

**The Australian Population Research Institute, Research Report,
March 2018**



Australia's Skilled Migration Program: Scarce Skills Not Required

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Executive Summary

As vexations flowing from record high net overseas migration mount, supporters of the permanent entry program have had to dig deeper to defend it.

These supporters include the Treasury and the Reserve Bank as well as business and property interests. They say that any major cut to the migration program would put in jeopardy Australia's 26 years of unbroken nominal economic growth. The Treasury emphasises that Commonwealth taxation revenue would also diminish, putting further pressure on the budget deficit.

Whatever the truth of these assertions, they do not cut much ice with the majority of voters who now think that immigration levels should be reduced. The Coalition government has had resort to other justifications. The chief one is that Australia's permanent entry skill program is delivering scarce skills vital to Australia's economic health. According to the PM, Malcolm Turnbull, it is 'state of the art' in this respect.

The focus of this paper is on whether these claims have any substance. They do not. This conclusion is based on recent unpublished data on the occupations of those visaed in the skill program. The key findings are:

1. The great majority of those visaed in the skill program are professionals, an increasing share of whom hold occupations that are oversupplied. On the other hand, it is delivering a negligible number of construction trade workers. This is despite housing industry claims that continued skilled migration is crucial to supplying the workers needed to provide the housing and infrastructure to accommodate Australia's booming population.
2. You might think that a skill program directed at recruiting scarce skills would prioritise the relevant occupations. That is not the case. In 2010 a Skills Occupation List (SOL) was introduced that made selection conditional on the applicant's occupation being in national shortage. Since that time this condition has been wound back, to be finally abolished in 2016.
3. The SOL has been replaced by a Medium to Long-Term Strategic Skill List (MLTSSL). This makes selection conditional on whether an occupation might be needed in two to ten years' time. The MLTSSL includes numerous professions that the government's own Department of Employment has judged to be oversupplied, including accounting and engineering.

As a consequence, most recently arrived skilled migrants cannot find professional jobs. This statement is based on new findings from the 2016 Census on the employment situation of skilled migrants who arrived in Australia over the years 2011-2016 (Table 2).

A huge number (256,504) of overseas born persons aged 25-34 who held degree or above level qualifications at the time of the Census arrived in Australia over these years. The vast majority, 84

per cent, came from Non-English-Speaking-Countries (NESC). Just (16 per cent) came from Main-English-Speaking-Countries (MESC).

Only 24 per cent of the NESC group were employed as professionals as of 2016, compared with 50 per cent of the MESC and 58 per cent of the same aged Australian-born graduates.

Australia is awash with graduates – as a consequence of past migration and growth in domestic university completions. By 2017, 38.5 per cent of Australian residents aged 25-29 held degree level qualifications and 40.3 per cent of those aged 30-34. This is high by international standards.

The recent surge in undergraduate commencements, particularly in the STEM disciplines, means that this trend will continue. Table 3 tells this story.

Implications

These findings mean that it is unlikely Australia will need any augmentation of its stock of professionals from migrant sources.

The Skill Stream program is deeply flawed. The paper explores its deficiencies. They go far deeper than the absence of any mechanism to select skills in short supply. For instance, the large State Sponsorship Category gives states the rights to sponsor skilled migrants but allows them to settle wherever they wish in Australia.

The program is not needed. Australia's employers would hardly notice if it was abolished.

The skill program, and its claims to be providing essential skills, is acting as a screen for its real purpose. This is to deliver the continued high population growth Australia's elites want.

Australia's Skilled Migration Program: Scarce Skills Not Required

For the year 2016-17, the Coalition government maintained the permanent entry migration program at around 205,000 (including the Humanitarian component). It has remained at this level for 2017-18. This is higher than during the resources boom era that ended in 2012, a period during which there were significant skill shortages.

Since 2012, Australia's real economic growth rate has dropped from around four per cent per annum to around 2.5 per cent. The skill shortages of the boom era have sharply diminished.

Why then is migration continuing at such a high level? It is largely because of priorities within elite economic policy institutions including the Treasury and the Reserve Bank that continuing high population growth is needed if Australia's nominal economic growth is to continue to grow strongly.

This concern has escalated since the end of the resources construction boom in 2012, when nominal growth slowed sharply. The slow-down has prompted a search for an alternative engine of growth while Australia makes the transition to what these policy elites like to think will be a return to the economic growth levels of the resources boom era. In the meantime, some temporary boost is necessary. The policy elites are of one mind that sustained high population growth, driven by migration, must play this role.

It is not just that low nominal growth will be read as a failure of the Coalition to get the economy going again. From the Treasury's point of view, low growth (that is without the population boost) means a slow-down in tax revenues. It will make it even harder for the government to rein in the budget deficit. This issue has magnified in recent years, as first Labor and then successive Coalition Governments have run high budget deficits reflecting the need to increase welfare and related expenditures at a time when growth in tax revenue has slowed.

From the elite policy-makers perspective, the arithmetic is simple. The Treasury and the Reserve Bank calculate economic growth outcomes as the product of population growth, the extent to which working-age people participate in the labour force and their productivity per hour worked. With the recent slow-down in the contribution of the latter two factors, it is therefore an urgent priority to maintain high population growth. Even better from the Treasury's perspective, most of the public costs of accommodating the extra people do not accrue to the Commonwealth, but to state and local governments.

Reserve Bank officials have made no bones on the matter. In an address to business economists when he was Deputy Governor, Philip Lowe asks what can be done to remedy Australia's post-resources boom slow down. He notes that over the past decade Australia has had almost the fastest rate of population growth amongst OECD countries. If we continue this policy, he says, it will drive Australia's economic growth since migrants 'will require somewhere to live, to work and to play'.¹ Hence Lowe and Assistant Governor Luci Ellis tend to play down housing unaffordability, even in Sydney and Melbourne.² Yet, our top two migrant destinations are also, in world terms, our top two epicentres of unaffordability.³

From the perspective of the Coalition's business and property constituencies, support for high population growth is never in doubt. More consumers, as Lowe points out, must be good for the bottom line.

Public resentment towards this strategy

The problem for the Coalition government is that there has been a surge in public concern about high migration. In 2017, for the first time in a decade, a majority of Australian voters indicated to the TAPRI survey of attitudes to immigration they thought immigration levels should be reduced. Some 57 per cent of Liberal voters and 46 per cent of Labor voters were of this opinion.⁴ Most of these voters indicated that they were concerned about the contribution of population growth to urban congestion, competition for services and jobs and the decline in housing affordability.

These are worrying settings for the Coalition, given that 2019 will be an election year. At the 2016 election the Coalition received 42 per cent of the primary vote. Since that time, its share of this vote in the opinion polls has dropped to around 35 per cent. Much of this drop is attributable to the surge in support for One Nation. This, in turn, probably stems from One Nation's campaign to attract voters via its anti-migration stance.

Malcom Turnbull faces a diabolic dilemma. Given that Labor is rock hard in its support for high migration, one of the Coalition's best chances of electoral revival is to take a tough stance on migration policy, thereby attracting some of the 46 per cent of Labor voters who would support such measures, as well as winning back some of the voters who have shifted to One Nation.

But how can this be done while the Coalition is presiding over record high immigration levels, and the Prime Minister that Turnbull deposed, Tony Abbott, is urging that the skilled immigration program be slashed?

The Coalition reframes its migration policy

The Coalition cannot say bluntly to those concerned about high migration that Australia needs more people in order to maintain Australia's '26 years of economic growth' record, increase tax revenues and satisfy corporate interests. By implication, this would be like telling voters that these macro goals require that they, the voters, have to put up with the costs such as rising housing prices, urban congestion and the like. Or, put another way, that their wellbeing is conditional on Treasury goals, rather than the other way round.

Instead, the Coalition's fall-back position is that immigration is delivering such an important boost to the nation's scarce skills and thus to the economy's growth, that to contract it would be contrary to everyone's interests.

On 11 December 2017, the Prime Minister, Malcolm Turnbull, was asked the following question on Q&A:

Could you explain Prime Minister, why you are allowing approximately 200,000 people to immigrate to this country every year, and are there any plans to limit this intake... What is the purpose of this massive intake?

The Prime Minister responded that:

Our immigration program is overwhelmingly skills-based. So, it is driven by the demands in our economy... As you have more demand for people with the skills that we need in our economy, then you will get more immigration... We're very focussed on making sure that we don't bring in skills from overseas unless there really is a skills shortage in Australia... I have to say, [It] is admired around the world. I'm not sure how popular Donald Trump is in this audience tonight, but he has been heard to speak very positively about our skills-based migration program, as indeed have many other country's leaders.⁵

As is evident from this statement, the PM is able to draw on and amplify the well-cultivated notion that Australia’s selection system is ‘state of the art’, and thus is well structured to deliver on his claims. Business representatives are forever making similar assertions. For example, here is Shane Goodwin, the managing director of the Housing Industry Association, in the aftermath of Tony Abbott’s recent proposals. Goodwin argues that any benefits flowing in housing affordability would be offset by a worsening of the shortage of skilled trades workers his industry is already experiencing.⁶

The Department of Immigration repeats the PM’s stance in its current justification for the migration program. In the Department’s January 2018 Discussion Paper on the 2017-18 migration program, it asserts that:

Economic/skilled migrants are those who have a skilled job offer in Australia, have talents, skills or experience Australia needs... Skilled migration primarily targets skilled people... who have the capacity to make a strong contribution to the Australian economy.⁷

The focus of this paper

The paper assesses these claims. It asks whether the migrants selected actually deliver the skills claimed, including the skilled tradespeople Mr Goodman says it is attracting.

To do so, it examines the operation and outcomes of the Coalition government’s Skill Stream program. This is composed of the 128,550 PAs and dependents identified in Table 1 for 2016-17 and again in 2017-18. The paper does not assess the 7,260 included in the Business Innovation & Investment Program Category. This, too, deserves scrutiny but, because the selection criteria are quite different from the other skill Categories, it needs a separate analysis.

Table 1: Skill Stream by Category, 2016-17 (Principal Applicants and Dependents)

Category	Visas issued
Employer Sponsored	48,250
Skilled Independent (points-tested)	43,990
State and Territory and Regional Sponsored (points-tested)	28,850
Business Innovation and Investment Program*	7,260
Distinguished Talent*	200
Skill Total	128,550

Source: Department of Home Affairs, Managing Australia’s Migrant Intake, 2018, Table 1

* These Categories are not discussed in this report

The major findings

The Skill Stream is indeed recruiting permanent migrants with skilled occupations, by far the largest share of which are professionals. However, the claim that it is attracting scarce skills is a myth. This conclusion is based on the following findings.

1. Only a small proportion of recently-arrived migrant professionals are actually employed in professional positions (Table 2).
2. The selection system does not prioritise professional occupations where there are skill shortages in Australia. As a result, it is delivering large numbers of professionals in fields that

are currently oversupplied, including accounting, engineering and many of the health professional fields. This is a major reason why most recently arrived degree-qualified migrants are not in professional employment (Table3).

3. To the extent that the Skill Stream prioritises scarce skills, it only does so for skills that the government says *might* be needed in the medium to long-term.
4. The paper refutes the basis of the government's claims that these skills *might* be needed. Australia is awash with graduates from both domestic and migrant sources. Demand for graduates may grow, but so too will supply. Domestic student commencements are increasing rapidly (Table 3). This is in part because governments, educational authorities and innovation advocates are all encouraging young Australians to enter university, particularly in STEM disciplines and in part because the recent deregulation of university enrolments has financed this expansion.

The selection system: some background

The claim that skilled migrants might be needed in future has much in common with a longstanding theme in immigration advocacy in Australia. This is that immigrants, if carefully selected, will add to Australia's human capital and thus its long term growth prospects. To the extent this claim is accepted, it justifies the maintenance of high numbers even during periods when the labour market is weak.

In the decades that I have dealt with immigration planning officials, one constant has been their desire not to 'have to turn the program on and off like a tap'. Nonetheless, there have been periods of reform when the selection system was tightened, giving some basis for claims that it is 'state of the art'.

One, implemented at the end of the 1980s, which is still in place, was that to be eligible for selection, migrants had to possess the credentials required to be employed at the managerial, professional or trade level in Australia. Since that time the possession of significant human capital (such as higher degree qualifications and English skills) has no longer been sufficient if the applicant did not meet the credential requirement. For example, those with an Arts degree but no occupational credential, as in teaching or librarianship, were no longer eligible for selection.

Another, legislated in the 1990s and still in place, was the deletion of most of the points concessions once available for those with a relative (such as a brother or sister) living in Australia.

Things started to go wrong in the early 2000s. At this time, the Howard Government, granted various concessions to overseas students trained in Australian universities if they applied for a points-tested visa. These students were, after all, trained in Australia, at their expense and to our specifications.

This strategy turned into a disaster by the late 2000s because the Australian government extended these concessions to overseas students who had acquired trade credentials in Australia, including cooks and hairdressers. Private providers specialising in such training multiplied.

In the case of graduates from Australian universities, there was minimal assessment of their English language capacity either before enrolment or after they had completed their degrees. To the embarrassment of Australia's universities, it was later established that many of those being visaed had poor English skills, yet had nevertheless been certified as graduates.⁸

Such was the embarrassment that, towards the end of the Howard led Coalition government, then during the Rudd and Gillard led Labor governments, it prompted two fundamental reforms to the skilled migration program. These serve as the starting point for the subsequent analysis of the various Skill Stream Categories as they have operated since around 2012.

One was to expand the number of migrants visaed through the employer sponsorship and state sponsored programs. This reflected concerns about the skill shortages emerging as a result of the resources investment boom over the years 2003 to 2012. The expansion was achieved by extending the rights of employers to sponsor migrant workers, both on a temporary basis via a 457 visa and, subsequently via a permanent entry employer sponsorship visa. The role of the states in sponsoring skilled migrants was also increased.

The justification for these changes was that employers and states were best able to select migrants where there were genuine skill shortages.

The second major change was a reformulation of the points test that determined eligibility for the Skilled Independent category. A new points test implemented in 2011 strengthened the English language requirement and put more emphasis on occupational experience.

However, the major reform was that applicants for a points-tested visa had to have an occupation listed on a Skills Occupation List (SOL). This was first introduced in 2010. Only occupations requiring trade level credentials or above were included on this list, and they had to be in national shortage as judged by the Department of Employment. Cooking and hairdressing were excluded (and remain so).

This was a central reform. It has helped lay the foundation for the still widespread (but erroneous) belief that when the Australian government recruits skilled migrants it takes account of whether their skills are needed to meet current shortages.

We now turn to exploring how what has happened to the Skill Program since these reforms were implemented.

Unfortunately, readers wanting to understand what happened will have to endure some detail on each of these Skill Categories. The data on occupational outcomes and other characteristics of the PAs visaed are derived from unpublished data provided by the DIBP.

The Skilled Independent Category (points-tested)

The Skilled Independent Category is not quite the flagship of the migration program that it used to be. Nonetheless, the program target for 2017-18 remains quite high, at 43,990 (PAs and their dependents).

The reformulation of the selection system in place by 2011 did not last long, including its central component, the SOL. It was a casualty of the slowdown in Australia's economy after the end of the resources boom in 2012. One consequence was that some of the occupations that had attracted the largest number of applicants, including accountants and engineers, ceased to be in national shortage.

The response of successive Australian governments has been to water down the national shortage requirement for the SOL. This began in 2014, when the government's then workforce planning agency, the Australian Workplace Planning Authority (AWPA), came up with a list of occupations that it entitled a Specialised Occupations List. These occupations were defined as those 'that are of

high value and where skills take a long time to develop and acquire'.⁹ This list included most of the occupations like accountants that were not in national shortage by 2014. Inclusion of such occupations on the Specialised Occupations List justified their maintenance on the Skills Occupation List at the time.

When the Department of Education and Training took over the management of the SOL in 2015, it pronounced the end of the national shortage criteria in no uncertain terms. The Department's advice to those proposing submissions to the formulation of the 2016-17 SOL was that it was only concerned:

With 'medium to long term' skills needs rather than immediate skills shortages. As such the Department of Education and Training is only seeking information on longer term trends rather than immediate shortages and costs. 'Medium to long term' means 2-10 years.¹⁰

In 2016 the SOL was abolished. It was replaced with a Medium and Long-term Strategic Skill List (MLTSSL). All traces of the original intention to take account of the current state of the labour market in the skill selection system were eliminated.

Eligibility for the MLTSSL is determined by official judgements that there could be *future* skill shortages in the listed occupations. The DIBP put it thus in reference to the design of the 2016-17 skill program:

The Skilled Independent category, with its human capital focus, is designed to address medium to long term skills shortages, noting future skill needs are not possible to forecast with great accuracy.¹¹

Nonetheless, the MLTSSL forecasts for skill shortages over the long term, despite the difficulties of determining how skilled occupations themselves might evolve or regroup over a ten-year span, let alone what occupational 'shortages' might be at the forefront of that future economy.

Almost all the occupations on the original SOL are included on the MLTSSL, including accountants. This is despite the fact that the Department of Employment concluded in its 2017 review of the occupation that: 'The supply of accounting graduates exceeds demand, with advertised accounting positions attracting large numbers of degree qualified applicants (compared with the average across all assessed professions).'¹²

The MLTSSL also includes engineers. Yet, according to the Department of Employment's latest assessment of the engineering labour market: 'None of the (engineering) occupations assessed in 2017 were found to be in shortage, although some employers had difficulty recruiting civil engineering professionals'.¹³ As engineering labour market analyst, Jim Oakley, has documented, apart from civil engineering, the job prospects for Industrial, Mechanical and Production Engineers, amongst other engineering specialties, are grim.¹⁴

The oversupply situation is similarly serious in some of the health professions, including medicine. This is largely because of a huge increase in the number of domestic students doing medicine courses. On this account, the Department of Health has recommended that most medical specialities, including General Practice, should be removed from the MLTSSL.¹⁵ Nevertheless, these occupations, too, remain on the MLTSSL.

How about nurses? The Skill Stream has long been said to have a crucial role in augmenting Australia's stocks of nurses. However, the Labour Market Branch of the Department of Employment reported in 2017 that there were only limited shortages of nurses in Australia. Employers reported difficulties in recruiting specialised nurses in Victoria. However, for NSW there was no shortage,

‘with nearly all employers across NSW able to fill their vacancies with ease.’¹⁶ The situation was similar in Queensland, except for some shortages in experienced staff.

These nursing shortages are not likely to last long because there has been a huge increase in undergraduate nursing commencements in Australia’s universities. As detailed below, in Table 3, these commencements increased from 13,409 in 2011 to 19,971 in 2016.

Why eliminate the SOL?

This decision reflects the increased urgency on the part of successive Coalition Governments since the end of the resources boom in 2012 (described at the outset) to maintain a high immigration program.

This could not occur if the range of occupations eligible for the Skilled Independent Category (and other Categories detailed below) were reduced on account of the operation the SOL.

Another factor was pressure from the overseas student industry. By 2013 overseas student commencements in Australia’s universities had begun to fall, reflecting the tougher selection system that has been in place since 2011. Around half of all overseas students enrol in business and commerce courses, where most do the required accounting courses needed to attain the credentials to apply as an accountant or auditor for a Skill Stream visa. Many others do engineering courses. Should such occupations have become ineligible it would have dampened future enrolments.

The replacement of the SOL by the MLTSSL solved both problems. The MLTSSL functions to keep the visaed issued numbers up and it removes the threat that overseas student enrolments might decline. Indeed, higher education commencements by overseas students have risen strongly since 2014.

Occupations visaed within the Skilled Independent Category

Here’s a brief summary of the skills recruited via the Category for 2016-17. They were almost entirely professionals – 20,433 out of a total of 21,657 PAs visaed. Just 788 were technicians or trades workers.

The largest occupational category was engineers, with 5,502 visaed. Only 1,219 of these were civil engineers. Most of the rest held qualifications in engineering fields that are seriously oversupplied, including 1,355 industrial, mechanical and production engineers and 570 chemical and materials engineers.

The next largest occupational group in 2016-17 were systems analysts and programmers, of whom 5,204 were visaed. There were another 1,940 ICT network professionals visaed. A case can be made for this recruitment, though, even here, the Department of Employment’s latest reports indicate that recent graduates face difficulties finding employment as ICT professionals.¹⁷

The same cannot be said for the next largest group, accountants and auditors, of whom 2,381 were visaed. The extent of their oversupply, as noted, has been well documented.

On the other hand, as indicated, there were a negligible number of visas granted to PAs who were technicians or trades workers. Only a few held occupations in the construction area, where there really is evidence of shortages. There were just 102 carpenters, 17 bricklayers, 114 electricians and 47 plumbers.

What is the attraction?

You might be wondering why the Skilled Independent Category is attracting so many professionals, when employment prospects in engineering, accounting and the like, are poor. The reason is that there is a huge pool of professionals in Asia who would like to move a country with Australia's salary levels and quality of life. There is also an expanding number of Asian graduates from Australian university courses who want to convert their qualification into a permanent entry visa. Many of these professionals are not put off by Australia's soft labour market in some professions. As our data on the poor employment outcomes (examined below) for these migrants show there is a raft of evidence that such outcomes have been evident for years.

What this means is that recruitment to the Skilled Independent Category of the Skill Stream (and to some extent the other Categories to be examined) is being driven by migrant demand, not Australia's skill needs. The only qualification is that DIBP has introduced ceilings on the number of visas that can be issued to individual occupations. These are so high as to have little impact, with the partial exception of accountants.¹⁸

The Employer Sponsored Visa Category

This visa subclass is now the largest component of the skill program, with 48,250 visas (for PAs and dependents) in 2016-17. It has also been given the highest priority by DIBP in processing visa applications. As indicated, this category was expanded to reflect employer concerns about scarce skills during the resources boom. In effect immigration selection was outsourced to employers. They were given the right to sponsor migrants with occupations at trade level or above under the 457 visa program and then, after a minimum of two years of work on this temporary visa, migrants could be sponsored by the employer as a permanent resident.

This initiative certainly succeeded. Currently, more than 80 per cent of those sponsored for an Employer Sponsored permanent entry visa previously held a 457 visa with the sponsoring employer.

However, since the resources boom ended, the program targets for the Category have been maintained despite the contraction in demand for skilled labour.

There was a total of 22,177 visas issued to PAs in the Employer Sponsored Category in 2016-17. Much of this involved the sponsoring of lower level managers. In 2016-17, 1,299 café and restaurant managers were sponsored, as were another 588 customer service managers and 483 retail managers. There were 7,580 technicians and trades workers visaed, but by far the largest numbers held food trade occupations. In 2016-17, 2,018 cooks were visaed, along with another 671 chefs and 344 bakers and pastry cooks.

In the aftermath of the decline in resource project investment since 2012 it is no surprise that sponsorships related to the industries affected (especially in the mining industry) have sharply declined. There has been a partially compensating boom in metropolitan construction (as for infrastructure and apartment building) yet sponsorships for construction professionals and tradespersons are notable for their absence. In 2016-17, only 128 civil engineers were sponsored by employers, along with 345 carpenters, 98 bricklayers, 131 electricians and 133 plumbers.

Given the frequent complaints from IT employers about local skill shortages one might have expected that the IT industry employers would be active users of this visa. They are certainly active in sponsoring migrants on temporary 457 visas. In the case of the largest IT occupational group,

Software and Applications Programmers, there were 4,909 temporary 457 visas issued to PAs with this occupation in 2016-17. Yet just 412 principal applicants in this occupation were sponsored for permanent residence by employers in 2016-17.

Reform of the Employer Sponsored Category

The Coalition government has recognised some of the Employer Sponsorship Category's limitations. In April 2017 it announced major reforms to both temporary and permanent entry employer sponsored visas in its *457 visa reset*. The 457 visa will be replaced in March 2018 by a new Temporary Skill Shortage (TSS) visa. The change was made because, in the words of the Permanent Head of the DIBP, Mike Pezzullo, the 457 program had become a 'bloated out and proxy pathway to permanent residence'.¹⁹ In addition, as indicated, much of the sponsoring has been for lower level management occupations and the food trades.

The government's reset will sharply contract such sponsoring. It will prohibit employers sponsoring persons employed on 457 visas, unless they hold designated professional or trade occupations.

If implemented as proposed, these measures will sharply contract the number of Employer Sponsorship visas to around a third of the current level. This is because in 2015-16 only 6,757 of the total number of PAs (22,091) sponsored by employers for permanent residence held occupations that will be eligible for sponsorship after March 2018.²⁰ A similar outcome occurred in 2017-18. Hardly any of the lower level management occupations so important in 2015-16 and 2016-17 or in the food trades (except for chefs) will be eligible for sponsorship.

What is the proposed new basis for Employer Sponsorship? In making this decision, the Coalition had the opportunity to deliver on its stated objective to restrict sponsoring to those with the scarce skills needed to keep the economy humming. It could have limited the range of eligible occupations to those where there was a verified case that the skills in question were in short supply.

The Coalition did no such thing. Instead, it announced that the eligible occupations (from March 2018) will be restricted to those listed on the MLTSSL. These, as noted, include occupations that *might be* needed in two to ten years, like accounting and engineering, but which are currently oversupplied.

True, when the new rules are implemented, sponsoring employers will need to establish, via labour market testing, that no domestic workers are available to do the work. But why not remove any doubt by confining the list of eligible occupations to those currently in short supply in Australia?

The Coalition has not answered this question. It may be that, if it had required that the occupations eligible were in shortage now, it would have raised pointed questions about its decision to make the MLTSSL the basis for the Skilled Independent Category. Or perhaps it did not want any further reduction in the Skill Stream numbers.

State & Territory & Regional Sponsored Category

This Category consists of two visa subclasses, the State & Territory visa, subclass 190 and the Regional Sponsored visa, subclass 489. They differ significantly, so need to be analysed separately.

Visa subclass 190

Like the Employer Sponsored Category this subclass was expanded during the resources boom, on the grounds that the states, being closer to their own employment markets, deserved a larger role in the selection of skilled migrants.

The program quota in 2017-18 for the 190 visa is for around 24,000 PAs and dependents.

The way the visa subclass works is that each State and Territory prepares a state migration plan in which it indicates the occupations it believes to be in short supply in its jurisdiction. States can draw on an enormous list of potential occupations, including those on the MLTSSL as well as the hundreds eligible to be sponsored for a 457 visa, but which are not on the MLTSSL.

For the most part, the state migration plans, which have to be approved by DIBP, are restricted to occupations on the MLTSSL. Some states also specify additional minimum experience and English language requirements.

Unlike the Employer Sponsored Category, the states do not sponsor migrants for jobs where there is an established vacancy. There is no actual or implied guarantee of a job should an applicant be sponsored by a state under visa subclass 190. Nor can the sponsoring state compel the migrants it sponsors to live and work within its jurisdiction. If, for example, they are sponsored by South Australia, but wish to locate in Sydney or Melbourne, they can.

The states make their choice of migrants to sponsor from those who fill out an expression of interest, indicating that they would like to be sponsored. The procedure is much the same as that for those seeking a Skilled Independent visa. The same points test must be passed for both visas, though those who are sponsored by a state or territory receive bonus points on account of the sponsorship.

Applicants who think that their best chance is to apply for a 190 visa are required to specify which state or territory they want their application to be considered by. The states and territories then make their choice as to who to sponsor from this stock of applicants.

The occupation outcome

Given that the state migration plans focus on MLTSSL occupations, it will be no surprise that in 2016-17, of the total 8,499 PAs visaed under subclass 190, some 6,701 were professionals. The largest professional occupation was IT professionals, but there were also 1,240 accountants and auditors visaed and 682 engineers. Only 827 were technician or trades workers.

As to the regional location of these migrants, it reflects, of course, the keenness of the states to participate in the sponsoring process. NSW was the largest participant in 2016-17. Of all 190 visa subclass migrants, 2,209 (or 39 per cent of the total) indicating that they intended to settle in NSW.

The NSW concentration may surprise. NSW, in the days when Bob Carr was Premier, wanted nothing to do with sponsoring migrants. The current NSW Liberal government is on a different page. The NSW State Migration Plan's list of eligible occupations comprises the entire MLTSSL (including accountants and auditors). This explains why so many accountants and auditors were visaed. Almost all, 803 out of the 1,240 visaed, indicated that they were heading for NSW.

Presumably, this choice reflects the NSW government's priority to stimulate further economic growth in NSW, regardless of Sydney's housing unaffordability and congestion problems, or the oversupply situation in some of its professional labour markets.

Another big player was South Australia. The South Australian government has long put a high priority on population growth and to this end has been active in sponsoring migrants. In 2016-17 some 1,209 of all of those issued with a 190 visa indicated an intention of locating in SA. This is far more than the 233 intending to locate in Western Australia or the 812 intending to locate in Queensland.

The state sponsorship visa subclass is deeply flawed. It has little to do with filling scarce skill vacancies in Australia. And, as noted, to the extent that states really do sponsor migrants who could fill such vacancies, there is nothing to stop the sponsored migrant from locating in another state.

The Skilled Regional visa subclass (489)

This provisional visa subclass had a planning target of 4,800 PAs and dependents for 2016-17. The 489 visa subclass is a relic of the Hawke era when the Labor government at the time was keen to provide new migration opportunities for the family members of its ethnic constituency and when state governments, particularly the Kennett-led Liberal government in Victoria, were clamouring for a role in the migration selection process.

The 489 visa subclass embodies remnants of this influence. It allows a wide range of relatives, including nieces and nephews who live in Designated Areas (detailed shortly), to sponsor a relative. To gain a visa, the sponsored relative must be able to meet a 60 point pass mark on the same points test used for the Skilled Independent and 190 visa subclass (though like the 190 visa there are concessional points flowing from the sponsorship). Applicants must also possess an occupation on the MLTSSL. If successful, a sponsored applicant gains a provisional visa, which can be converted to a permanent entry visa if the applicant lives and works for two years in a Designated Area.

There is another pathway to access the provisional 489 visa. This is where a State or Territory government nominates the applicant. Only a few migrants choose this option. Though there is a wider range of eligible occupations, the applicant will have to live in a 'regional or low population growth area' while the two year residence requirement is fulfilled.

Sponsorship by a relative seems to be the preferred route because the Designated Areas include all of Australia, except Sydney and Brisbane. This means that Melbourne, Canberra and the Gold Coast are eligible locations. The presence of Melbourne on this list reflects the lobbying of the Kennett government in the early 1990s.

Most of those visaed are professionals. For 2016-17, 1,483 of the PAs selected were professionals out of a total of 2,262 PAs visaed. Of these professionals, 366 were accountants and auditors and just over 400 were engineers, 77 of whom were civil engineers. Very few technicians and trades workers were visaed under this visa subclass.

Implications

The first focus is on how are all these Skill Stream migrants doing in the Australian labour market?

The second is on the Coalition's government's human capital stockpiling strategy. Even if not needed now, could these skilled migrants find a productive place in the medium to long-term as the government assumes?

Current labour market outcomes

As noted, with the exception of the Employer Sponsorship Category, most of the PAs visaed in the Skill Stream were professionals. PAs with professional occupations in this Stream made up 36,322, or 60 per cent of the total number of 56,017 PAs visaed in 2016-17. In 2015-16, the equivalent numbers were 39,365, or 65 per cent of the total number of 60,735.

These PAs are being recruited from both onshore and offshore locations. In 2016-17, 21,805 of the total number of professional PAs visaed applied from onshore locations and 14,517 from offshore locations. Most of the former would have been former overseas students who graduated from Australian universities.

The professional job markets they are entering are getting tighter, as the Department of Employment labour market reports cited above indicate. As a consequence, successive Graduate Destination Surveys report that even domestic graduates are finding it far tougher to gain professional level jobs than was the case a decade ago. The *2017 Report on Graduate Outcomes* indicates that, for those domestic students completing an undergraduate degree in 2016 and seeking employment in 2017, only 53.5 per cent were employed as professionals and 6.2 per cent as managers (this was as of April 2017). For those graduating in science and mathematics, the share employed as professionals was 40.8 per cent, for engineers it was 68.3 per cent, for computing graduates, 65.4 per cent and for those completing business and management courses, 47.7 per cent.²¹

If domestic graduates are finding the job market tough, this does not bode well for migrants. This should not surprise, since there is a huge literature on the difficulties that professional migrants face in Australia, especially if they come from Non-English-Speaking-Countries (NESC), as most do.

The best measure of these outcomes comes from the Census, from which it is possible to count all those who are recently arrived migrants and who possess degree level or above qualifications by field of qualification and by their employment status at the time of Census.

We first did such an analysis for the 2006 Census. This showed that only a minority of recently arrived graduates from Non-English-Speaking-Countries (NESC) were employed in professional positions.²²

This analysis was repeated for the 2011 Census. For this analysis, the results were reported for all Australian residents with graduate or above level qualifications, who, at the time of the census, were aged 25-34. They are divided into three groups, those born in NESC, those born in Main-English-Speaking-Countries (MESC) and those born in Australia. In order to get at the outcomes for recently arrived migrants, the overseas born were separated into those arriving over the previous five years (2006-2011) and those arriving before 2011.

The headline result was that just 26 per cent of the recently-arrived NESCs reported that they were employed as professionals in 2011, compared with 53 per cent of the MESC and 58 per cent of the Australian-born.²³

The following section provides the results of a parallel analysis based on the 2016 Census. This is the first time these outcomes have been published. Most of the overseas born identified would have been recruited under the Skill Stream, though some would have been visaed under the family stream and some would have been in Australia in 2016 on a 457 visa.²⁴

The labour market outcomes for overseas-born graduates in 2016

First of all, note the preponderance of NESC professionals. It can be calculated from Table 2 that 84.4 per cent of all the overseas-born graduates in the 25-34 age group who arrived in Australia between 2011 and 2016 were NESCOs.

Now the results: Table 2 shows that just 24 per cent of the NESC stream arriving between 2011 and 2016 had found professional level jobs by 2016 and another five per cent had found managerial jobs.

Table 2: Employment outcomes, persons aged 25-34 years with bachelor or higher degrees by birthplace and time of arrival, Australia 2016

	Field of study of highest qualification	Managers	Professionals	Other	Not available [^]	Not applic.*	Total	Number
NESC								
Arrived 2011 - 2016	Management and Commerce	7	16	43	1	34	100	65,049
	Information Technology	4	41	27	1	27	100	28,068
	Engineering & related technologies	5	30	33	1	31	100	32,808
	Other	3	23	34	1	38	100	83,690
	Not available [^]	3	8	39	3	46	100	5,148
	Total		5	24	36	1	35	100
MESC								
Arrived 2011 - 2016	Management and Commerce	22	42	27	1	7	100	8,925
	Information Technology	13	62	17	1	6	100	1,226
	Engineering & related technologies	13	60	19	1	8	100	2,824
	Other	10	51	26	1	12	100	28,116
	Not available	14	30	36	5	15	100	648
	Total		13	50	26	1	11	100
NESC								
Arrived before 2011	Management and Commerce	13	30	40	1	16	100	104,174
	Information Technology	11	42	33	2	12	100	28,648
	Engineering & related technologies	11	47	27	1	14	100	25,056
	Other	6	51	26	1	16	100	101,504
	Not available	8	16	46	5	25	100	5,910
	Total		10	41	33	1	16	100
MESC								
Arrived before 2011	Management and Commerce	24	40	26	1	8	100	9,961
	Information Technology	17	59	17	2	6	100	1,499
	Engineering & related technologies	15	63	15	1	6	100	3,188
	Other	9	57	22	1	11	100	31,634
	Not available	15	32	33	4	15	100	864
	Total		13	54	23	1	10	100
Australia-born								
Australia-born	Management and Commerce	22	43	27	1	7	100	114,641
	Information Technology	14	58	19	1	7	100	17,892
	Engineering & related technologies	13	66	15	1	6	100	34,478
	Other	7	62	21	1	10	100	413,197
	Not available	12	33	36	5	14	100	11,281
	Total		10	58	22	1	9	100

Source: ABS 2016, TableBuilder data set

NESC - Non English speaking countries

MESC - Main English speaking countries (New Zealand, UK, Ireland, USA, Canada and South Africa)

[^] Not available includes inadequately described and not stated

* Not applicable relates to those who are unemployed or not in work force

Table excludes around 20,000 degree-qualified persons in the age group who could not be classified by birthplace and/or year of arrival.

This is slightly worse than for the recently arrived cohort of graduates from NESC locations in 2011, and hardly surprising given the deterioration of the professional labour market since 2011.

As with previous Census reports, graduates from non-NESC locations are doing much better. Fifty per cent of the MESC stream arriving between 2011 and 2016 were holding professional level jobs and 13 per cent managerial jobs. The best outcomes were for the Australian-born 25-34 year olds. 58 per cent of them held professional level jobs and 10 per cent managerial jobs as of 2016.

Why is this the case? First of all, there is a huge number of graduates seeking professional employment. That might be OK if the demand was there. But, because of the tough labour market conditions described above, there are currently more applicants than available positions in many professions.

Why are recently arrived migrants from NESC locations doing so poorly?

Employers can take their pick. They are choosing their employees from the MESC and the Australian-born cohorts. They have an enormous advantage because of their English language proficiency and in the case of the Australian-born, their cultural awareness and networking connections.

The outcomes for those with management and commerce qualifications illustrate this point starkly. As noted, accountants have been in oversupply for several years, yet thousands of accountants are being visaed in Skill Stream every year.

Table 2 shows that, as of 2016, there were 65,049 NESC-born graduates aged 25-34 with management and commerce qualifications in Australia, who arrived here over the years 2011-2016. Most would have possessed qualifications in accounting, since, as noted earlier, the system requires that graduates have a professionally recognised credential.

Only 16 per cent were employed in professional occupations. The record was not much better for the NESC engineers, only 30 per cent of whom were employed as professionals.

Stockpiling for the future makes no sense

Current migration policy is not about present skill needs, but hypothetically about those skills Australian employers might need in the medium to long-term, were it possible to forecast such needs with accuracy. All the Skill Stream Categories, including the Employer Sponsorship Category after May 2018 will be structured around the MLTSSL. This, as demonstrated, takes no account of current skill needs.

A case can be made that the share of Australians employed in professional and managerial occupations will continue to grow and also that more employers will expect applicants to hold graduate credentials. Similarly, as Australia's population expands, mainly through immigration, this in itself will imply a greater need for persons with degree credentials.

But, against this, we have to take into account the present and likely supply of resident graduates. There are already too many graduates in Australia and their number is growing fast from both domestic and migrant sources.

It can be calculated from Table 2 that there were 1.16 million persons aged 25-34 holding graduate level or above credentials as of 2016, just on one half, or 568,941 of which were overseas-born.

The result is an eye-watering rise in the proportion of Australian residents who holding degree level qualifications or above. In the case of the age group 25-29. this share has increased from 34.6 per

cent in 2013 to 38.5 per cent in 2017 and, of those aged 30-34 over for the same years, from 35.7 per cent to 40.3 per cent.²⁵ These levels are very high by international standards.

They are about to increase because of the deregulation of Australia’s universities completed in 2011 by the then Labor government. This measure meant that universities were free to enrol (with government subsidies maintained) as many students as they wished in whatever fields of study the students wanted to study (except medicine).

Table 3 shows that this deregulation facilitated a rapid increase in commencements at the undergraduate level between 2011 and 2014. Since then, commencements have stabilized. However, the effects of the commencement surge to 2014 will be to increase the number of graduations over the next few years as these students complete their courses.

Table 3: Undergraduate commencements, Australia, by selected fields of study, 2011 to 2016

	2011	2014	2015	2016
Natural & Physical sciences	24,486	29,890	29,175	31,127
Informational Technology	7,361	9,098	9,504	9,922
Engineering	14,706	16,949	16,545	16,027
Management & Commerce	39,690	49,595	48,398	47,890
Health (Nursing)*	38,458 (13,409)	50,509 (17,117)	54,166 (18,639)	58,969 (19,971)
Other fields of study	119,228	136,070	139,256	138,791
Total	243,929	292,111	297,044	302,726

* Commencing Domestic General Nursing undergraduates. These commencements are included in the total for the Health category.

Source, Department of Education and Training, Higher Education Statistics, 2017

As a result it is unlikely that there is any need to augment the current stock of professionals, at least for the medium term. This is true even in the STEM disciplines where there has been so much concern about the level of domestic training. As the table indicates, these disciplines have made solid gains in commencements since 2011.

Even if shortages do emerge, migrant recruitment could be rapidly ramped up. Australia is in high demand as a destination from Asian countries where there has been a huge surge in university training. Furthermore, large numbers could be drawn from the ranks of overseas students being trained in Australia to Australian specifications. Their numbers, too, have expanded sharply over the last few years.

Then there is the 457 program. Though tightened with the *457 Reset*, Australian employers still have access to the most generous temporary entry program in the developed world. They can sponsor as many migrants with professional and trade skills as they like. True, they now have to first establish that they have tried to find residents to do the work. They must also pay a tiny training levy for the privilege. This is \$1,800 a year for a large business.

Conclusion

Australia's high migration policy is defended by the claim that it is delivering the scarce high level skills needed to help maintain economic growth. The reality is quite different. Migration policy has been reformulated precisely to avoid confining the skilled program to occupations that are in shortage.

Instead, the program is directed to delivering professionals who might be needed in the medium to long-term. To the extent that the current program does deliver any scarce skills this is an accidental rather than a planned outcome.

Critically, the three major Categories of the Skill Stream – the Employer Sponsored, Skilled Independent, and State & Territory & Regional Sponsored – are *all* to be tied to the MLTSSL, despite the fact that listing does not require any current skill shortage.

The Skill Stream could be abolished and employers would hardly notice.

The Skill Stream is really about numbers, the 'Treasury numbers' needed to sustain Australia's rate of economic growth and the Commonwealth's projected tax revenues.

The Coalition, Labor and Greens effectively have prioritised these ends above the concerns of Australians living in the metropolitan areas. They have been left to put up with the loss of urban amenity, high dwelling prices and the costs of providing the additional infrastructure needed to accommodate population growth in their cities.

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