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**The Skills Crisis, University Culpability and the Overseas  
Student Industry**

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## Outline

Prior to the May 2022 Federal election, the Labor Party pursued a cautious manpower policy emphasizing more training for domestic students.

The September Jobs and Skills Summit concluded that such is the seriousness of the nation's skill crisis that migrants must be part of the solution. For the business interests present, these migrants must include overseas students, trained in our universities.

However, the Labor Government promised that, henceforth, the migration focus would be on permanent entry. This was to avoid a repeat of the huge pre-pandemic stock of vulnerable migrants (mainly students) on temporary visas in Australia's big cities and the threat this posed to union interests.

Since the Summit, the Labor Government has increased the size of the permanent entry migration program and has flagged a sea-change in overseas student policy.

Henceforth, according to the Minister for Home Affairs, Clare O'Neil, overseas students trained here will become an integral part of Australia's skilled labour force training strategy. In early November, she asked:

Is it the right thing to train these people up as best in the world trainees, give them first class Australian degrees, and then essentially require them to leave the country and go and use those skills elsewhere? <sup>1</sup>

The answer invited is clearly no. Australia should promote the overseas student industry with the goal of incorporating more of the graduates into our workforce, including those with vital IT and engineering skills.

Hang on a minute. Aren't Australia's universities tasked to train domestic students in these skills? For years, governments and universities have affirmed this objective despite escalating foreign student intakes. However, it has not happened. Skill gaps are wider than ever.

Why? The Australian Government funds a specified number of undergraduate places (a stable number in recent years). It leaves the universities to decide the number of places by field of study. They do not have to, and in practice, do not locate these resources in fields where there are national shortages.

Instead, the universities have prioritized the teaching of overseas students, because they keep all the proceeds and because they can charge what the market will bear. Fee revenue from overseas students currently makes up some 27 per cent of total university funding.

Few, other than insiders, know how much of Australia's university teaching resources is devoted to overseas students. It is enormous. In 2020, 40 per cent of all university-level award completions went to overseas students (up from 35 per cent in 2012).

Most of the overseas student graduates are in fields with no relevance to Australia's urgent skill needs. Nearly half are in Management and Commerce (Table 1), despite there being no domestic shortage of such graduates. By 2020, 63 per cent of all graduates (both domestic and overseas) in this field were overseas students.

But that's not all. Few observers seem to know or care that in some of the fields of study where skill shortages are chronic, the universities are prioritizing training of overseas students over domestic students. This is the case for both IT and engineering, where there are far more overseas than domestic graduates (Table 1). Nursing is trending in this direction too.

Moreover, the overseas students do not have to meet the high academic standards and language skills required of the domestic students vying for these places.

This is a moral issue. Where is the outcry about the obvious unfairness and the lack of university accountability on the issue?

The situation won't change without major reforms. The universities enjoy great privileges, including the freedom to pursue their own research priorities.

It is time that, in return, the Australian Government requires them to provide the training needed to meet skill shortages and to ensure that domestic students have first access to the opportunities. The overseas student industry will have to be cut back to a least half its present size. Universities will have to be funded appropriately.

As things stand this is not going to happen. The Summit ignored the issue and so has the Labor Government. It clearly intends to leave the present situation in place. On November 16, the Government announced a review of higher education. There was no indication that universities must prioritize domestic training in skill shortage areas. Instead, the terms of reference implied that the overseas student industry would be encouraged to fill the gap. The review was instructed that it should:

Support a competitive and resilient international sector: reflecting the important role international students play in our society and economy.<sup>2</sup>

We examine the likely consequences of Labor's policies.

There will be a surge in overseas student enrolments, especially from students attracted by the increased opportunities to stay on in our labour market and obtain permanent residence.

There will be an accompanying rise in net overseas migration (NOM), primarily driven by the student influx. This has already been confirmed by the Treasury's Office of Population. Their forecast that NOM would return to 235,000 a year (or 'Big Australia' levels) was included in Labor's 2022-23 Budget Statements.

Contrary to Labor's promise to reduce temporary entry migration numbers, the opposite will occur.

## Overseas students and Australia's universities

The story of how Australia's universities became so dependent on overseas students is no secret. This dependence reflects decisions by successive Coalition and Labor Governments to cut back on university funding over the past two decades. Since the Howard Government in the late 1990s, Commonwealth Government funding for universities had contracted significantly in real terms. The Rudd and Gillard Labor Governments did not correct this funding contraction.

These governments, in effect, invited universities to supplement their income by recruiting overseas students.

Australia's universities have vigorously pursued this option. They have done this with minimal government restrictions, even though the public has been reassured (falsely) that this expansion would not be at the expense of opportunities for domestic students.

Or, at the expense of the quality of education provided. Universities have piled additional overseas students onto campuses without any obligation to provide additional teaching accommodation or campus services. In the Management and Commerce field universities have minimized teaching costs by large scale employment of casual teaching staff; sparking continuing complaints from domestic students about the quality of the courses.

There was a huge potential market, especially in South Asia (notably India and Nepal). Many of these students regarded their enrollment as an investment providing access to the Australian labour market and, eventually, the prize of a permanent visa. Because of this end goal, they preferred the lower priced universities and courses, especially those in the business fields.

The result was a rapid expansion in courses that were not English-language intensive (including accounting), which could be dumbed down to suit students with relatively poor English.<sup>3</sup> As Leith van Onselen of MacroBusiness has put it, Australian universities 'have become "middle-men" to the immigration system, behaving like migration agents and degree factories to maximise student fees. They've lowered entry and teaching standards to maximise student numbers.'<sup>4</sup>

This motivation was less evident for the important Chinese segment of the overseas student sector of the market. They tended to be drawn from relatively high-income families and were attracted by the prestige flowing from gaining a qualification in those Australian universities (all Group of Eight universities) that have obtained rankings within the world's top 100 universities.

Overseas student enrollment levels have soared and so has the revenue reaped from overseas student fees. By 2020 (the latest year available), the revenue from this source, though down a bit (as a result of the pandemic), still totaled \$9.2 billion, or 26.6 per cent of all university revenue.<sup>5</sup> For some universities, like RMIT which is located in inner Melbourne, this revenue source was much higher at 35.1 per cent. The dependence has been particularly high amongst the Go8 group. In 2020 it was 36.4 per cent for Monash University and 31.8 per cent for the University of Melbourne. It was an extraordinary 41.8 per cent for

the University of Sydney. This reflects the equally astounding dependence of the University of Sydney on overseas student enrollments. In 2019, 52.5 per cent of total commencements there were overseas students.

The number of overseas student completions (at all levels) reached 151,320 in 2020. By this time, they made up an enormous 39.8 per cent of the total of all domestic and overseas student completions.

Universities claim that this huge level of reliance on overseas students has not been at the expense of domestic student opportunity. By implication, domestic students have nothing to fear from any loss of opportunity. This is not the case.

Consider the record of Go8 enrolments. The annual competition to gain entry to Australia's elite universities is a media event in which local students' success or lack of success in gaining one of the limited number of Go8 places funded by the Government, is highlighted. This is because the number of local applicants vastly exceeds the number of places that the Go8 offer. Yet, over the same decade, the Go8 increased the number of entry places allocated to overseas students.<sup>6</sup>

In order to evaluate the implications for domestic students' opportunities we have to examine particular fields of study. By 2020 nearly half of overseas students were graduating in the field of Management and Commerce. Their number, 70,219, far exceeded the number of domestic graduates – or 51,971. In this case domestic opportunity is not currently an issue because there is no labour market shortage for these graduates, nor has there been for some years.

But, in a situation where universities have limited accommodation and teaching resources, this focus on overseas students in business is disturbing. In 2020, completions in Management and Commerce made up a third of total completions. This is absurd in a context where there is a national supply crisis in some other fields of study. Much of the teaching, accommodation and staffing funds could be allocated to fields of study where there are national shortages, which could be filled by domestic students.

This is obvious with some STEM fields. The universities have no interest in embracing this option because of their huge reliance on fee revenue from overseas students (especially in the business fields). It is being used to subsidize their expenditure elsewhere, including their science research areas.

The universities can do this because there is no Government requirement that they prioritize fields of study that are in national shortage. That requirement ended over the years 2010-2012.

### *IT and engineering*

Table 1 shows that, by comparison with domestic training, the number of overseas student completions in IT (especially at course work Masters level) has increased much more rapidly and generated far more completions than is the case for domestic students. The pattern is similar with engineering.

In 2020, there were just 4,750 domestic undergraduate completions in IT from Australian universities (Table 1). This is a tiny number compared with industry claims about Australia's needs. Australia's leading software provider, Atlassian, has indicated that it alone intends to recruit 1000 additional software engineers in the next 12 months.<sup>7</sup>

The poor record of Australian training in this field has long been lamented with numerous assurances that it will be rectified. This has not happened. Table 1 shows that there has been little improvement in domestic output in IT and engineering since 2010.

Why is this? It is because the fee revenue from every extra foreign student goes straight to the bottom line, whereas any movement of domestic students across fields of study results in little, if any, to overall revenue.<sup>8</sup>

Some argue that another factor is limited interest on the part of locals to enroll in these courses. However, the reason for low enrolments by locals are far more complex than a simple lack of interest. In a context where local students must compete with a huge influx of skilled migrants, any reluctance to enroll is understandable.

Until 2018-19, Australia had been granting some 9,000 temporary work visas annually to IT specialists, mainly from India. Their numbers crashed during the pandemic, but climbed back rapidly in 2021-22.

From the prospective domestic student's point of view, why take on a demanding field like IT when, at the time of entering the job market, they have to compete with a far larger cohort of overseas IT specialists?



<b>Table 1 Undergraduate and postgraduate (other) completions, by domestic and overseas students for IT, engineering and management and commerce, selected years.</b>			
	<b>IT</b>		
	2010	2015	2020
	<b>Domestic</b>		
<b>Bachelor</b>	2,914	3,539	4,770
<b>Postgraduate, Other</b>	1,098	1,268	2,896
	<b>Overseas</b>		
<b>Bachelor</b>	3,509	3,709	5,875
<b>Postgraduate, Other</b>	4,960	4,356	15,613
	<b>Engineering</b>		
	2010	2015	2020
	<b>Domestic</b>		
<b>Bachelor</b>	6,237	7,392	7,428
<b>Postgraduate, Other</b>	1,698	2,392	1,978
	<b>Overseas</b>		
<b>Bachelor</b>	2,912	3,483	5,030
<b>Postgraduate, Other</b>	2,940	3,365	7,210
	<b>Management and Commerce</b>		
	2010	2015	2020
	<b>Domestic</b>		
<b>Bachelor</b>	23,165	23,770	25,550
<b>Postgraduate, Other</b>	13,732	14,496	13,354
	<b>Overseas</b>		
<b>Bachelor</b>	27,299	25,592	26,307
<b>Postgraduate, Other</b>	26,186	24,816	37,279
Source: Higher Education Statistics			

### *Nursing*

Both State and Federal Governments have highlighted the need to expand nurse training and some States have offered scholarships to domestic students in order to achieve this outcome.

There has been some increase in undergraduate nursing commencements in recent years. The number of domestic commencements increased from 9,589 in 2015 to 14,736 in 2020, an increase of 37.8 per cent. Though starting from a lower base, commencements of overseas students in nursing have increased faster, from 2,176 in 2015 to 3,345 in 2020 or by 53.7 per cent.

The universities confront a situation where there are constraints on any expansion in places. This is largely because of the limited number of training places in hospital settings (which all graduates in nursing must complete) and a limited number of experienced nurses able to provide the required supervision.

Unless the universities are funded for additional nursing places and required to fill them with domestic students, which they are likely to prioritize places for overseas students.

They have a huge financial incentive to enroll overseas students. All the nursing schools are charging \$30,000 to \$40,000 each year for their three-year graduate course.

It is not as though interest from domestic students in nursing is low. The field offers a socially esteemed career, secure job prospects and a good income. We know from the record of domestic applications for university nursing places that demand is high, way above the number of places available. The prospect is that many of these domestic applicants are going to miss out to overseas students.

### **The implications for NOM of the revival of the overseas student industry**

The population consequences of the current revival of the overseas student industry are likely to be significant.

In order to explain why, we provide some background on how an earlier revival of the overseas student industry in the 2010s produced just this outcome.

During the 2000s, the Howard Government linked the training of overseas students at both the vocational and university level to subsequent access to permanent residence visas (PR). The result was an explosion in enrolments and also in evidence that much of the training was of poor quality.

In 2009 and 2010, the then Labor Government implemented stringent controls over the overseas student industry. These were designed to increase student enrolment standards and to limit access to the permanent migration program to those with skills genuinely in need in Australia at the time. It totally removed access to PR for those trained in the two most numerous fields, cooking and hairdressing, thus wiping out much of the vocational sector of the overseas student industry.

However, university enrollments were also impacted. This resulted in robust lobbying by the overseas student industry and its supporters, and the Labor Government then reversed its policy, at least in regard to the universities. In 2011, it announced a contraction in the financial resources that overseas students had to attest to before enrolling, a reduction in English language standards and the introduction of a new post-study work visa. All overseas students who enrolled from November 2011 on, and who completed a degree-level course were guaranteed a visa allowing them to stay in Australia for at least two years with full work rights. (They did not have to possess a qualification in short supply.)<sup>9</sup>

The universities vigorously exploited the recruitment opportunities which resulted. Their response included, as noted above, the expansion of courses (especially in the business fields) tailored to the lower academic capacity of overseas students. These were also tailored to meet the overseas students' desire for qualifications which opened up the possibility of a permanent residence visa.

Overseas student commencements increased from 103,140 in 2012 to 202,213 in 2019 (before contracting a lot in 2020 as a result of pandemic restrictions on movement to Australia).

*The student influx and net overseas migration level*

By the late 2010s Australia's level of NOM reached around 245,000 each year, thereby adding near one per cent to Australia's population each year. This, combined with natural increase delivered an overall rate of population growth of around 1.4 per cent a year (at least until the pandemic). This enormous figure (enormous by comparison with other developed countries) has been dubbed as 'Big Australia' levels.

As we have shown elsewhere, the main driver of this immigration outcome has been overseas students.<sup>10</sup> We provide the statistical evidence in Appendix 2.

In brief, what happened during the 2010s was that most of huge influx of students did not leave Australia, despite the temporary nature of their visas. The result was a continuing surplus of student arrivals over student departures – which accounted for most of the growth in NOM during the decade.

For example, as can be seen in Appendix 2, for the year 2018-19, there were 172,800 student arrivals who the ABS counted as additions to NOM, but only 60,200 student departures who were counted as reductions in NOM. This resulted in a total addition to NOM attributable to students of 112,600, or nearly half of the total NOM in that year. The surplus of NOM attributable to arrivals holding permanent entry visas over those leaving who had held permanent entry visas was far less (66,547 in 2018-19 - see Appendix 2).

The student surplus has resulted (as noted) because most students do not leave Australia when they complete their studies. Many regard their study as an investment leading to entry into the Australian labour market. This is especially likely to be true of those from the sub-continent of India. Most of them do not come from affluent families, and they need time in the Australian workforce to recoup their investment and often to pay off debts accumulated to finance it. Most stay on by taking up the graduate study visa option, or by churning to another temporary visa option (like another student visa). A minority manage to obtain a permanent residence visa.

The permanent residence option, prior to the pandemic, was hard to achieve. This was due to reforms during the years 2016 to 2018 when Peter Dutton was the Minister for Home Affairs. These made it much tougher for overseas students to be sponsored by an employer under the Employer Sponsorship PR categories.<sup>11</sup>

The total number of PR visas granted in the skill categories also contracted when the overall permanent entry migration program was reduced from 190,000 to 162,417 in 2017-18.

One consequence was that, with PR pathways narrowing, the pass mark in the points-tested skill categories rose to sky-high levels, eliminating this option for most former overseas students. The consequence was that overseas students wanting to stay on in Australia have had to churn through other visa options in order to continue their stay. They have been the main contributor to expansion in the stock of 'other temporary resident' visa categories, including those holding bridging visas. (Numbers of persons holding bridging visas increased from 89,984 in December 2014 to 191,655 in December 2019.)<sup>12</sup>

The results were spectacular. The total number of persons holding temporary visas in Australia increased from 1,884,296 in December 2014 to a peak of 2,408,196 in December 2019, just months before pandemic restrictions were imposed. Some 638,687 were New Zealand citizens. Their numbers had hardly varied since 2014 and thus had not contributed to the expansion of NOM.

The main driver of the growth in temporary visa numbers has been students. There were 480,543 overseas students in Australia as of December 2019, up from 303,169 as of December 2014. They have been concentrated in Melbourne and Sydney. This is the main reason why some 65 per cent of Australia's NOM has been located in these two cities.<sup>13</sup>

Then, the pandemic hit and from March 2020 the Australian Coalition Government stopped issuing student visas from offshore locations (as well as most other temporary visas). And, at the same time it pressed those temporary visa holders living in Australia to return home.

The result was that NOM collapsed to minus 4,957 in 2020 and minus 3,598 in 2021. By December 2021, the number of persons holding temporary visas in Australia had fallen to 1,664,661 (or declined by around 700,000). Nearly half of this was due to a fall in the number holding student visas, from 635,109 to 315,947 over the same two-year period.

There are powerful vested interests that had come to rely upon high NOM - employers, business interests and their state and metropolitan city government supporters. Not surprisingly, they now want this collapse to be reversed. They were well represented at the Summit, which helps explain why none of those attending challenged the Summit's endorsement of a revival to the overseas student industry.

These interests want a return to the 2019 situation when overseas students provided the bulk of the huge inner-city casual workforce. It was a workforce that propped up the low wage hospitality, retail and related inner metropolitan industries prior to the pandemic.<sup>14</sup>

### *NOM is about to surge again*

The process was started by the decisions made by the Coalition Government prior to the May 2022 election. These decisions included overseas student fee concessions, the relaxing restrictions on hours of paid work and additional rights for overseas students to stay on in the Australian labour market after graduation.

Subsequently, the new Labor Government, with the Summit's support, doubled down on these inducements. It has added an extra year to the right to stay on in Australia and participate in our labour market and has extended this right to course work postgraduates. (The Coalition had limited the right to undergraduates.)

Again, with the Summit's endorsement, the Labor Government has sent a potent message to the overseas student industry that its graduates will have new opportunities stay on in Australia. As we have seen, the Government has signalled a new willingness to recruit overseas student graduates to the Australian workforce and that it will create new and more open pathways to their attaining permanent residence.

These are just the kind of messages guaranteed to result in another surge of overseas student enrolments and an increase in the stock of students on temporary entry visas. The stock will grow as university enrolments build up. This will mean far more temporary residents seeking PR whose interests cannot be satisfied by any conceivable expansion in the permanent entry migration program.

The limits are already becoming evident. During the Summit, the Labor Government made a *sotto voce* announcement. In the fine print of the Summit's proceedings this stated that access to the extended stay provision cited above would only be accessible to students with qualifications relevant to skills in shortage in Australia as determined by the National Skills Council.

On October 3, 2022, the National Skills Council (NSC) issued its findings as to the eligible occupations.<sup>15</sup> These did not include accounting. Accounting was on the list in 2021, but not in 2022. This is a crucial barrier, because, as indicated above, in 2020 nearly half (70,291) of the total number of overseas student graduates (at all levels), of 151,320, were in the Management and Commerce field of study. If the NSC findings stand, most of these graduates will not be eligible for the two-year extension.

Also, during the Summit, Labor indicated that access to permanent residence skill visas would be limited to those occupations judged to be in shortage in Australia. The Department of Home Affairs (DHA) has announced the eligible occupations. It has done so via its 'Skill Select' rules. Under these rules applicants for PR submit a preliminary application. If this is deemed likely to succeed, they are then issued with an invitation to make a formal application. There is to be a huge increase in the number of invitations DHA will issue to prospective skilled migrants, an increase from around 1000 or less per quarter in recent years to 12,000 in the August 2022 quarter.

Under the 'Skill Select' system, the preliminary application that prospective migrants make provides information on the metrics used to determine eligibility for a skilled visa. This refers to the characteristics the Department uses to calculate the points the applicants will score on its points test system. (This includes English language capacity, work experience, age and other factor,). The Department then issues invitations to apply to those applicants who have the points deemed to be needed in the eligible occupations.

However, the starting point is whether the applicant holds an eligible occupation. If not, the score estimated on the points test is irrelevant.

The key point for our analysis is that accounting was not listed as an eligible occupation for the Skill Select program. Thus, as with the graduate visa extension, nearly half of the current overseas student graduates will not be eligible for a permanent-residence skill visa.

If the past is any guide, the overseas-student industry may well lobby heavily to force a change to these rules. There were several years in the early 2010s (when the previous resources boom deflated) when demand for skilled occupations, including accounting and engineering, slumped. At that time, it was obvious that the skills in question were not in

short supply. Nonetheless, these occupations were not removed from the eligible Skill Shortage list. The rationale for this was dubious.

In 2016, the Coalition Government changed the rules such that areas of skill shortage would henceforth be determined by *a long-term assessment* of needs for the skills in question. While accountancy, engineering and other fields important to the overseas student industry were in oversupply at the time, nonetheless all were accredited on these grounds.<sup>16</sup>

Whatever the current outcome of this policy conundrum, one consequence will be an expansion in the overseas student contribution to NOM.

This process has already begun even before the impact of Labor's policy initiatives have been felt. The Treasury's Office of Population *2021 Population Statement* (published in December 2021) forecast that NOM would reach 180,000 in 2022-23 and 235,00 by 2023-24. The driver, according to this forecast, would be a surge in temporary migrants (mainly students. This reflects the Coalition's overseas student policy initiatives detailed above, together with an expectation of a rapid removal of Covid travel restrictions. At the time of the announcement of Labor's 2022-23 Budget (October 2022), the Treasury indicated that the surge in NOM is likely to occur much earlier. It forecast that NOM would be 235,000 in 2022-23 and would stay at that level in the immediate future. The Office of Population has not yet released its reasons for this forecast. It is highly likely, however, that it is assuming a continued surge in overseas student enrolments as well as a sustained removal of Covid travel restrictions.

Welcome back to a *Big Australia* and to the extravagant population visions of the Victorian and NSW State governments. The Andrews Government is projecting that Melbourne will grow from less than 6 million to around 9 million in 2056 (or equivalent to the population of Greater London). This expectation is the main justification of its massive 'Big Build' policy. The NSW State Government's expectations are only marginally smaller.

#### *Federal Labor in a bind of its own making*

The Federal Labor Government, therefore, faces a turbulent outlook. If it responds to the overseas student lobby, it will be accused of pandering to the overseas student industry. Given that the US Federal Reserve is intent on deflating the US economy, Australia is inevitably going to be caught in the slipstream. It will not be long before the demand for skills abates and local graduates will be clamoring for priority.

If the Labor Government does not respond to the lobby, the result will be a build-up in the number of overseas students on temporary entry visas with minimal prospects of a PR visa, just as was the case during the 2010s.

Either way, the flaws in the Summit's policy recommendations will become obvious.

The Government may have to further increase the PR migration program to accommodate these people. As Brendon Coates of the Grattan Institute noted after the Summit, you cannot have an uncapped temporary entry program at the same time as a capped permanent entry program.<sup>17</sup>

There is a further complication built into the post-Summit arrangements for the Labor Government. The more it facilitates the accumulation of a large temporary-entry workforce via overseas student entry, the more it will run foul of trade union concerns about persons on temporary visas undermining the work prospects and conditions of Australian workers. The aspirations of the overseas-student industry and the unions are diametrically opposed.

If, as we predict, temporary-entry overseas student graduates who are ineligible for permanent residence do stockpile as a result of opening up the university system, then a confrontation seems assured with the trade unions. The unions prefer permanent settlement. But if the federal government were to then attempt to appease them by liberalising access to permanent residence for the accumulated stock of long-staying temporary entrants, this would still not substantially address trade union concerns. It may simply mean a change in name only with a continued downward pressure on working conditions.

### **What is to be done?**

The Summit should have focused on the Universities' culpability for their miserable record in training locals in key STEM fields.

The urgency of this issue has multiplied with the Labor Government's stated intention (as indicated by Minister O'Neil's statement in early November) to make the training of overseas students an integral part of Australia's skilled training policy.

The Government is giving de facto recognition to the reality that the universities are devoting more of their training effort in some key fields to overseas students than to domestic students. The Government is now seriously proposing to embed this inequitable practice into Australia's skilled manpower policy strategy.

What this would mean, if allowed to proceed, is that overseas students would have a privileged pathway into the elite ranks of key professions. All that is needed for such students to be eligible, in the case of Masters by Coursework qualifications, is an undergraduate degree (from any overseas university). Professional level English proficiency is not required.

What matters is the ability to pay the fees and living expenses while in Australia.

Equally important, the proposed policy, should it be allowed to proceed, would be at the expense of opportunities for domestic students. These are students who have achieved much higher academic standards at year 12 than are required by overseas students, but cannot find university places.

Here's our view on what needs to be done.

The Universities are chronically short of the funds needed to accomplish their priorities, which include research output of world class standards. The Go8 have succeeded in that they are now regularly ranked among the world's top 100 on this criterion. Most of Australia's other universities aspire to make progress on this metric.

Successive Australian Governments, including Labor, have cut university funding, making it impossible to achieve this research outcome without supplementary funding. The overseas student industry has filled the breach, making its post-pandemic revival a vital priority for the universities.

The universities need a radical overhaul.

The universities' autonomy to determine where their training effort is directed will have to be removed. They will have to be directed to provide training where serious skill shortages prevail (as in IT and engineering). And, the Government will have to provide the resources needed to make it happen.

It can be done. The Federal Government minutely controls how many medical places the universities can offer. It also limits the number of overseas student enrolments in the medical field to 600 as against 3000 commencing domestic students. The universities would love the opportunity to offer more places to overseas students, given the huge fees they have to pay. However, they have not been permitted to do so.

As this case indicates, there is no reason why the Federal Government cannot issue targets for domestic training in other fields (as long as the funding is provided).

The Federal Government should accompany this measure by directing universities to focus their research on outcomes more relevant to Australian industry and other priorities.

A limit will have to be placed on the number of overseas students that universities are allowed to enroll. This should be consistent with the universities being able to show that they are training enough local students to meet areas of demand. The maximization of training opportunities for local students should be the main game, not a secondary consideration, as is now the case.

The current situation, where massive funds are diverted from overseas student revenue to help fund the universities' global academic research effort, should end.

### **The bigger picture implications of a return to Big Australia migration levels**

The current outlook is for a revival in the level of NOM and thus to 'Big Australia' population growth levels.

The Summit had nothing to say about the implications for the natural environment, urban quality of life and housing prices. All that it offered, as summarized by the Treasury, was this: 'All levels of government will work together to ensure infrastructure, housing and social services are well-planned to meet the needs of a growing population'.<sup>18</sup>

Nor did the Summit address Australia's recent record of low labour productivity and its links to rapid population growth.

Australia is a natural resource-based economy that has found its comparative advantage, or niche, in the global economy as a supplier of mineral and agricultural commodities. It is a lucrative niche that serves as the foundation of the nation's economy.



Over the past decade, Australia's business and political elites have overlaid upon this resource base a metropolitan economy based on providing for additional people (mainly migrants). We do not have the space to elaborate on the reasons for this here but the industries that flourish as a result are related to people servicing and city building. They have nothing to do with enhancing Australia's internationally competitive industries, which are mainly natural-resource based.

Metropolitan-based service industries are the prime source of Australia's low productivity record in recent years. Although the resource-based industries show high rates of labour productivity, they employ relatively few people. The overall level of labour productivity in Australia is largely determined by the performance of the people-servicing and city-building industries. Yet, these have shown little or no labour productivity growth over the past decade.<sup>19</sup> The continued expansion of metropolitan-based people servicing through rapid population growth has resulted in economic growth, measured in terms of GDP, but this has been largely through low productivity capital widening. Low productivity GDP growth through population expansion will not serve Australia well.

## Appendix One

### *Labor's past record on temporary entry migration policy*

Clare O'Neil's comments which blame recent Coalition Governments for the legacy of an extensive, vulnerable, temporary-entry workforce is incorrect. Previous Labor governments, dating back to the 1980s and early 1990s, played a significant role in the longer-term liberalisation of temporary-entry immigration, eventually resulting in the creation of a large precarious low-skilled workforce with limited residency rights.

From this time, the policy rationale for temporary migration steadily broadened to include criteria not directly concerned with the protection of the opportunities of Australian workers. It was not even concerned with the acquisition of scarce skills, but rather with more extraneous factors. These were associated with the pursuit of multilateral free trade, multiculturalism, and the associated quest to integrate the Australian economy and society with Pacific Asia.

Whereas in the early 1980s the Australian government had sought to tightly target immigration so as to protect the work, education and training of Australian workers, by the end of that decade active labour market protection had ceased to be the primary, overriding policy objective. Reflecting the retreat of government from protectionist ideals, inherited from the early nation-building period, an increasing emphasis was placed upon temporary-entry migration on the basis of relaxed terms of entry.

Following a review of temporary entry policy, processing and procedures in 1987, significant further amendments were made to the temporary entry regulatory framework in 1989. Labour market testing requirements and length of stay limitations were liberalised and overall economic growth was included as a rationale for temporary entry policy.

These changes were followed by a further round of liberalization of temporary entry as recommended by the Roach Report in 1995, which had been commissioned by Labor immigration minister, Nick Bolkus. As demographic analyst, Martin Bell, observed at the time:

Temporary entry migration is the great sleeper in Australia's immigration debate. It is little publicized, poorly documented and largely undebated. A current Government inquiry proposes a massive liberalization of entry criteria and procedures, matching similar moves on trade and capital flows. The proposals represent a fundamental shift in policy, and will reduce protection of the domestic labour market.<sup>20</sup>

Bell further noted that this policy shift represented movement from meeting labour shortages, *per se*, towards using temporary entry migration as a means for the promotion of economic growth in general.

A signature policy under immigration Minister Nick Bolkus in the early 1990s, which signaled the shift in Labor's policy rationale away from skills acquisition and labour market protection, was the 'productive diversity' policy. The idea was that a work force of diverse ethnic and national origins would be a positive asset in facilitating an international outlook,

micro-economic reform and competitive advantage in the global market. This was explicitly asserted. Paul Keating, as Prime Minister, became an ardent proponent of this view.<sup>21</sup>

Although a skills acquisition rationale has persisted within temporary-entry immigration policy rationale, it is but a vestigial, partial reason in practice. Temporary-entry immigration has morphed from being a tightly constrained program aimed at providing significant higher-level skills genuinely in short supply on a strictly short-term basis to a form of economic stimulus and supply of low-skilled, tenuously employed workers. This is something which in turn is believed to assist in the global integration of the Australian economy.

The suggestion, arising from the recent Summit, that temporary-entry immigration flows had recently become a major source of highly vulnerable foreign workers under Peter Dutton does not stand up to historical scrutiny.

## Appendix Two

### *Understanding NOM*

NOM is a measure of the excess of overseas arrivals over departures. These movements cover all persons, including residents born in Australia. The ABS, which provides the relevant statistics, only includes an arriver as an Australian resident if he or she stays on for at least a year out of the ensuing 16 months. As for departures, a person is only removed from the stock of Australian residents, if he or she stays away from Australia for 12 months over the following 16 months following departure.

NOM is not a measure of those in Australia who are permanent residents, whether by birth or the receipt of a permanent resident visa. The number of permanent resident visas issued does influence Australia's level of NOM. However, as can be seen from Table 1, in recent years the net movement of permanent residents has only contributed about a quarter of the overall annual growth in NOM.

The main driver of Australia's high NOM in the several years prior to the pandemic, when it was adding near one percent to Australia's population each year, was the significant excess of migrants arriving on temporary visas over the numbers leaving each year who held these visas.

As Table 1 shows, in 2017-18 and 2018-19 when NOM was near its peak, it reached near 240,000 per year. The Table shows that the gap between those arriving and leaving on temporary visas was the main source (186,166 in 2017-18).

The net movement of students was the main contributor. The net movement of permanent resident visa holders, though an important component, added much less to NOM; just 66,548 in 2017-18. This is in part, because only about half of the PR visas granted are to offshore applicants each year. The other half are granted to temporary entrants already in Australia. The number of net permanent migrants is also reduced because some 20,000 or so recent PR visa holders leave Australia each year.

<i>Temporary visas</i>	2017-18			2018-19		
	Arrivals	Departures	Net	Arrivals	Departures	Net
<b>Students</b>						
VET sector	18,503	14,659	3,844	21,900	16,500	5,400
Higher Edn sector	105,485	31,000	74,485	117,600	34,600	83,000
Other students	35,448	8,790	26,658	33,300	9,100	24,200
<b>Total students</b>	<b>159,436</b>	<b>54,449</b>	<b>104,987</b>	<b>172,800</b>	<b>60,200</b>	<b>112,600</b>
<b>Temporary visas</b>						
Temporay work skilled	26,541	15,200	11,341	31,800	15,400	16,400
Visitor	78,020	20,628	57,392	77,500	24,500	53,000
Working holiday maker	49,286	22,415	26,871	50,300	24,800	25,500
Other temporary visa	14,067	28,494	-14,421	13,600	32,700	-18,900
<b>Total temporary visas</b>	<b>167,914</b>	<b>86,737</b>	<b>81,183</b>	<b>173,200</b>	<b>97,400</b>	<b>76,000</b>
<b>Permanent visas</b>						
Skilled	43,014	8,150	34,864	23,400	5,600	17,800
Family	26,516	5,700	20,816	37,600	7,500	30,100
Other	18,245	7,378	10,867	21,600	7,900	13,700
<b>Total permanent visas</b>	<b>87,775</b>	<b>21,228</b>	<b>66,547</b>	<b>82,600</b>	<b>21,000</b>	<b>61,600</b>
<b>Other visas</b>						
New Zealand citizens	30,236	23,543	6,693	39,200	22,200	8,000
Australian citizens	76,338	90,742	-14,404	74,900	86,700	-11,800
Others	4,000	12,269	-8,269	4,000	10,900	-6,900
<b>Total NOM</b>	<b>525,699</b>	<b>288,968</b>	<b>236,737</b>	<b>546,700</b>	<b>298,400</b>	<b>239,500</b>

Sources: 2017-18 figures, from Birrell, 'Overseas students are driving Australia's net overseas migration', TAPRI, April 2019, p. 2.  
 2018-19 figures from ABS, Migration, Australia, 2018-19 financial year.

## Notes

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- <sup>1</sup> For example, see the statement by Clare O’Neil, Labor Minister for Home Affairs, in Michael Read and Tom McIlroy, ‘Gutsy’ immigration review flags bigger industry role’, *Australian Financial Review*, 7 November 2022. This claim is largely disingenuous on Labor’s part (see note at Appendix 1).
- <sup>2</sup> The Hon Jason Clare MP, Minister for Education, *Universities Accord*, Media Release, 16 November 2022
- <sup>3</sup> Bob Birrell and Katharine Betts, *The Crisis in the Overseas Student industry: How should Government respond?* The Australian Population Research Institute, Research Report, June 2020
- <sup>4</sup> Macro Business, 24 May 2022
- <sup>5</sup> Department of Education, Skills and Employment, *University Finance 2020*, Table 3
- <sup>6</sup> Bob Birrell and Katharine Betts op. cit., p. 3; Post-Covid Australian Universities; the need for a new teaching and research vision’, *Australian Universities Review*, vol. 62, no.2, 2020
- <sup>7</sup> David Swan, ‘Atlassian’s new technology chief goes on hiring spree’, *The Australian*, 8 September 2022
- <sup>8</sup> Salvatore Babones, *Australia’s Universities, Can They Reform?* Chapter 2, Ocean Reeve Publishing, 2021
- <sup>9</sup> Bob Birrell, *Overseas students are driving Australia’s Net Overseas Migration tide*, The Australian Population Research Institute, Research Paper, April 2019, pp 6-8
- <sup>10</sup> Ibid.
- <sup>11</sup> Bob Birrell, ‘The Coalition’s 457 Visa Reset: Tougher than you think’, The Australian Population Research Institute, Research Report, August 2017
- <sup>12</sup> Department of Homeland Affairs, *Temporary entrants visa holders pivot table as at 31 July 2022*
- <sup>13</sup> ABS, Migration Australia
- <sup>14</sup> Bob Birrell and David McCloskey, *Australia’s ‘jobs and growth’ strategy: pathway to a low productivity economy*, The Australian Population Research Institute, Research Report, November 2019, p. 13
- <sup>15</sup> National Skills Commission, *2022 Skills Priority List, Key findings Report*, 3 October 2022
- <sup>16</sup> Bob Birrell, *Australia’s Skilled Migration Program: Scarce Skills Not Required*, The Australian Population Research Institute, Research Report, March 2018, p. 6
- <sup>17</sup> Brendon Coates and Tyler Reysenbach, ‘Australia faces tough choices on migrant income and residency’, *The Conversation*, 6 September, 2022
- <sup>18</sup> Australian Government, op cit., p. 5 [Is this Department of Homeland Affairs?]
- <sup>19</sup> This argument is documented in David McCloskey, *Impacts of Structural Changes in Australia’s Economy (2006-2016) on labour productivity, income inequality and competition in local markets*, The Australian Population Research Institute, Research Report, June 2022. See also Birrell and McCloskey, 2019, op cit.
- <sup>20</sup> Martin Bell, ‘Temporary overseas workers - deregulating the market’, *People and Place*, Vol. 3 No. 1, 1995, pp. 54-58
- <sup>21</sup> Paul Keating, Speech by the Prime Minister, the Hon. P. J. Keating, Productive Diversity in Business Conference, Melbourne, 28 October 1992