunately, the Labor Government grandfathered the impact of the reforms by granting significant concessions to overseas students who had completed a vocational or higher education courses as of early 2010. Those who had already applied for a points tested visa, were promised that when their application was eventually processed, it would be according to the rules at the time they applied. A further large number who held a Graduate Student visa (485) or who had applied for this visa by February 2010 were also given the right to be evaluated under the rules in place before February 2010. The only proviso is that they had to put in their application by the end of 2012.

As noted, most were warehoused because of their low priority on the processing priority list. Their processing began in earnest in 2011-12. This is why cooks and accountants have been the major occupations visaed in this and in subsequent years. In 2012-13, there were 11,277 principal applicants visaed in the Skilled Independent category in the 885 visa subclass. This subclass was composed entirely of those who were former overseas students and who were beneficiaries of the 2010 concessions. The scale of their impact can be gauged by the fact that the total number of principal applicants visaed under the Skilled Independent category in 2012-13 was 25,233.<sup>47</sup>

The Labor Government could have annulled the applications of those who had completed a cooking qualification (or any other qualification) and had applied before February 2010. If so, it would have had to return the application fees. It is likely that one of the reasons why these applications were not annulled was a reluctance to forgo tens of millions of dollars in revenue.

## Appendix B Job outcomes for former overseas students

The first major opportunity to assess the job outcomes for overseas born graduates came with the availability of the 2006 Census results. We examined the employment situation for recently arrived migrants (arrived in Australia between 2001 and 2006) who held a bachelor degree or higher by field of study. The Census did not indicate the place of study. However, by focussing on those recent arrivals who were aged 20-29 it was assumed that most would have been former overseas students who had gained their qualification in Australia. This is because the great majority of those visaed from overseas at the time were aged 30 or more, and conversely those visaed onshore were aged under 30 years.<sup>48</sup> Almost all of those visaed onshore would have been former overseas students.

The migrants in question were divided into Main-English-Speaking Country (MESC) and NESC birthplace groups. The latter group, reflecting the surge in former overseas students obtaining permanent residence onshore was much larger than the former. A far higher proportion of the 20-29 year olds born in MESC countries reported that they were employed in professional positions (48 per cent) than those born in NESC countries (19 per cent). The outcome for the parallel age group born in Australia was even better, with 56 per cent reporting that they were employed in professional positions.

There was some variation with the fields of study reported. For the NESC group with degree qualifications in ICT, only 23 per cent reported employment at the professional level. The result was the same for those with accounting qualifications. By far the best outcomes for the NESC group were for those with medical and nursing qualifications, of whom 45 and 53 percent respectively reported that they worked in a professional position.<sup>49</sup>

Employment outcomes, persons aged 25 to 34 years by birthplace and time of arrival, Australia 2011								
		Managers	Professionals	Other	Inad. Descr./Not stated	Not applic. *	Total	Total
	Field of qualification@	Per cent						Nos.
<b>NESC</b>								
<b>Arrived 2006-2011</b>	Management and Commerce	6	18	46	1	28	100	50,428
	Information Technology	4	37	32	2	25	100	20,382
	Engineering and Related Technologies	5	40	29	1	25	100	20,484
	Other	3	27	33	1	36	100	63,620
	Inad. Descr./Not Applic./Not stated	2	8	47	2	41	100	5,059
	<b>Total</b>	<b>4</b>	<b>26</b>	<b>37</b>	<b>1</b>	<b>31</b>	<b>100</b>	<b>159,973</b>
<b>MESC</b>								
<b>Arrived 2006-2011</b>	Management and Commerce	20	45	25	1	9	100	9,118
	Information Technology	13	62	16	2	7	100	1,760
	Engineering and Related Technologies	12	71	12	1	5	100	3,796
	Other	8	54	23	1	14	100	26,441
	Inad. Descr./Not Applic./Not stated	12	33	34	4	16	100	627
	<b>Total</b>	<b>12</b>	<b>53</b>	<b>23</b>	<b>1</b>	<b>12</b>	<b>100</b>	<b>41,742</b>
<b>Australia-born</b>								
	Management and Commerce	22	45	25	1	7	100	105,735
	Information Technology	13	61	18	2	6	100	21,120
	Engineering and Related Technologies	14	69	11	1	5	100	29,523
	Other	7	62	19	1	11	100	347,771
	Inad. Descr./Not Applic./Not stated	13	33	37	3	14	100	10,457
	<b>Total</b>	<b>11</b>	<b>58</b>	<b>20</b>	<b>1</b>	<b>9</b>	<b>100</b>	<b>514,606</b>

Source: ABS 2011 Census, TableBuilder  
 @ Bachelor degree or higher  
 NESC = Non-English speaking countries  
 MESC = Main English speaking countries (USA, UK, Ireland, Canada, New Zealand, South Africa)

## References

- 
- <sup>1</sup> These are original data taken from ABS, *The Labour Force*, May 2014
- <sup>2</sup> Christopher Kent, *Cyclical and Structural Changes in the Labour Market*, Reserve Bank 16, June 2014.
- <sup>3</sup> <http://bilbo.economicoutlook.net/blog/?p=28371>
- <sup>4</sup> *Senate Hansard*, 12 July 2014
- <sup>5</sup> Kruno Kukoc, *Key Issues in Skilled Migration to Australia*, Australia-Canada Roundtable on Foreign Qualifications Recognition, 13 April 2011, p. 13
- <sup>6</sup> DIBP, *The Outlook for Net Migration*, December 2013, p. 8
- <sup>7</sup> Some caveats must be noted in interpreting the data. The ABS Labour Force Survey numbers are all estimates that can vary from month to month because of sampling and seasonal factors. For this reason we have used the original estimates for May in each year. This removes some of the seasonal factors affecting employment. The numbers of recent arrivals are taken from ABS Labour Force Status Data Cube LM7 as of May 2014. They are all original estimates, not seasonally adjusted or trend estimates. We have reported on the overseas born arrivals since the beginning of 2011 because this is the most recent date of arrival reported in these ABS statistics. Finally, the estimates of job growth in Australia are for the period May 2011 to May 2014. By comparison the estimates for the number of recently arrived overseas born covers include all those who arrived since the beginning of 2011. The consequence is that if the figure of net growth in employment of 400,000 may be a slight underestimate, and thus overstate the contribution of recently arrived overseas born migrants to this growth.
- It is not possible to draw from the ABS data any precise estimate of the way the recently arrived overseas- born cohort has affected other Australian residents. This is because the estimates of the overseas born group, whether recent arrivals or not, as well as of the Australian born population are all outcomes of movements in and out of Australia, in and out of the labour market and in and out of employment within each group.
- <sup>8</sup> Chris Bowen, *Australia's Migration Program as part of Australia's Future*, 11 March 2011  
<[www.minister.immi.gov.au/media/cb/2011/cb160145.htm](http://www.minister.immi.gov.au/media/cb/2011/cb160145.htm)>
- <sup>9</sup> Bernard Salt, *The Big Tilt*, Hardie Grant Books, 2011, p. 17
- <sup>10</sup> Peter McDonald and Jeremy Temple, *Immigration, Labour Supply and Per Capita Gross Domestic Product: Australia 2010-2050*, DIAC, December 2010
- <sup>11</sup> Bob Birrell and Ernest Healy, *Scarce Jobs: Migrants or Locals at the end of the Queue?* Centre for Population and Urban Research, Monash University, 2013, pp 8-9
- <sup>12</sup> Christopher Kent, op. cit., p. 6
- <sup>13</sup> Business Council of Australia, *Submission to the Independent Review of Integrity in the Subclass 457 Programme*, May 2014, p. 4
- <sup>14</sup> CFMEU report analysing the 457 visa 2013 reforms, forthcoming, 2014
- <sup>15</sup> Bob Birrell and Ernest Healy, *Scarce Jobs*, op cit
- <sup>16</sup> AWWA, *Demand – Supply of Accountants*, March 2014, p. 26
- <sup>17</sup> Department of Education, *Employment and Workplace Relations*, Labour market Research – Accountants 2011-12, p. 1
- <sup>18</sup> Department of Employment, *Submission to the update of the skilled occupation list for 2014*, December 2013, pp. 12-13
- <sup>19</sup> AWWA, op cit., p. 16
- <sup>20</sup> Ibid, p. 36
- <sup>21</sup> AWWA *Specialised Occupations List*, accessed, 9/7/2014
- <sup>22</sup> AWWA *Specialised Occupations List*, accessed, 9/7/2014
- <sup>23</sup> Ibid, p. 42
- <sup>24</sup> Deloitte Access Economics, *Economic modelling of skills demand and supply*, AWWA, November 2012, p. 16
- <sup>25</sup> Ibid, p. 156
- <sup>26</sup> DIBP, Skill Select, unpublished data
- <sup>27</sup> Bob Birrell and Ernest Healy, 'The February 2010 Reforms and the International Student Industry', *People and Place*, vol. 18, no. 1, 2010, p. 76
- <sup>28</sup> For example, see Edmund Tadros, 'Graduates hit hard by decision to retain skilled migrant status of accountants', *AFR*, 7 July 2014
- <sup>29</sup> Bob Birrell, *Too Many GPs*, Centre for Population and Urban Research, March 2013
- <sup>30</sup> AMA, *Submission to the Independent Review of Integrity in the Subclass 457 Program*, April 2014, p. 4
- <sup>31</sup> AWWA, *SOL 2014 Submission*, Australian Dental Association
- <sup>32</sup> Australian Nursing and Midwifery Federation, *Submission to the 457 Integrity Review*, April 2014, p. 3
- <sup>33</sup> Ibid, p. 8

- 
- <sup>34</sup> Department of Employment, op cit., p. 24
- <sup>35</sup> AWWA, *Registered Nurses*, January 2012
- <sup>36</sup> AWWA, *ICT workforce study*, July 2013, p. 52
- <sup>37</sup> Australian Computer Society, *ACS Submission to Independent Review of Integrity in the subclass 457 programme*, May 2014, Appendix
- <sup>38</sup> Ibid, p. 14
- <sup>39</sup> AWWA, *Flagged Occupations*, March 2014
- <sup>40</sup> Question Taken on Notice, Supplementary Budget Estimates Hearing: 19 November 2013, Immigration and Border Protection Portfolio, (SE13/0310) Programme – 1.1: Visa and Migration
- <sup>41</sup> CFMEU report analysing the 457 visa 2013 reforms, forthcoming, 2014.
- <sup>42</sup> The 'TSMIT', or Temporary Skilled Migration Income Threshold.
- <sup>43</sup> In the case of 'Project and program administrators', the Labor 457 reforms of July 2013 included introduction of a skills assessment for visa nominations in this occupation from 1 July 2013. As a result, in 2013-14 (to 31 March 2014), 457 visa nominations have fallen by 70% compared to the same period in 2012-13 (from 1,704 to 515) – source, DIBP 457 visa grants quarterly pivot tables 31 March 2014.
- <sup>44</sup> Ibid, p. 40
- <sup>45</sup> Bob Birrell and Ernest Healy, op. cit; Brotherhood of Saint Lawrence, *Australian Youth Unemployment 2014: Snapshot*
- <sup>46</sup> DIBP, *Student visa program quarterly report*, 30 June 2013, p. 69
- <sup>47</sup> Data from the 2012-13 visa issued data set, DIBP unpublished
- <sup>48</sup> Bob Birrell Ernest Healy, 'How are skilled migrants Doing?' *People and Place*, Vol. 16 No. 1, 2008, Supplement, p. 5
- <sup>49</sup> Ibid, p. 9