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Immigration Overflow: Why It Matters

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Major findings

We highlight two issues. The first is the high and increasing numbers of IT professionals being granted 457 visas. They constitute by far the largest occupation group within the 457 program. Most are Indian nationals who are sponsored by Indian IT service companies. They have been successful in winning a major chunk of Australia's IT consulting work on the basis of these 457 visa holders. They have succeeded in part because they are paying these professionals much lower salaries than the market rate for IT professionals in Australia.

The second issue is that the Australian government has persisted with a record high annual permanent migration intake of around 205,000, despite the weakening of the Australian economy since the end of the resources boom in 2012. This permanent intake is the major source of Australia's very high rate of population growth. This is having a disastrous impact on Sydney and Melbourne where just over half of the migrants settle.

Migration advocates argue that this impact is being offset by the influx of 'highly trained' skilled migrants in occupations which are in short supply in Australia. It does this, it is asserted, by requiring them to hold an occupation on the Skilled Occupation List (SOL). The 'highly trained' outcome is said to reflect the rigorous selection criteria of the points-tested visa subclasses. They make up the majority of skilled migrants that are visaed under the skilled migration program.

These claims are not true. Any relationship that there was between skills recruited under the points-tested visa subclasses and shortages in the labour market has eroded. As to the qualities of the migrants selected, the selection system bar has been set so low that if any high skilled persons are visaed it is an accident.

It is currently the clearly stated Coalition Government policy to ignore the current state of the labour market when occupations are assessed for listing on the SOL. The SOL acts as smokescreen behind which the government's real priorities are exercised.

The first of these is the achievement of its population growth targets. The second is to support the overseas student industry, whose recruitment strategies depend on these graduates having a strong chance of obtaining a permanent residence visa on completion of their course. To this end the points test has been crafted so as to ensure that applicants who have graduated from Australian universities are given priority.

We offer some reform proposals that will make the program responsive to the state of the Australian labour market and more sensitive to the interests of Australian job seekers. However, the main purpose of this report is to expose the myths that are currently used to justify the migration program. Only when these myths are consigned to the dustbin are we likely to have an informed debate about migration policy.

What skills are being recruited?

Professionals dominate the skilled permanent and 457 programs. Within their ranks, three occupations stand out (see Table 1). They are IT professionals, engineers and accountants (including auditors). The number of accountants, though still large, dropped a bit in 2015-16. The engineers remained at a high level in 2015-16. The IT professionals continued to increase in 2015-16 from an already very high base. The latter make up by far the largest occupational group visaed under the permanent and temporary skilled programs.

We have put the permanent and 457 visa data together in Table 1 so that the reader can appreciate the combined numbers. From the point of view of Australian graduates entering the labour market it is this combined impact that matters. As we show, recent Australian graduates in each of three major professions identified are struggling to find professional work. Competition from the migrant influx is part of the problem. The 17,185 IT professionals visaed in 2015-16 (Table 1) indicate the scale of the problem. By contrast, just over 5,000 residents are currently completing undergraduate course in IT each year.

Table 1: Visas issued for temporary residence under visa subclass 457 and for permanent residence under the skilled migration program by selected occupations, Australia, 2013-14 to 2015-16

Occupation	2013-14			2014-15			2015-16		
Code and Name	Permanent	457	Total	Permanent	457	Total	Permanent	457	Total
2211 Accountants	6,715	1,313	8,028	6,778	1,260	8,038	4,363	982	5,345
2212 Auditors	386	153	539	976	232	1,208	2,008	250	2,258
Total Accountancy professionals	7,101	1,466	8,567	7,754	1,492	9,246	6,371	1,232	7,603
2611 ICT Analysts	1,554	1,795	3,349	2,232	2,098	4,330	1,848	2,208	4,056
2613 Programmers	5,273	4,161	9,434	5,208	5,231	10,439	6,150	4,984	11,134
2631 Computer Networkers	964	240	1,204	1,230	272	1,502	1,735	260	1,995
Total ICT professionals	7,791	6,196	13,987	8,670	7,601	16,271	9,733	7,452	17,185
Total Engineering professionals	5,279	1,776	7,055	6,113	1,527	7,640	6,847	1,097	7,944
Other occupations	41,364	42,501	83,865	36,945	40,505	77,450	37,784	35,614	73,398
Total all occupations	61,535	51,939	113,474	59,482	51,125	110,607	60,735	45,395	106,130

Source: Department of Trade, visas issued data, 2013-14, 2014-15 and 2015-16; Department of Immigration and Border Protection, 2015-16 (BE 10296.01)

Note: The data provided by the Department of Immigration and Border Protection on permanent migrants for 2014-15 and 2015-16 include a range of variables. Where there were fewer than 5 persons meeting any particular combination of these variables, DIBP recorded the counts between 1 and 4 as < 5 for privacy reasons. Overall, 25% of the cases were reported as <5 and hence had to be estimated by TAPRI based on the total counts for each of the six main visa categories for the Skilled Migration Stream which were provided separately by DIBP. In the selected occupations shown in this table, the proportion of cases that had to be estimated by TAPRI was lower than 25% because of the large numbers in each occupational group and the fewer cases with restricted information.

Before focussing on the IT situation, let's first consider the claim of the building and property industries that the migration intake is delivering the crucial migrant tradespersons needed to cope with Australia's booming metropolitan construction industries.

This claim is false. Among the permanent migrants, tradespersons — except for cooks — are conspicuous by their absence. There were 60,735 primary applicants visaed under the permanent entry skilled program in 2015-16. Of these, only 6,147 were tradespersons. This group included just

1,658 construction tradespersons. By far the largest group in the trades were chefs, cooks, bakers and pastrycooks, who together comprised 4,155 or 68 per cent of all tradespersons visaed in 2015-16.

The story was similar for the 457 program. In 2015-15, of the 45,395 primary applicants visaed only 7,201 were tradespersons, of whom 1,547 were in construction trade occupations. Their numbers, too, were dwarfed by the 4,751 chefs, cooks and pastrycooks granted 457 visas in 2015-16.

The IT invasion via the 457 program

The Australian ICT industry consists of two major components. The first is concerned with the operation of the IT software and hardware almost all businesses and government agencies have installed. The second is the smaller, but vital, IT consulting sector. This sector provides the advice, planning and initial installation services for new hardware and software and often the ongoing development of these services.

Australian consulting firms have to compete with multinational corporations like IBM and Accenture in tendering for this business. For over a decade they have had to cope with a new competitor. This is the Indian IT service companies. They are now a major force around the globe, led by firms like Tata Consulting Services and Infosys.

The Indian IT service companies have been very successful in winning IT consulting work in the design and implementation of new IT software systems for Australian businesses and governments. One of the reasons for this success is that they import their own staff on temporary visas to do much of the work. As Table 2 shows, some 76 per cent of the 7,542 457 visas issued in the three IT occupations listed were to Indian nationals. The great majority of these were sponsored by Indian IT service companies as intra-company transferees.

Table 2: Visas issued for permanent skilled migrants and for visa subclass 457 Temporary Business Entry holders whose occupation is 2611 ICT data analysts, 2613 Programmers or 2631 Computer Networkers, Australia, 2014-15 and 2015-16 (ranked by the top 10 nationalities of permanent migrants approved under the Skill Stream)

Nationality	Permanent migrants - Skill Stream				Visa subclass 457 Temporary Business Entry			
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	No.	No.	Per cent	Per cent	No.	No.	Per cent	Per cent
India	4,134	5,570	48	57	5,803	5,671	76	76
Pakistan	738	547	9	6	40	28	1	0
China, PRC	731	728	8	7	150	131	2	2
Philippines	312	344	4	4	157	199	2	3
United Kingdom	293	263	3	3	223	191	3	3
Iran	284	135	3	1	18	15	0	0
Sri Lanka	223	206	3	2	18	20	0	0
Bangladesh	189	112	2	1	5	<5	0	0
Malaysia	123	132	1	1	29	24	0	0
Nepal	112	216	1	2	9	9	0	0
Other	1,530	1,481	18	15	1,149	1,164	15	16
Total	8,670	9,733	100	100	7,601	7,453	100	100

Source: Department of Trade, visa issued data 2014-15 and 2015-16; Department of Immigration and Border Protection, 2016 (BE10296.01)

Many of these staff represent the cream of the crop of the huge number of graduates from Indian universities and colleges. The IT service companies can take their pick from the vast number keen to work for them. Once employed most are trained in-house in the latest hardware and software programs that the service companies offer for Australian clients.

The Indian IT service company business model is built around utilising their India-based staff to provide the professionals needed for the work they are winning in Australia and then offshoring as much of the work as possible back to low-cost India. They make the plausible claim that they are bringing in highly skilled personnel to do the work. Indeed, they reject any accusations that they are paying relatively low wages. According to the National Association of Software and Service Companies (NASSCOM), the Indian IT lobby group, its constituent IT service companies pay well above the government's income threshold for 457 wages (the TSMIT). The lobby states that:

> Given current and future salary rates in our industry, TSMIT in its current form does not present an issue to our membership, and it is largely redundant to consideration of nomination applications lodged by our members.[1]

This statement appears to be untrue, thus giving the service companies another key advantage. Once in Australia their staff are *being paid at much lower rates than experienced resident IT professionals and in some cases even new local graduates.*

We know this is the case because the Department of immigration and Border Protection (DIBP) provided unpublished data on the nominated base salary levels for those granted 457 visas in 2014-15 for the two largest of IT professions identified in Table 1, that is, ANZSCO 2611 ICT analysts and 2613 programmers.[2] This data has not previously been released. Sponsors have to tell DIBP what the salary level of each 457 sponsored professional will be. There is no guarantee that the person will actually be paid at that rate. If anything, it may be less, or more hours worked, since once they are here those sponsored have no choice but to work with their sponsor and there is hardly any checking of what they are actually paid.

According to the ABS, the average Australian salary for full-time non-managerial employees in professional level IT occupations in 2014 was around $100,000.[3] For the 5,722 of the total of 7,329 who were Indian nationals in these two occupations in 2014-15, the salary level was very low. Some 61.4 per cent had a nominated base salary below $70,180 — some $30,000 below average IT professionals' salaries (see Appendix I).

Even more disturbing is the relatively high proportion of these Indian IT professionals (28 per cent) whose 457 visas were approved at the extremely low base salary of $53,900 or less. This is despite the fact that only eight per cent of the 457 visas granted to Indians in the two ICT occupations in 2014-15 were aged less than 25.

The median starting salary for local ICT graduates under the age of 25 is around $54,000. Coincidentally, the 457 minimum salary 'floor' is set at $53,900.

As the data in Appendix I show, between 2012-13 when Labor was in office and 2013-14 under the Coalition the proportion of Indian 457 IT professionals approved at the very low base salaries increased dramatically, from eight per cent to 27 per cent.[4]

How could this be? Since the Labor Government legislated on the matter in 2009, sponsoring employers are supposed to pay the '457 market rate' for the occupation in question. This position was affirmed by the report of the Coalition Government initiated inquiry into 457s. This report, entitled *Robust New Foundations*, was published in September 2014.

The inquiry indicated that the Department of Immigration and Border Protection (DIBP) takes market rates into account when evaluating the sponsor's nominated salary rates. It recommended that this practice continue. It stated that 'we believe that the integrity of the 457 programme requires a continuation of the market rate approach.[5] The Coalition Government when responding to the report supported this recommendation.[6]

Clearly, the legislated requirement to pay the 457 market salary rate is not being implemented in the case of the Indian IT service companies (and perhaps other multinationals with Indian branches). The violation is obvious, given that more than one-quarter (28%) of Indian 457s in the two ICT occupations had their visas approved at no more than Australian IT graduate starting salaries.

For the transferred Indian staff, there is still an incentive to come to Australia because even Australian graduate entry level wages are attractive relative to salary rates for IT professionals in India.

The result is that the Indian service companies have an enormous competitive advantage in tendering for IT consulting work. Their success here also means that they are in a good position to provide clients with the low cost option of moving the operations they have installed to their offshore offices. The service companies' staff know the work. Indeed, in many cases they have been trained by the client's Australian staff in its specifications before the Australian IT workers are retrenched.

The Turnbull government has pushed a high profile campaign to promote IT innovation in Australia. Yet right under its nose, the 457 visa program is facilitating the heist of a large chunk of advanced computing work. We don't know why the DIBP has not taken action to enforce 457 market salary rates, or whether it is acting under Ministerial directions. Maybe the government believed NASSCOM's claim (quoted above) that its member firms use 457 visas to transfer experienced high level IT professionals who are paid at levels well above the 457 minimum.[7]

Nothing was said about the matter in *Robust New Foundations*. When we asked the inquiry leaders if they were aware of the situation, they said that they did not ask DIBP to provide the detailed nominated salary data referred to above.

Perhaps the government is blinded by its globalising agenda, that is, its enthusiasm for the free movement of skills, capital and trade across borders. It may not want to know what is really going on and thus has no interest in investigating the matter.

Or perhaps it knows and is tolerating this use of low-wage 457 ICT labour because it lowers the ICT costs of corporate Australia and government agencies.

In any event, the Coalition government will be unwilling to change this state of affairs without being pressured to do so. It is currently negotiating an FTA with India, known as the 'Australia-India Comprehensive Economic Cooperation Agreement'. Negotiations stalled somewhat in 2016, but the Trump election and the demise of the Trans Pacific Partnership (TPP) mean all other potential FTAs including the one with India gain a new importance.

 The Coalition Government will therefore be keen to not to upset the Indian government and business lobby by enforcing the 457 market salary rate obligation on Indian IT firms operating in Australia.

The permanent program: what's driving it?

The permanent migration intake includes family migrants and the humanitarian program. However, the largest part is made up of migrants visaed under the skilled visa subclasses. The current target for this latter group in 2016-17 is 128,000 (the same level as in 2015-16). This target is even higher than was the case during the investment phase of the resources boom when it reached 125,755 in 2011-12. In addition, there is an annual target of around 61,000 family visas (not including the dependents of skilled migrants) and around 14,000 for humanitarian migrants. The total of around 203,000 is a record high.

The permanent program is the dominant contributor to Australia's high rate of population growth, though there is also a contribution from net movements in and out of Australia from temporary migrants and Australian residents. The result is that Australia is experiencing the highest rate of population growth in the developed world (apart from Luxembourg).[8]

The main impact of these migration movements has been felt in Sydney and Melbourne. This is because there has been a recent surge in the proportion of migrants locating in Sydney and Melbourne. Just over 50 per cent are currently doing so. As a consequence Melbourne's population is growing by 90,000 to 100,000 a year and Sydney's population by 80,000 to 90,000 a year.

The consequences for Sydney and Melbourne are serious. As we have documented elsewhere,[9] some 64 per cent of the growth in households in Sydney and 54 per cent in Melbourne is due to net overseas migration. These migrant households are vying with residents, investors and upgraders for scarce family friendly housing (mainly detached houses). This, along with tax inducements to investors and record low interest rates, has led to huge increases in housing prices. Younger resident households and migrant households themselves are being priced out of the market. Congestion and competition for access to scarce public facilities, including hospitals, is also getting worse.

Given these consequences, why is the Australian Government and the Labor Opposition supporting the current permanent migration program? As we will see later, both parties do this because of the impetus that population growth gives to overall economic growth (rather than per capita growth, which both parties ignore).

But if this were the only justification, migration advocates would have a tough time sustaining their case at a time when job markets are weak. In our view, the permanent entry program has escaped scrutiny because advocates have created the illusion that it is delivering skills that will aid the economy's transition to a more knowledge intensive economy. The public has been repeatedly assured that Australia has put in place a state-of-the-art selection system. This is the internationally famous Australian points-test that allegedly selects not just any migrants, but *highly skilled migrants.*[10] *We put* these claims under the microscope.

The characteristics of permanent entry skilled migrants

The three sets of occupations listed in Table 1 are the largest currently being visaed under the skilled migration program. As indicated, there are few tradespersons except for cooks. What is notable about these three occupations is that they are all currently oversupplied, as indicated by the large numbers of applicants for every vacancy in Australia.

There are shortages of some highly skilled and specialist professionals within these occupations. The oversupply is mainly at the less experienced, recent graduate level. This surplus has been evident for

several years, particularly for accountants and IT professionals.[11] The Commonwealth Department of Employment's recent surveys of each job market show that it is still very high.

Figure 1 which derives from the Department's 2015-16 surveys reports the average number of applicants for each professional job advertised in the three professions and in other professions, as well as the average number of applicants per vacancy whom employers deemed suitable. According to the employers surveyed by the Department of Employment, most of the large number of applicants regarded as unsuitable lacked experience or training in the skills employers were looking for, or were deficient in soft communication skills. This is often code for poor English skills. This outcome reflects the very high number of migrants looking for work in these occupations.

In the case of engineering, there were, on average, 48 applications for each advertised position and around 29 for each IT and accounting position. These ratios were far higher than for other professions.

Figure 1: Average number of applicants and average number of suitable applicants per vacancy, selected professional-level occupations, Australia, 2015-16
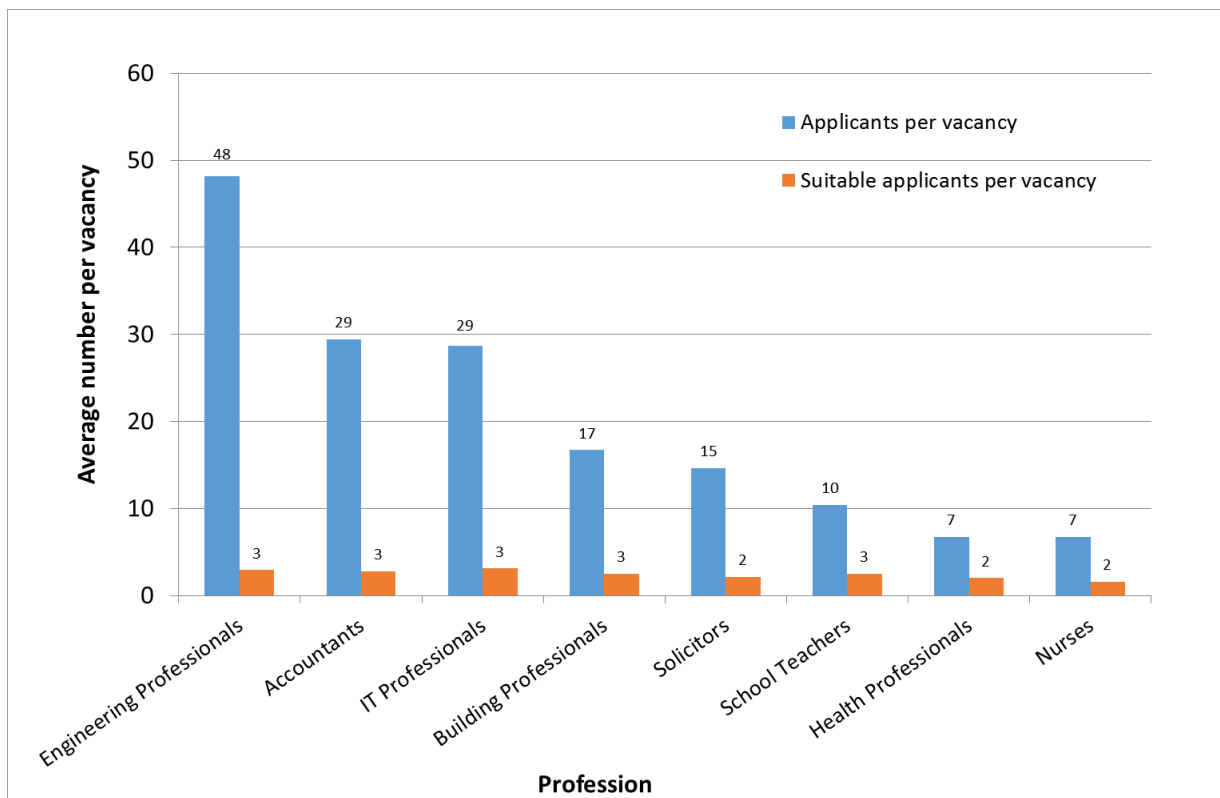
Source: Department of Employment, Skill Shortages – Statistical Summary 2015-16

Though the Department did not differentiate between the outcomes of migrants and Australian graduates, we know from other sources that recent Australian resident graduates are experiencing severe difficulties in finding work in these fields. According to the annual Graduate Destination Survey, the share of recent resident graduates in IT who found (any) full-time work by the end of April in the year following graduation has dropped from over 84 per cent in 2008 to around 67 per cent in 2015. [12] The story is similar for accountants and engineers.

This should be no surprise. In the case of engineering, there has been a massive fall in demand because of the drop in resource project construction. As for accounting, the subdued state of the Australian economy has coincided with competition from large numbers of migrants. The situation for resident graduates in IT is especially acute. As indicated, the annual number of resident undergraduate completions is just over 5,000. These graduates are competing with a huge annual influx of permanent and temporary migrants in the IT field. Table 1 shows there were some 9,733 of the former in 2015-16 and another 7,452 of the latter in the three IT occupations identified.

Walking into a trap

Young people are being encouraged by teachers, governments, universities and agencies like the Office of the Chief Scientist to enrol in STEM subjects. This advocacy appears to be working. Enrolments in the natural sciences, in IT and engineering are increasing (even if off a low base in the case of IT and engineering). The number of domestic undergraduate commencements increased in IT from 6,713 in 2010 to 8,048 in 2013 and in engineering from 14,186 in 2010 to 17,123 in 2013.[13]

They are being fed an illusion of bright prospects. The reality is that there is a limited number of entry level jobs in these professions. Resident graduates will also have to compete for these jobs against the large number of migrants being visaed in these fields.

Why isn't the Australian government protecting Australian graduates' interests?

There remains a widespread impression that residents' interests are protected from migrant competition by the operation of Skilled Occupation List. This was introduced in 2010, precisely with this objective. The eligible occupations on the list were defined as managerial, professional and trade occupations where there was an overall national shortage. Occupations not meeting this definition were excluded (they included cooks and hairdressers). This list is vital for prospective applicants because only those with occupations listed on the SOL are eligible to apply for a points tested visa.

Casual observers could hardly be blamed for concluding that the system takes into account the state of the Australian labour market. The annual review of the SOL conducted by the government sustains this impression. The public is invited to submit their views about whether particular occupations should or should not be on the SOL.

These submissions have sometimes provided evidence of an oversupply. But, only on rare occasions has this led to the actual removal of the occupation in question from the SOL. In the case of accounting, for example, the Department of Employment has recently recommended that accountants be removed. The Department of Health did the same for general practitioners (and some other health professions, including dentists) in the course of the 2015-16 review of the SOL.[14] Nevertheless, in both cases the advice was rejected. Similarly, the evidence cited above on the current oversupply of engineers and IT professionals has been ignored. All the occupations in question remain on the SOL.

Successive governments have avoided the embarrassment of deleting major occupations from the SOL by reference to another list of occupations called the Specialised Occupation List. These are occupations defined as 'high value and where skills take a long time to develop and acquire,' [15] and which are likely to be in high demand over the medium to long term. Most of the professional occupations on the SOL are on the Specialised Occupation List.

The government's assumptions on the likely medium to long term demand for each occupation have been based on modelling dating to the era of the resources boom. The result was enormous projections for skill need.[16] The agencies responsible for determining the make-up of the SOL, initially Skills Australia, then the Australian Workforce Productivity Agency (AWPA) have continued to use these inflated assumptions for determining which occupations are on the Specialised Occupation List.

There is another notable case where these assumptions were challenged. The challenger was the Department of Health in its 2016 submission on GPs. This recommended that GPs as well as various specialist fields and dentists be taken off the SOL. As discussed elsewhere, this challenge was to no avail. [17]

The result is that the SOL provides minimal protection to resident skilled workers in fields that are oversupplied.

The SOL is not about the current state of the labour market

The Coalition Government has recently removed any uncertainty about the issue. AWPA was abolished by the Coalition Government in April 2014.[18] The responsibility for managing the SOL was transferred first to the Department of Industry, then in 2016 to the Department of Education and Training. This department makes no bones about what the current policy is. Its advice to those putting submissions on the 2016-17 SOL is that the SOL is concerned only:

> 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.[19]

In effect any decision to remove an occupation from the SOL is a political one. No matter what is said in the annual review of the SOL about oversupply problems the government can always claim that any current oversupply is temporary, pending return to 'normal' rates of economic growth and job demand. This is the case for all the major points-tested occupations reviewed so far. Accounting, IT, engineering and general practice all remain on the SOL.

Why is this happening? It is partly because in making its decisions the government has to deal with lobbying against removal from the SOL by powerful interests including the professional bodies, like the ACS for computing and the CPA for accounting. This is because of the revenue they earn from assessing the credentials of applicants.

For the government, however, the migration program has two main priorities, both of which trump any concern about the interests of recent Australian graduates. The first of these is the maintenance of high migration and the second, to promote the international student industry.

The program numbers are sacrosanct

If the skilled program were adjusted to reflect the realities of the Australian labour market, it would have to be reduced. This is not an option for the big end of town or for the government. Immigration is needed to sustain desired levels of aggregate economic growth. With the recent decline in the minerals resources boom, there has been increasing emphasis on bolstering growth in the non-resource economy. The Australian Treasury now routinely relies upon the expectation of high population growth as a means of propping up targets for GDP growth.

So does the Reserve Bank. Philip Lowe, now the Governor, explains why. In an address to business economists in November 2014 Lowe told his audience that population growth is the key to offsetting Australia's current difficult economic setting. 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'.[20]

Prioritising international education

Some may remember the crisis that hit Australian universities in the 2000s when there was an enormous expansion in overseas student enrolments. A number of universities had built their business plans around this expansion. Some regional universities, notably the University of Central Queensland, opened branch campuses in Sydney and Melbourne that exclusively catered for foreign students. They focussed on accounting and IT courses that, once completed, almost guaranteed the students access to permanent residence (given the selection system then in place).

The Labor Government at the time changed the selection system to manage these outcomes. As noted it established the SOL in 2010. This excluded cooks and hairdressers but included most of the main professional occupations. English language standards were also increased.

After intense lobbying from the overseas student industry (supported by a government anxious about new sources of economic growth) the Labor Government introduced a new Graduate Student visa (485) in 2013 that allows all overseas students to stay and work in Australia for at least two years after completing their Australian degree qualification. This was an important concession to the overseas student industry. This is because it included all overseas student graduates, regardless of the graduate's field of study and the state of the Australian labour market.

The Labour Government's 2013 initiative is starting to impact. The numbers of former international students obtaining a 485 visa in 2015-16 were 30,166 up from 20,952 in 2014-15

The occupations reviewed in this report are all major fields of study for overseas students. Management and commerce (which includes accounting), is the largest, followed by some distance by IT then engineering and medicine.

As the government and universities are well aware, the attraction of work in Australia after graduation (provided by the 485 visa) then the prospect of permanent residence via the points-tested visa subclasses is crucial to Australia's competitive position in attracting overseas students. As we will see below, the government has made sure that these prospects are good.

Is the skilled migration program attracting highly skilled migrants?

If the program was actually selecting 'highly skilled' migrants, their recruitment might be defensible. It would support the often argued case that, by importing such people into Australia or keeping them here, this may contribute to Australia's internationally competitive knowledge-intensive industries.

The notion that the selection system is attracting highly skilled professionals serves to legitimate the skilled program, but has no basis in reality. The skilled program provides multiple pathways for selection. Applicants can be sponsored by an employer or gain entry by passing the points test. About a third are sponsored by employers and the rest are points-tested. If an employer sponsors

someone, the applicant has to, at least notionally, meet the employers' expectations for the job in question (though employer-sponsored schemes are frequently abused to secure captive labour).

In the case of engineering, accounting and IT, only a minority are being sponsored by an employer in Australia and this minority is falling. This is hardly surprising. Most Indian 457s in IT are intra-corporate transferees. The motivation for other genuine employers to sponsor migrants for permanent residence usually fades when there is plenty of local applicants.

However, this development will not deter high application levels for the points-tested visas. Australia is an attractive destination for many Asian professionals for reasons other than the immediate availability of employment in their field. For the DIBP, any reduction in employer sponsorship levels can easily be accommodated by expanding the number visaed through the points-tested visa subclasses.

How the points test functions

Of those currently points-tested, most of those selected with IT occupations are coming from overseas, as are about half of the engineers and around a third of those visaed as accountants. Most of those visaed after applying onshore are former overseas students as well as a few who came originally on 457 visas. The majority of the 457 group have been gaining permanent entry visas via the permanent entry employer sponsored visa subclass.

The points test pays no attention to the quality of the applicants. For overseas applicants, all that is required is a paper test which attests that the applicant has had experience (usually of at least eight years duration) in the particular occupation and possesses degree level qualifications (from any of a vast number of educational institutions across the globe with greatly differing standards). There are no bonus points, for example, if the applicant holds a qualification from a high prestige Indian technology university or from Harvard University. Nor is there any assessment of whether their work experience has any relevance to employer needs in Australia.

In addition, overseas applicants usually need to possess Proficient English (7 on the IELTs test — International English Language Testing System). This is the minimum standard most professions require if an applicant is to be eligible for processing by DIBP. One exception is the IT field. The Australian Computer Society which assesses IT applicants only requires Competent English, or 6 on the IELTS scale.

Our analysis of the DIBP data (not shown in the Tables) indicates that over half of those visaed under the points-tested IT professionals were Indian nationals, most of whom applied from overseas. As indicated, there are a huge number of IT graduates in India and intense competition for positions with the major Indian IT service companies. For the great majority who miss out, Australia is an attractive destination. Given the soft selection criteria, the pool of potential applicants is vast. For a demand driven system like Australia's points-test, the Australian government will always be able to meet its recruitment targets. As we have seen, it does not matter whether they have skills valuable in Australia or not. The points-test does not discriminate in favour of such skills.

For applicants applying in Australia who have graduated from Australian universities, job experience is not a necessary requirement. For example, if the applicant is in the age group 25-32 they receive 30 points. Another 15 points is granted to those with bachelor degrees, and an additional 5 points if the degree is gained from an Australian university. They are already in sight of the required 60 point pass mark. Since they have spent several years here and taken their course in English, they can

usually, eventually, reach the Proficient English standard. If they do they receive ten points. That is all that is needed. [21]

So much for the 'highly skilled' fantasy! To repeat, there is no need for any relevant job experience at all for onshore former overseas student applicants under the points-tested visa subclasses. When these former overseas students enter the Australian job market, they face a similar problem to that of local graduates – how to break into an oversupplied labour market that puts a premium on experience.

What is to be done?

More information on the outcomes of migration movements is needed. Much of the public discussion of the permanent entry and 457 visa programs is poorly grounded when it comes to the occupations, numbers and skill profile of those being visaed. The data on the permanent entry program used in this study is not published by DIBP. Nor is the nominated base salary data for the 457 program by occupation. The limited salary data on the 457 program which are published (by industry, not occupation) are meaningful only to experts.

We offer some brief views on reform in what follows. These are brief, because earlier reports of ours offer more extensive recommendations.[22] These recommendations have usually been ignored. This is why in the introduction it was argued that if any serious public debate on the immigration program is to occur, the myths that sustain it must first be destroyed.

Temporary migration

We start with the 457 program. The government is allowing open-ended recruitment of skilled migrants on 457 visas with no labour market testing required for most professional and managerial occupations. The decision to sponsor is left to employers. The propensity to sponsor has dropped off in the last few years. The total number of primary applicants allocated 457 visas has fallen from 68,481 in 2012-13 to 45,395 in 2015-16. This outcome is often highlighted by politicians defending the 457 visa program.

What they don't acknowledge is that despite the slack labour market the level of sponsorship in the IT professions has actually increased, from 6,196 in 2013-14 (admittedly the first year of Labor's 457 reforms) to 7,452 in 2015-16 (Table 1). As indicated, most are being sponsored by IT service companies. The latter's success in winning an increasing chunk of IT consulting work in Australia is built on their freedom to import their own trained staff and to pay them much less than the market rate for comparable IT professionals.

This extraordinary outcome is occurring at a time when there is an oversupply of resident graduates and when the government is encouraging local students to enrol in IT courses.

The ideal solution is to prohibit 457 recruitment or intra-company transfers where there is an oversupply of Australian residents with the skills in question. This will require applying the principles underlying the SOL, as originally conceived in 2010, to the 457 visa program's Consolidated Sponsored Occupation List (CSOL). Occupations that are currently in oversupply would not be eligible for sponsorship.

The business response will be that while there may be a surplus of recent local and overseas student graduates, there are shortages of experienced professionals in some fields. Where this is the case sponsors like the IT service companies should be required, in return for the temporary right to import their own staff, to prepare plans and enforceable commitments to fill these vacancies via the

recruitment and training of Australian resident professionals and graduates. The existing 457 'Labour Agreement' model provides a suitable framework.

The government might say that it has limited scope to cull the occupations on the 457-eligible list, because of Australia's existing 'international trade obligations' or its negotiating position in future multilateral or bilateral agreements. For example, Australia has committed in several FTAs (e.g. China, Korea, Japan, the TPP and others) not to apply any 'economic needs test' in the 457 program to certain foreign nationals. It remains to be seen whether removing occupations from the 457 list on the grounds of an oversupply in the Australian job market is considered an 'economic needs test'. If it does, the government must explain why it has surrendered Australia's ability to properly regulate the 457 visa program in the interests of Australians; and what steps it will take to reverse such an ill-considered measure.

If critical ICT and other professional occupations cannot be culled from the 457-eligible list for reasons of Australia's 'international trade obligations', then 457 sponsors must have a legal obligation to apply a rigorous labour market testing system. This can be done by a Legislative Instrument issued by the Immigration Minister.

The second essential 457 reform is that the 457 minimum salary 'floor' (or TSMIT) for ICT occupations should be increased from the current standard minimum ($53,900 pa) to $75,000 per year in 2016 and indexed annually in line with wage movements for ICT professionals in Australia.[23] This 'price signal' combined with other measures would force ICT employers to consider providing career entry pathways for Australian graduates. In the process, it would do more to encourage ICT enrolments than any fancy marketing exercise.

The permanent program

Most skilled migrants are entering under the points-tested visa subclasses. They are supposed to be highly skilled people. A few may be, but not because the recruitment system prioritises their selection.

The main function of the points-test system is to deliver the number of migrants needed to meet the government's population growth targets and to support the overseas student industry. The result is that the system facilitates the selection of recent overseas student graduates from Australian institutions with no industry experience at all. In May 2016 the Coalition government also announced its plans to more actively promote Australian 'internships' and 'work experience' with 'leading Australian companies' for overseas students and graduates, and to lock its commitments into FTAs, starting with Singapore.[24]

Promotion of the overseas student industry is a good thing. However, it should be done by helping universities improve the quality of their teaching and the university experience and not to have to rely on access to permanent residence and post-study work visas to attract overseas students. They need more funding to accomplish this goal. The recent trend to reduce the real value of government funding for domestic students has forced universities to maximise their recruitment of overseas students.

Australia's current migration policies are delivering large numbers of professionals of dubious relevance to Australia's skill needs. These outcomes are making it even harder for local graduates and other jobseekers to find work. Also the permanent program is a major source of the population growth Australia's major metropolises are facing. Young Australians are being hit both ways. They

have to endure tough job markets and face the prospect of being unable to afford family friendly housing in these metropolises.

The solution is to reduce the skilled program. This would be accomplished if the SOL was restored to its earlier role, as described above, and applied to the points-tested visa subclasses as well as to the 457 program.

Appendix I

Table A1: 457 primary visa grants[a] to Indian citizens in ICT Business and Systems Analysts (ANZSCO 2611) and Software and Applications Programmers (ANZSCO 2613) by nominated base salary[b]: 2012-13 to 2015-16 (to 31 December 2015)

Nominated base salary[b]	2012-13	2013-14	2014-15	2015-16 to 31 Dec. 2015
	No.	No.	No.	No.
$1 to $40,000 (c)	230	189	178	88
$40,001 to $53,900[c]	160	1026	1408	538
$53,900 or less	*390*	*1,215*	*1,586*	*626*
$53,901 to $61,920	1,219	833	1,034	406
$61,921 to $70,180	1,731	828	893	399
$70,181 to $87,400	1,330	1,166	1,495	697
$87,401 to $95,100	172	186	274	154
$95,101 to $108,200	118	160	195	122
$108,201 to $138,900	142	126	209	101
$138,901 or more	28	24	36	25
Total	5,130	4,539	5,722	2,530
	%	*%*	*%*	*%*
$1 to $40,000 (c)	4.5	4.2	3.1	3.5
$40,001 to $53,900[c]	3.1	22.6	24.6	21.3
$53,900 or less	*7.6*	*26.8*	*27.7*	*24.7*
$53,901 to $61,920	23.8	18.4	18.1	16.0
$61,921 to $70,180	33.7	18.2	15.6	15.8
$70,181 to $87,400	25.9	25.7	26.1	27.5
$87,401 to $95,100	3.4	4.1	4.8	6.1
$95,101 to $108,200	2.3	3.5	3.4	4.8
$108,201 to $138,900	2.8	2.8	3.7	4.0
$138,901 or more	0.5	0.5	0.6	1.0
Total	100.0	100.0	100.0	100.0

Source: DIBP customised data, BE9300, March 2016.

[a] Includes a small number of grants under 'concessional' 457 Labour Agreements (<100 each full financial year). Concessions can be granted on 457 salary or other requirements, e.g. English skills.

[b] 'The gross annual salary based on a 38 hour week that the employer has indicated they will pay to the primary visa holder', excluding 'the value of salary packaged items, bonuses, commissions or other payments...' such as superannuation (DIBP *Subclass 457 quarterly report*, 31 December 2015).

[c] 457 rules allow visa grants to be approved where the nominated base salary is below the 457 TSMIT* ($53,900 from 1/7/13), if the TSMIT level is met after including the agreed monetary value of certain employer-provided non-cash items (e.g. accommodation, private health insurance, laptops).

* TSMIT - 457 'Temporary Skilled Migration Income Threshold', the 457 salary floor.

Endnotes

[1] NASSCOM response to the Discussion Paper: 457 Programme – Temporary Skilled Migration Income Threshold (TSMIT) (Discussion Paper), March 2016, p. 4

[2] This data is analysed in Bob Kinnaird and Bob Birrell, March 2016, *Submission to the Review of the 457 Temporary Skill Migration Income Threshold (TSMIT).* This submission is available on the TAPRI website. <http://tapri.org.au/wp-content/uploads/2016/02/TAPRI-submission-TSMIT-review-FINAL.pdf>

[3] Ibid, pp. 14-15

[4] The current low 457 salary profile for Indian ICT professionals under the Coalition is similar to that under the previous Coalition administration in 2004-05. See Bob Kinnaird, 'Current issues in the skilled temporary subclass 457 visa', People and Place, vol.14, no. 2, 2006, pp59-62. In 2004-05, nearly one quarter (23 per cent) of Indian nationals granted 457 visas as computing professionals were approved at base salaries at or below the median starting salary for computer science graduates, and 43 per cent at or below the minimum ICT 457 salary floor.

[5] John Azarias, et al, 2014, *Robust New Foundations,* DIBP, p. 53

[6] https://www.border.gov.au/about/reports-publications/reviews-inquiries/independent-review-of-the-457-programme/response-to-integrity

[7] NASSCOM, op. cit.

[8] OECD.Stat <http://stats.oecd.org/index.aspx?queryid=27482>

[9] Bob Birrell and David McCloskey, 'The housing affordability crisis in Sydney and Melbourne—Report Two: No End in sight', <http://tapri.org.au/wp-content/uploads/2016/02/housing-affordability-crisis-in-sydney-and-melbourne_part-2.pdf>

[10] Belief in the idea that the skilling of the Australian economy through immigration, independent of short-term occupational demand, would provide for and stimulate a much desired renewal of the Australian economy, may be traced to the Hawke Labor government of the late 1980s and early 1990s. During the 1980s, policy aimed at maximum national self-sufficiency in skills gave way to this alternative view (See Bob Birrell, Ernst Healy, and Fred Smith, (1992) 'Migration Selection During the Recession', Background Paper no. 3, Canberra, Parliamentary Research Service. <https://www.aph.gov.au/binaries/library/pubs/bp/1992/92bp03.pdf>

[11] Bob Birrell and Ernest Healy, 2014, *Immigration and Unemployment in 2014*, The Australian Population Research Institute, pp. 13-19 <http://tapri.org.au/wp-content/uploads/2016/02/birrell-healy-immigration-unemployment-august-2014.pdf>

[12] Bob Kinnaird and Bob Birrell, March 2016, *Submission to the Review of the 457 Temporary Skill Migration Income Threshold (TSMIT),* p. 2 (will be available on TAPRI website in December)

[13] Bob Birrell, 2014, 'Too few or perhaps too many STEM graduates', *Australian Universities Review*, Vol. 56, No. 2, 2014

[14] On the issue of GPs, see Mike Moynihan and Bob Birrell, December 2016, *Doctor Oversupply-Ignoring the evidence,* The Australian Population Research Institute, in press.

[15] Birrell and Healy, 2014, *Immigration and Unemployment in 2014,* op. cit.

[16] The assumptions embodied in this modelling are described in Bob Birrell et al., *Immigration and the Resources Boom Mark 2*, July 2011, pp. 4-6. This report is available on the TAPRI website

[17] Moynihan and Birrell, 2016, op. cit.

[18] John Ross, 'AWPA axing 'shortsighted', The Australian, 14/4/2014 <http://www.theaustralian.com.au/higher-education/awpa-axing-shortsighted/story-e6frgcjx-1226881169790>

[19] Skilled Occupation List 2015-16 <https://submissions.education.gov.au/forms/archive/2015_16_sol/documents/CPA%20Australia.pdf>

[20] Phillip Lowe, 2014, *Building on Strong Foundations*, *Address to the Australian Business Economists Annual Dinner*, Reserve Bank, 25 November, p. 5

[21] Details of the points test and how it is scored are at http://www.visabureau.com/australia/immigration-points-test.aspx

[22] Bob Birrell and Ernest Healy, 2012, *Immigration Overshoot*, The Australian Population Research Institute

[23] Bob Kinnaird and Bob Birrell, March 2016, op.cit..

[24] Bob Kinnaird, Australian temporary work visa concessions in the Singapore FTA package, 26 May 2016 <http://tapri.org.au/?p=353>