

**AUSTRALIA'S
FUTURE
MIGRATION
SYSTEM**

2022





ABOUT THIS PUBLICATION



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CEDA's objective in publishing this report is to encourage constructive debate and discussion on matters of national economic importance. Persons who rely upon the material published do so at their own risk.

In response to the Discussion Paper for the Federal Government's migration policy review released in November 2022, CEDA's paper outlines future trends that Australia's migration system will confront, the principles that should guide the future system and policy recommendations in line with these principles.

This paper should be read in conjunction with our previous migration research, including:

- [Jobs and Skills Summit – unlocking skilled migration](#) (August 2022)
- [A good match: Optimising Australia's permanent skilled migration](#) (March 2021)
- [Effects of temporary migration – Shaping Australia's society and economy](#) (July 2019)

CEDA has also submitted a summary of the proposals outlined in this paper directly to the review's public submission process.

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About CEDA

CEDA is Australia's leading member-driven think tank. Our purpose is to achieve sustainable long-term prosperity for all Australians.

Our trusted independence, and a deep and broad membership base that extends across all sectors, states and territories, enables us to bring diverse perspectives and insights to guide and advance policy debate and development in the national interest.

We aim to influence future economic, social and environmental outcomes by:

- Promoting public discussion of the challenges and opportunities facing Australia;
- Enabling members to shape future outcomes through policy and their own actions;
- Partnering and collaborating to tackle emerging opportunities and entrenched challenges; and
- Advocating for policy change based on our independent research insights.

Our work is overseen by our independent Board of Directors and our research is guided and approved by an independent Research and Policy Committee whose members are leading economists, researchers and policy experts.



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"Australia faces growing skills demands at the same time as the population is ageing. But as our analysis shows, we are not alone and will face growing competition for the best global talent from a range of countries."

Australia's migration program has delivered significant economic and social benefits over recent decades. Despite these benefits, the COVID-19 pandemic has highlighted the gradual deterioration of the system's performance and the need for modernisation.

This will be critical to the continuing success of both the migration program and the economy. Australia faces growing skills demands at the same time as the population is ageing. But as our analysis shows, we are not alone and will face growing competition for the best global talent from a range of countries. The migration policy review is therefore timely to address current shortcomings and set the foundation for continuous improvement of the system.

In the past, migration has often been politicised, with benefits downplayed and risks magnified to drive a divisive debate. This has led to a revolving door of reviews and ad hoc changes.

CEDA would like this review to mark a change from this pattern, by giving governments a blueprint to sensibly pursue continuous improvement of the migration system. This also means strengthening community support for the program – being direct about its benefits and importance, but also managing its impacts beyond the border through effective planning, settlement and labour-market policies.

CEDA's seven recommendations centre on improvements to the skilled-migration program, along with additional actions to improve the governance of the system. We have prioritised actions to get the system operating more effectively in the short term, which also offer ways to test new approaches for the longer term.

To facilitate efficient skilled-migration flows, we propose a temporary skilled-migration program that is focused on three risk-based streams: a low-risk, high-wage stream through intra-company transfers; an enhanced temporary-skill-shortage main stream; and an essential skills visa. This should be complemented by policies that get the most out of our permanent skilled-migration program – reducing skills mismatch through a skills-matching register and policy changes such as reducing the newly arrived residents' waiting period.

Greater benefits can also come from family migration over time. The initial focus should be on reducing applicant costs and delays. Australia should also assess the viability of a family-skilled visa. The United States and other jurisdictions have demonstrated that these family links often provide a strong foundation for rapid and effective entry into the labour market.

Australia will also need to better manage the interaction between the temporary- and permanent-migration systems, to provide the consistent pathways to permanent residency that all stakeholders agree are necessary. This requires stronger action on temporary-migrant exploitation, along with greater transparency when setting

"The Federal Government should legislate for an eminent panel to undertake a strategic review of the migration system every five years, formulating a strategy that prioritises and guides reform and improvement in the system for that five-year period."

the permanent-migration program each year. CEDA also believes that temporary migrants who have been in Australia for a decade or more should be offered a path to permanent migration as a matter of course.

This review should not be a case of "one and done". The Federal Government should legislate for an eminent panel to undertake a strategic review of the migration system every five years, formulating a strategy that prioritises and guides reform and improvement in the system for that five-year period. This would bring a coherent strategy to more detailed policy reviews, and institutionalise continuous improvement across political cycles. CEDA also makes recommendations to improve visa processing, including benchmarking and reporting against KPIs for visa-processing times.

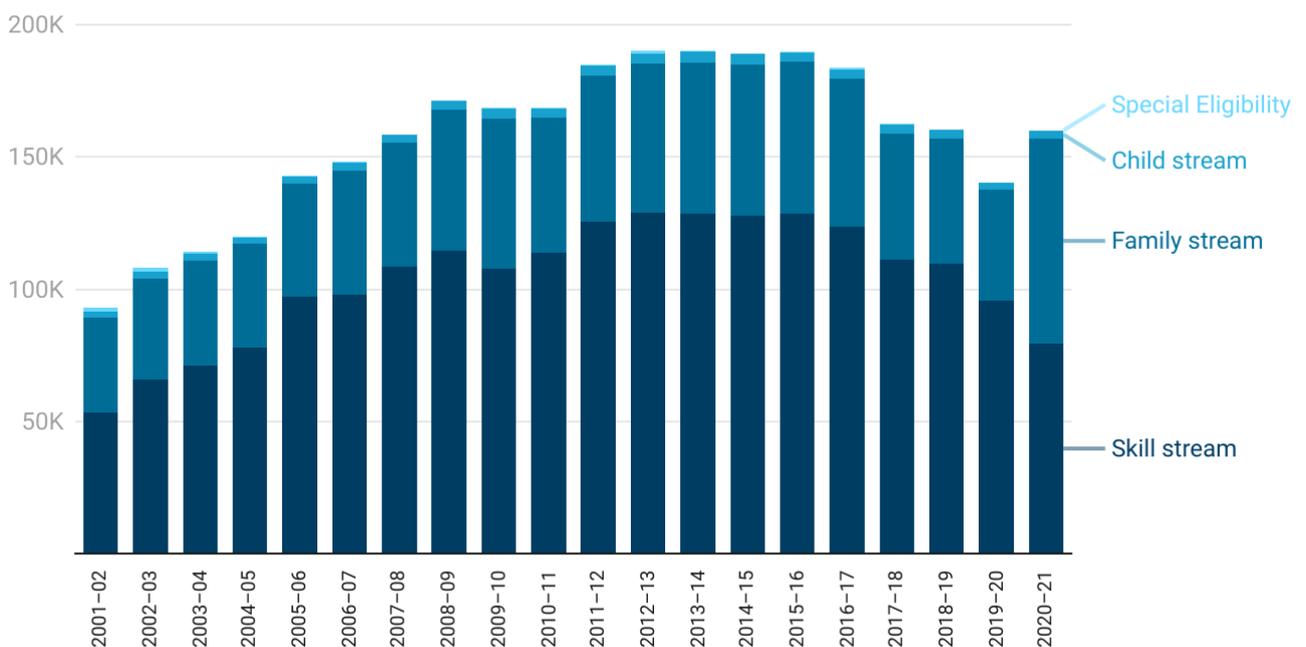
The critical role of migration

Australian governments must more effectively communicate the benefits of migration to the community to drive greater consensus and constructive debate on migration policy. Those benefits have been significant and will be critical to Australia's future economic success.

In the last two decades, Australia has welcomed more than three million permanent migrants, with an overwhelming focus on the skilled stream (Figure 1). The evidence suggests this has been a positive for the community, with the Scanlon Foundation finding that in 2022, 86 per cent of people agree that immigrants improve Australian society by bringing new ideas and cultures.¹

FIGURE 1

Permanent migration outcomes



Source: DHA • Created with Datawrapper

In the last two decades, Australia has welcomed more than

3 million

permanent migrants, with an overwhelming focus on skilled migration

Australia's migration program has had a central role in offsetting some of the nation's ageing and boosting the labour market. More than 80 per cent of migrants are of working age, compared with 65 per cent for the rest of the population. In the last 20 years, the participation rate for people born overseas has increased by 10 percentage points, while the participation rate for the Australian-born population has only increased by one percentage point.² Migrants have also supplied a third of the increased skills requirements of the economy.³ As CEDA's research confirms, this has occurred without harming the job prospects of local workers overall.⁴ Given Australia's ageing population we should expect these trends to accelerate into the future with the right migration settings in place.

There are also significant fiscal benefits – the estimated lifetime budget impact of the 2018–19 permanent migrant cohort is \$127,000 per person more positive than that of the 2018–19 population overall.⁵ Migration can also increase productivity in both the short and medium term⁶ and facilitate trade and investment flows through the people-to-people links that it fosters.⁷

Future trends and imperatives

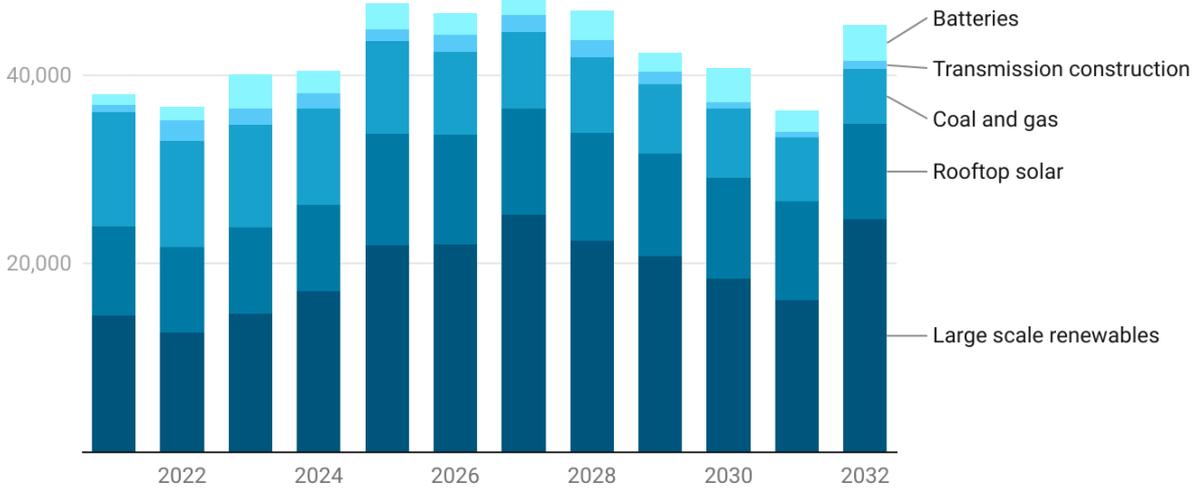
Industry and governments are driving major transitions across the economy over coming decades that combined with ongoing rapid technological change will significantly increase demand for skilled workers. For example:

- CEDA estimates that Australia will need an additional 110,000 direct-care workers in the aged-care sector within the decade and more than 400,000 additional workers by 2050 to reach the minimum three-star standard;⁸
- The public infrastructure pipeline announced by governments over recent years has been progressively delayed, with a forecast shortage of over 100,000 workers;⁹
- In just over a decade, Australia will need to install around 33 gigawatts of new domestic generation to be on track for net zero by 2050, the equivalent of almost doubling current generation capacity in New South Wales, creating considerable demand for more workers (Figure 2);¹⁰
- Defence spending is also ramping up – with the permanent Australian Defence Force and Defence civilian workforce up 18,500 by 2040 and government commitments to maximise local defence manufacturing over the next decade; and¹¹
- The Tech Council of Australia forecasts that Australia will need to employ 653,000 new workers in the next eight years to reach the goal of 1.2 million tech jobs in Australia.

FIGURE 2

Employment demand for energy transition

FTE



Source: Infrastructure Australia. Infrastructure Market Capacity October 2021 • Created with Datawrapper

More than

80%

of migrants are of working age,
compared with

65%

for the rest of the population.

This stronger labour-force demand will be occurring as working-age populations shrink across many economies. The proportion of working-age populations in China and India will peak in the next decade, while the Philippines, South Africa and Africa more broadly continue to grow into the 2040s (Figure 4). This suggests that over coming decades migrants of working age will be less abundant, Australia will face more intense competition from other countries for these migrants and they will come from different source countries.

FIGURE 3

Working age population of top source countries

Projected % of population 15-64

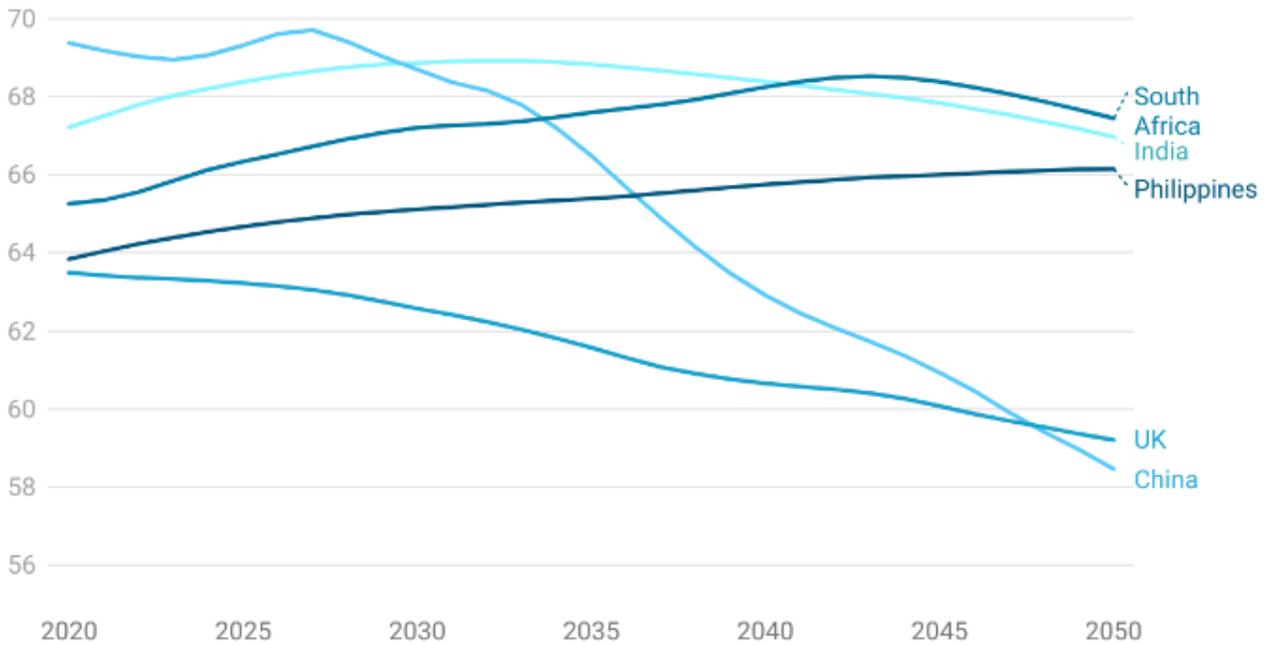
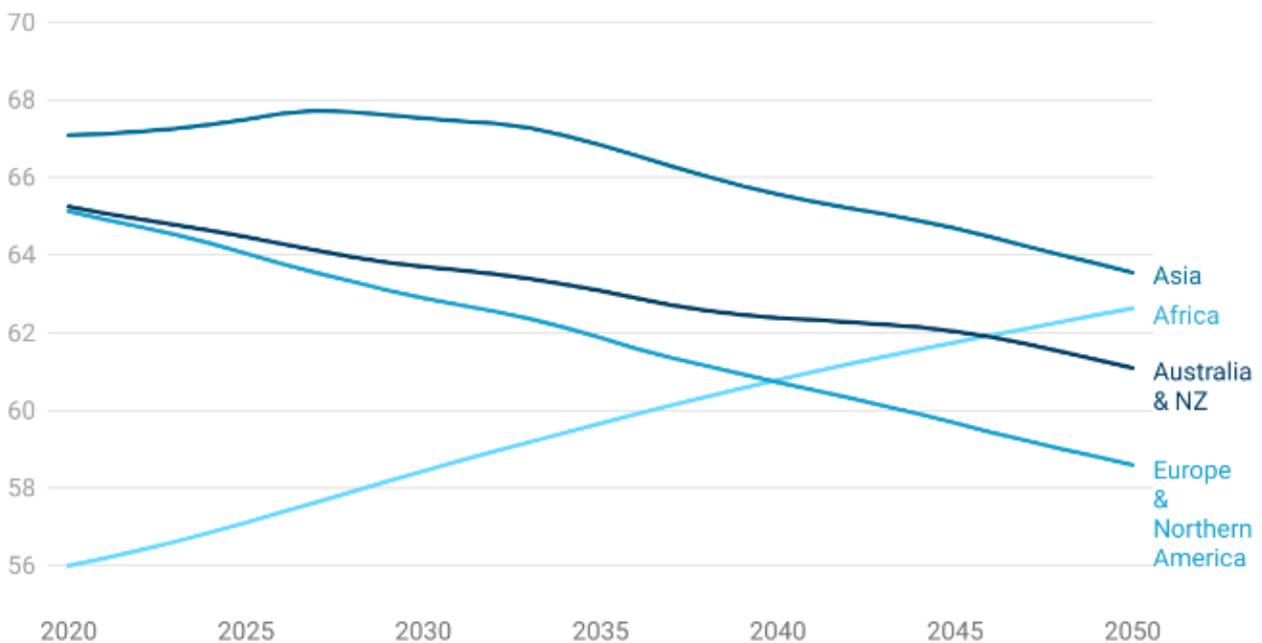


FIGURE 4

Working age population by region

Projected % of population 15-64



Source: UN World Population Prospects • Created with Datawrapper

This also implies that recent steps taken by other advanced economies to boost their migration programs are likely to accelerate further. Canada significantly increased its permanent-migration intake through the pandemic to provide greater certainty to temporary migrants already onshore and send strong signals to prospective migrants offshore. Following Brexit, the United Kingdom is also focusing on attracting migrants, modelling its new points-based migration system on Australia.

"Reducing the time that migrants take to gain a stronger foothold in the labour market presents an unrealised opportunity for Australia."

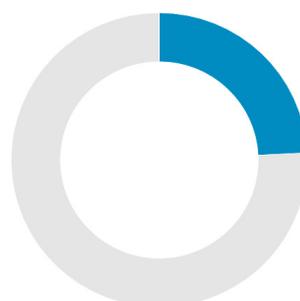
At the same time, increased geopolitical volatility and the physical effects of climate change also suggest significant unplanned people flows in the future. To date, the impacts of climate change have mostly driven migration within countries, but cross-border movements may increase too, particularly when climate impacts are combined with geopolitical issues.¹²

Issues with the current migration system

The discussion papers for the Jobs and Skills Summit and this review have summarised the challenges of the current system well. The deteriorating performance of Australia's migration system leading up to the pandemic and as borders reopened highlights that it is under-prepared to confront the trends outlined above. The system has been characterised by inconsistency, significant administrative burden, delayed skills matching, slow responsiveness to changing demands and a lack of transparency.

The migration system must balance competing objectives, often within the same visa stream, causing tension between providing greater flexibility for trusted users and tightening regulation and compliance on unscrupulous users. This tends to lead to what CEDA has described as a revolving door of policy reviews and ad-hoc changes swinging between these competing objectives but never effectively balancing them.

Despite Australia's strong focus on skilled migration, we have a relatively high rate of skills mismatch, and it takes some time for migrants to gain a strong foothold in the jobs market. As recent CEDA research demonstrated, almost a quarter of permanent skilled migrants find themselves working in a job beneath their skill level 18 months after arrival.¹³ As evident in (Figure 5), employment outcomes improve over time. Reducing the time that migrants take to gain a stronger foothold in the labour market presents an unrealised opportunity for Australia.



Almost a quarter of **permanent skilled migrants** find themselves working in a job **beneath** their **skill level** 18 months after arrival.

FIGURE 5

Permanent migrants' participation rate over time

%, years after arrival

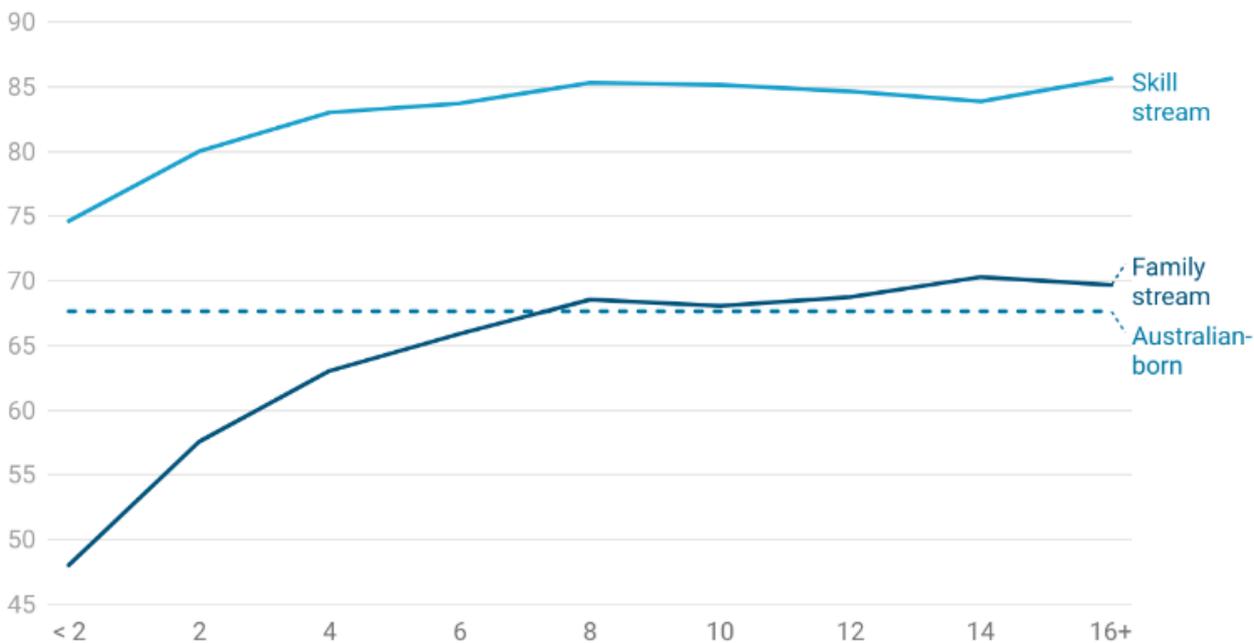
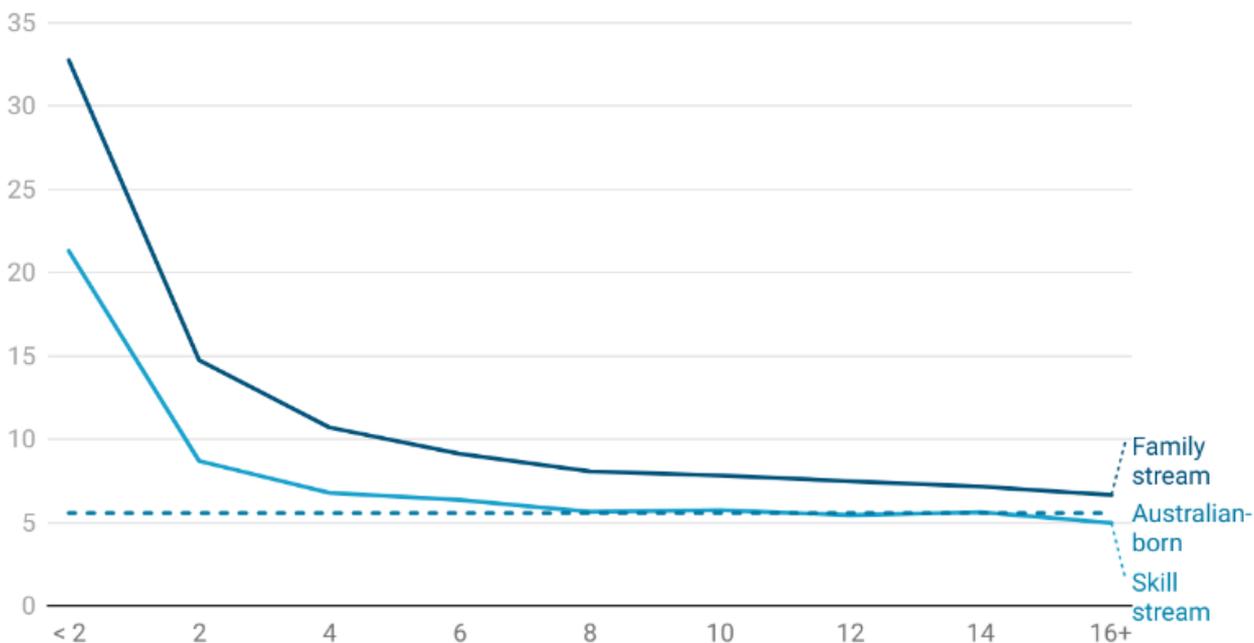


FIGURE 6

Permanent migrants' unemployment rate over time

%, years after arrival



Source: ABS, Australian Census and Migrants Integrated Dataset, 2016 • Created with Datawrapper

The migration system has also been relatively slow to respond to increased global competition and labour-market developments, whether that is gearing up visa processing for the opening of borders during COVID-19 or adjusting skilled-occupation lists or wage thresholds in line with changes in the labour market. This is in part due to complex administrative requirements that have accumulated with ad-hoc changes.

Change has also proven difficult in the absence of greater data and transparency around system performance. For example, information regarding the visa backlog only became apparent with a change of government and updates are now provided informally through ministerial communications. Previous government reviews have identified the need for enhanced digitisation of the visa process, but previous efforts to act on this appear to have stalled. Increased data availability would also provide much clearer evidence of the performance of the migration program, including earlier alerts on issues that need addressing.

Principles for a future migration system

The review has invited views on the principles that should underpin Australia's future migration system. In line with the challenges and trends outlined above, CEDA believes the system should be underpinned by the following principles:

- 1. Prioritising demographic and skills needs for future economic development:** Australia has benefited from a migration system with a core focus on attracting highly skilled migrants of working age. While there is room to improve both the skilled and non-skilled parts of the program, the system should not depart from this core focus.
- 2. Protecting and promoting migrant welfare, and social cohesion:** Australia must preference the welfare of the whole population, both Australian-born and overseas-born, in its migration and related policy settings. A recent example of not prioritising the welfare of migrants was the exclusion of temporary migrants from initial tranches of pandemic income support. An appropriate focus on welfare makes the program more sustainable and ultimately increases benefits to the whole community.
- 3. Administrative efficiency and transparency of performance:** An effective migration system depends not only on well-designed policies, but also on efficient administration and frequent reporting on performance against clear targets. Speed of decision making and processing will be increasingly important in an environment of intensifying competition for talent.
- 4. Coherence, with periodic evaluation and change:** While the migration system will need to evolve and change, this is best achieved through periodic evaluation of the whole system. Government should set a strategy and pursue reviews on detailed matters in a coherent manner consistent with the direction of that strategy to build and maintain public legitimacy and support for the migration program.
- 5. Promoting international connection and relationships for mutual benefit:** Australia's people-to-people-links through migration should complement and deepen our trade, investment, security and diplomatic ties.
- 6. Integrity:** The migration system must have integrity through high levels of compliance with visa and related workplace regulations, and strong alignment between the intention of different visa classes and their outcomes in practice.
- 7. Flexibility:** The system should be able to respond flexibly to major global shocks and events so that Australia can play its part in facilitating effective movement across borders in humanitarian and other crises.
- 8. Policy that goes beyond the border:** The benefits of migration will be strengthened through supporting planning and infrastructure policies that take account of population growth and settlement patterns, effective settlement services and labour-market support for migrants. This will necessarily involve close collaboration with State governments.

"The temporary skilled migration system should better enable timely migration outcomes, with regulatory requirements proportionate to the potential for misuse or exploitation in different circumstances rather than applying a one-size fits all approach."

Policy imperatives for the future migration system

CEDA's recommendations centre primarily on improving skilled migration, drawing on our previous research. We also offer suggestions to improve the governance of the system. Our recommendations prioritise actions to get the system operating more effectively in the short term, and in doing so offer ways to test new approaches for the longer term.

Temporary skilled migration

The temporary skilled migration system should better enable timely migration outcomes, with regulatory requirements proportionate to the potential for misuse or exploitation in different circumstances rather than applying a one-size fits all approach. Australia should transition to a risk-based temporary skilled-migration system focused around three streams.

- **High-wage, Low-risk:** This stream has a high annual wage threshold (\$120,000), rapid visa processing and exemption from labour-market testing and skilled-occupation lists. It could be established first for intra-company transfers, for trusted multinational companies transferring employees into Australia.
- **An enhanced main temporary-skill-shortage visa stream:** This would include a substantially higher temporary skilled migration income threshold (TSMIT) of \$66,000 and streamlined requirements, including no labour-market testing and one consolidated skilled-occupation list.
- **An Essential Skills Visa:** This would recognise there is considerable unmet demand for labour in areas like aged care, where there are currently no direct work-visa pathways. Eligible occupations would be tightly controlled, with regular enforcement and compliance to prevent misuse and exploitation.

This approach would also allow the Federal Government to test the concept of only using a wage threshold for skilled-migration eligibility rather than assessing worker shortages using labour-market testing and skilled-occupation lists, which all agree are not working. This concept has gained increasing prominence in the migration policy debate¹⁴ and could be tested through the intra-company transfer fast-track approach.

"In introducing an intra-company transfer fast-track visa, the Federal Government could effectively pilot the use of a wage threshold as the primary test of an applicant's eligibility, removing the need for labour-market testing or a skilled-occupation list."

There is considerable merit to using a wage threshold to replace inefficient skilled-occupation lists and labour-market testing. Nonetheless, there would be significant risks from moving too quickly and broadly with a wage threshold across the system, including:

- Difficulty applying a threshold consistently and objectively for offshore non-employer-sponsored nominations;
- Labour demand that is unmet by locals below this threshold may be filled by visa arrangements where there is less transparency and oversight, heightening the risks of exploitation; and
- The need for careful oversight at a time of substantial backlogs and stress on the visa system.

Low-risk, high-wage pathway – Intra-company transfers

The Federal Government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees. This would enable trusted users of the migration system with a strong local presence to bring global employees to Australia to enable major business expansions and build local workforce capability.

This pathway would be particularly advantageous to address skills shortages in sectors with a strong multinational presence, such as technology. It would also bring Australia into line with the US and UK, which already offer such transfers, while addressing the recommendations of previous Parliamentary Committees.¹⁵

In introducing an intra-company transfer fast-track visa, the Federal Government could effectively pilot the use of a wage threshold as the primary test of an applicant's eligibility, removing the need for labour-market testing or a skilled-occupation list. This arrangement could be evaluated after one-to-two years to examine the case for using wage thresholds and expanding the intra-company fast-track visa more broadly.

How could an intra-company transfer work?

- Participation in the intra-company fast-track visa would be limited to accredited multinational companies that are trusted users of the visa system with substantive operations in Australia.
- A wage threshold for this visa could be set at \$120,000 – an approximate 25 per cent premium on average adult full-time earnings.
- The visa would be streamlined through the absence of labour-market testing and skill-shortage lists.
- The Federal Government should have the capacity to verify compliance with the threshold (eg. through ATO single touch payroll or an Australian bank account).
- The visa term would be four years, with eligibility for renewal and a path to permanent residency.
- Family members would be eligible to apply as secondary visa holders.
- The target median processing time would be one-to-two weeks.

Recommendations

1. Immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia. Apply an annual wage threshold of \$120,000, removing the need for a skilled-occupation list and labour-market testing. Evaluate this new stream after two years to assess the merits of a wage threshold and its suitability across the skilled-migration system.

Enhanced main temporary-skills-shortage visa stream

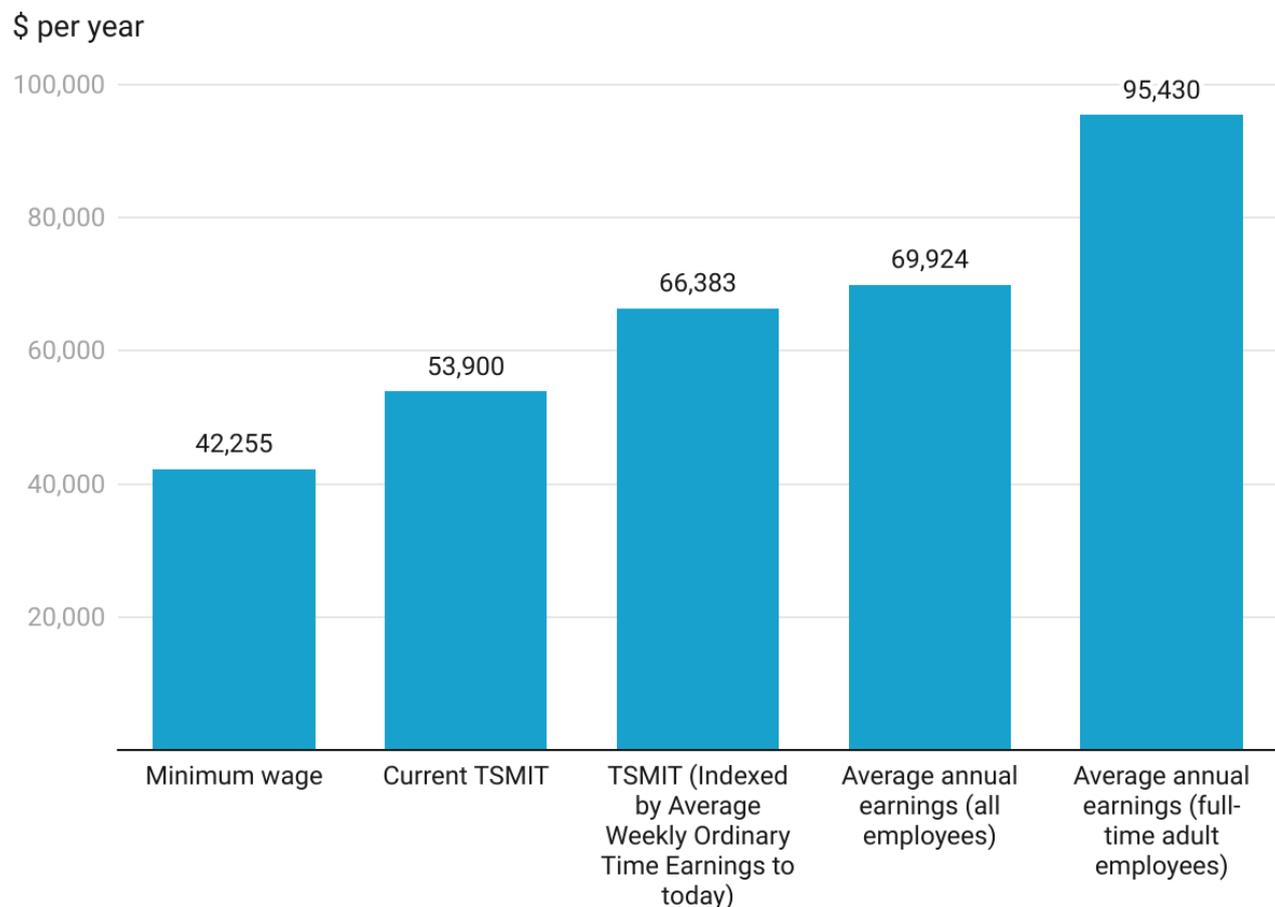
Temporary skilled migration income threshold (TSMIT)

The temporary-skilled-migration income threshold has been frozen at \$53,900 since 2013, undermining the original intent of the visa and its integrity. For a significant part of the program, this threshold has been substantially exceeded. The median nominated base salary for TSS and subclass 457 visa grants has increased over time and is above the TSMIT for most occupations and industries.¹⁶ In 2021-22, the average nominated base salary across all sectors was more than \$100,000.¹⁷

The exceptions at an industry level are agriculture, forestry and fishing, and accommodation and food services, where there has been minimal change to the median salary over time and it has remained very close to the TSMIT. Similar trends can be observed for technicians and trades workers, community and personal-services workers, labourers and skilled meat workers.

FIGURE 7

Wage thresholds in context



Source: ABS & DHA • Created with Datawrapper

Areas of skills shortage should generally experience wage increases to attract workers. As a market-based, demand-driven system, the temporary-skilled-migration system should not be impeding wage growth or entrenching poor wage dynamics.

On this basis, the TSMIT should be raised to \$66,000, where it would be today if it had been indexed to average wages. Going any higher than the average annual earnings of all employees – around \$70,000 – risks excluding young, highly mobile and productive migrants.¹⁸ Consistent with the indexation that applied before 2013, CEDA supports annual indexation to average weekly ordinary-time earnings (AWOTE).

Skilled-occupation lists

Until there is sufficient experience of the wage threshold under the intra-company transfer (at least one year) to evaluate its effectiveness and viability for broader application, the Government should take interim steps to streamline skilled-occupation lists.

Australia currently has multiple skilled-occupation lists: the Medium and Long-term Strategic Skills List (MLTSSL), the Short-term Skilled Occupation List (STSOL), the Regional Occupation List (ROL), Regional Sponsored Migration Scheme (RSMS) ROL List and now the Priority Migration Skilled Occupation List (PMSOL). Despite broad agreement that the current formulation of these lists is unworkable, there is less consensus on how to filter genuine skills needs. In the short term, CEDA recommends the Government undertake a rapid process to consolidate these lists down to one that is as expansive as possible, with a consistent pathway to permanent residency. The expansive part is important in accommodating different regional and industry needs.

The Australian Bureau of Statistics (ABS) is currently examining improvements to the Australian and New Zealand Standard Classification of Occupations (ANZSCO). The ABS is actively considering how ANZSCO could better reflect changing labour-market trends and be updated more regularly so that it is practical for skilled-occupation list purposes. This review will not be complete until the end of 2024.

In the interim, and subject to the evaluation of a broader application of the wage threshold, steps that could make the lists more workable include¹⁹:

- Greater inclusion of “not elsewhere classified” (NEC) occupations, to incorporate new or emerging occupations into current classifications. This was how data scientist was brought into “information and organisational professional” in 2019.
- Utilising four-digit ANZSCO level codes to provide greater flexibility.

"The current requirements are highly prescriptive, applying a one-size-fits-all approach to a range of industries and occupations, including where there is consensus that there is a genuine skills shortage."

Labour-market testing

Labour-market testing requirements have been abandoned and subsequently reintroduced over the history of the skilled-migration system. In a demand-driven system with a regularly reviewed and curated skilled-occupation list and income threshold, it is superfluous and ineffective.

The OECD has previously cast doubt on the reliability of testing conducted by employers.²⁰ Further, the Azarias Review suggested "it would be far more reassuring for the public if there existed a transparent, responsive and evidence-based approach to determining skilled occupations eligible for the 457 program".²¹

In line with that review's findings, there is a strong case to remove the need for testing. The current requirements are highly prescriptive, applying a one-size-fits-all approach to a range of industries and occupations, including where there is consensus that there is a genuine skills shortage.

Other interim changes could include requiring labour-market testing within six months of a visa nomination, rather than the current four months. Current arrangements can lead to businesses advertising multiple times to meet this requirement, as timeframes for the TSS nomination process extend or mistakes are made due to inflexible advertising requirements.²²

Recommendations

2. Modernise the temporary-skill-shortage (TSS) visa by:
 - Raising the TSMIT to \$66,000, where it would be today if it had been indexed to average wages. Index it annually to average weekly ordinary-time earnings (AWOTE);
 - Consolidate the current skilled-occupation lists down to one that is as expansive as possible with a consistent pathway to permanent residency;
 - Take pragmatic steps now to make the codes in the list more workable, including:
 - Greater inclusion of "not elsewhere classified" (NEC) occupations, to incorporate emerging occupations into current classifications.
 - Utilising four-digit ANZSCO level codes to provide greater flexibility; and
 - Remove the need for labour-market testing across the skilled-visa system.

Addressing the growing need for essential skills

COVID-19 provided a stark illustration of how much Australia relies on labour from migrants whose visa's main purpose is not work-based, for example, working-holiday makers and international students.

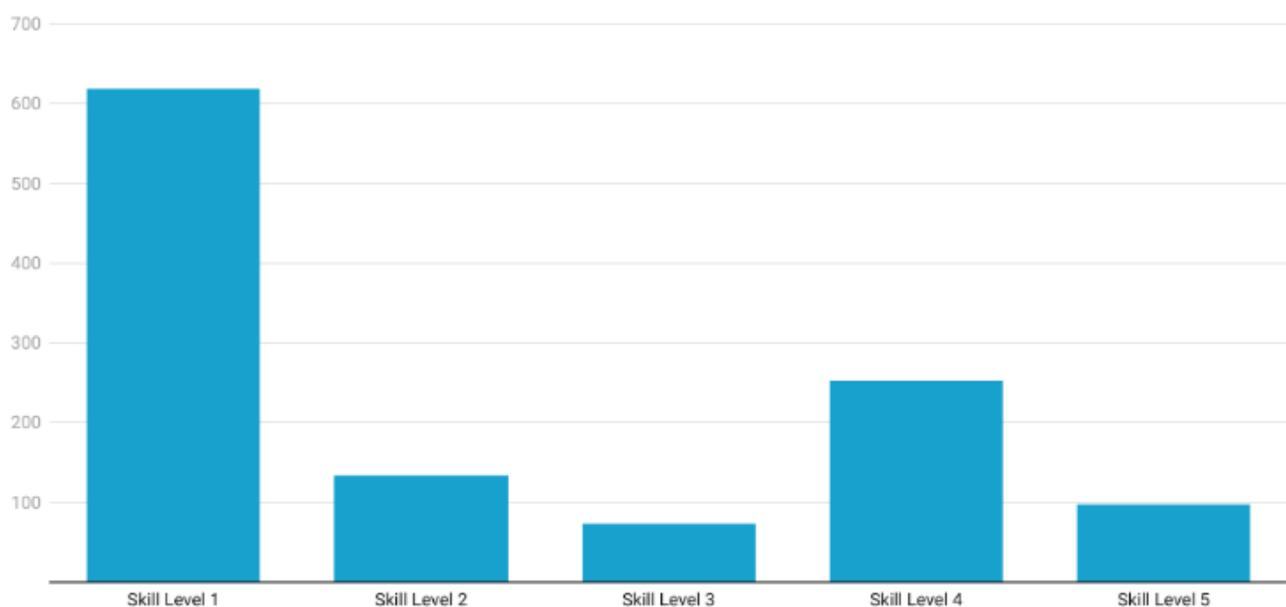
Caring industries have relied on migration indirectly through working-holiday, student or family-member visas. Just over 30 per cent of workers in the aged-care industry are migrants.²³ Approximately 64 per cent of migrants in caring professions are on temporary visas, and around 38 per cent arrived on student visas.²⁴ The permanent skilled-migration scheme includes registered nurses but not personal-care workers.

Much of the demand for workers is for those who have lower, but essential, skills. Personal-care workers are generally classified as ANZSCO Level 4 in the skills hierarchy – the second lowest category.

There is considerable demand for this level of skills, and the former National Skills Commission expects this to be the second highest category of need across the labour market, behind Level 1 skills (the highest skilled workers). Level 4 workers are not currently eligible for our skilled-migration program through standard pathways. Even if Personal Care Assistant was designated as an occupation on the Skilled Migration Occupation List, most roles would fail to meet the TSMIT.

FIGURE 8
Projected employment growth

'000, November 2021 to November 2026



Source: NSC • Created with Datawrapper

There are risks to relying on sideways entrants to the caring workforce. Workers are unlikely to have appropriate qualifications or experience and may not have the right personal characteristics for the roles. There is likely to be limited career progression or investment in further training as the length of visa is uncertain.

Many visas, such as student or working-holiday visas, also have conditions around hours of work, length of time with an employer and industry of employment that mean they are inappropriate for building a long-term career. A lack of clear visa status and pathway to longer-term residency also means workers are more at risk of exploitation and poor workplace conditions, while employers may be less likely to invest in training and long-term career development.

Migration is not a substitute for improving underlying working conditions. Australia must improve working conditions and take more targeted action to attract and retain skilled migrants in aged care to meet the size of the challenge outlined in CEDA's *Duty of Care: Meeting the aged care workforce challenge*. We rely on these workers to fill key positions and should reward them with good conditions and certainty over their visa arrangements. Longer-term visas and pathways to permanent residency are likely required to attract people and encourage them to stay in Australia to develop their careers.

Instead of relying on sideways entrants to the workforce, Australia should actively recruit for industry need, attracting qualified, motivated applicants, rather than those who end up working in caring roles purely because they need a job. CEDA recommends introducing a specific Essential Skills Visa to address Australia's significant caring-workforce deficit. This may also negate the need for some of the current labour agreements.

Subject to its effectiveness in caring sectors, this visa could also be used in other industries, if there is a compelling need. These industries would have to provide robust evidence of unmet labour demand and actions taken to overcome it. The visa should be pursued in tandem with broader workforce development including improved training and conditions. Every five years, a review should evaluate the ongoing need for industries and occupations to be included in this visa, as well as ensuring it is not having unintended consequences such as suppressing wages or disincentivising training of local workers.

It is evident that caring roles play a critical role in the economy and should become more professionalised with increased pay and conditions, attracting more domestic workers and retaining migrants in these roles. The chronic workforce shortages in areas such as aged care create a stressful work environment, deterring new entrants to the sector. Addressing these shortages with immediate migration pathways, while simultaneously improving conditions and long-term career paths should create a virtuous cycle in which each of these actions reinforce each other to ameliorate current shortages over time.

How could an Australian Essential Skills Visa work?

- An Australian Essential Skills Visa would need to balance bringing qualified workers into high-demand industries, while ensuring it is an attractive proposition for potential migrants. It should provide high-quality working conditions and limit opportunities for exploitation.
- This visa category should be based on the following principles:
 - » Applicants must work in an area of critical need such as aged care, childcare, disability or healthcare;
 - » Applicants should demonstrate relevant experience and appropriate qualifications (equivalent to an Australian Certificate III), or be required to complete such training in Australia through the employer;
 - » Applicants need to demonstrate appropriate English proficiency.
 - » Applicants would need a job offer from an Australian employer, with pay and conditions at least equivalent to local workers.
 - » A minimum of four-year initial visa term, with a commitment to renew for a further four years, or a pathway to permanent residency.
 - » Workers should not be location restricted. They should be free to change employer or location within the caring sector.
 - » The scheme should collect data on migrants and career pathways, with built-in evaluation after two years.
 - » The Federal Government should consider offering Australian caring qualifications (particularly at a Certificate III level) in-country. Migration would occur after students complete the course and secure an offer of employment in Australia. Such bilateral arrangements would also help ensure Australia understands caring workforce needs in source countries. This arrangement would build on the lessons of Essential Skills Visa arrangements in New Zealand and Canada.

Recommendations

3. Introduce a specific Essential Skills Visa to address Australia's significant caring workforce deficit.

Permanent skilled migration

CEDA's previous research has found a high level of skills mismatch for permanent skilled migrants 18 months after arrival.

Just as current labour market conditions are sharpening our focus on lifting the labour participation of underrepresented groups, we should also address the underutilisation of talented migrants who want to work in Australia. While employment outcomes for all migrants improve markedly over time, policymakers should be examining how to reduce the number of migrants experiencing skills mismatch and the delay to more effective labour utilisation.

CEDA has previously recommended a skills-matching platform for permanent skilled migrants and prospective employees to connect prior to arrival in Australia. Since then, the West Australian Government has introduced a Skilled Migrant Employment Register. It is similar in overall concept to CEDA's recommendation as it seeks to connect migrants with prospective employers. However, it does not directly interact with the visa application process and is not confined to permanent skilled visas.

"It is time for Australian employers to improve their attitudes and recruitment practices to properly recognise the skills and experience of migrants, particularly those from non-English-speaking backgrounds. Recruitment should place less weight on local experience and see the benefits of bringing international experience and perspectives to the way companies work. In absence of behavioural change and progress, stronger anti-discrimination measures will be necessary. "

The West Australian skills register matches employers who have been unable to recruit in the local market with prospective migrants who are interested in moving to the state for work. It is also anonymised, removing potential biases in the first decision to consider a migrant for a role. This register is a positive example of the current tight labour market driving more rapid policy innovation. If it proves successful, it should be scaled nationally through a central register rather than multiple state-based registers. This will necessarily involve close collaboration with state governments, which have an important role to play in the permanent skilled migration system.

Additional steps that governments and business can take include: Firstly, help permanent skilled migrants build a bridge into the right job. The Federal Government is currently piloting skills and employability assessments, providing fast-tracked subsidised advice, skills assessments and training for migrants to gain a better foothold in the labour market. These pilots should be evaluated and complemented by industry-led mentoring programs to help migrants develop all-important local networks in their field.

Secondly, reduce the Newly Arrived Resident's Waiting Period for unemployment benefits from four years back to six months, to give permanent migrants a better chance to find the right job, not just the first job. Research suggests that increases to this waiting period since the late 1990s have exacerbated skills mismatch, while delivering only modest annual savings to the Federal Budget.²⁵

Finally, it is time for Australian employers to improve their attitudes and recruitment practices to properly recognise the skills and experience of migrants, particularly those from non-English-speaking backgrounds. Recruitment should place less weight on local experience and see the benefits of bringing international experience and perspectives to the way companies work. In absence of behavioural change and progress, stronger anti-discrimination measures will be necessary.

Recommendations

4. To improve skills matching and labour market outcomes in the permanent skilled migration system:
 - The Federal Government should build on CEDA's 2021 proposal for a skills-matching platform and the West Australian Government's skills register, to facilitate a national consolidated migrant-skills register.
 - The Federal Government should evaluate skills and employability assessment pilots for migrants and complement them with industry-led mentoring programs to help migrants develop local networks in their field.
 - The Federal Government should reduce the Newly Arrived Resident's Waiting Period for unemployment benefits from four years back to six months, to give permanent migrants a better chance to find the right job, not just the first job.
 - Employers should ensure that recruitment practices place less weight on local experience and see the benefits of international experience and perspectives.

Improving family migration

As more countries look to attract skilled migrants, Australia must reflect on the importance and complementarity of other migration streams. For many skilled migrants, the ability to permanently relocate for employment and to relocate and settle family are important factors in selecting a destination.

Reform of the family intake should be a key future priority for the Government, with a focus on reducing applicant costs and waiting times. The long waiting times associated with the Parent visa, and the expensive nature of the contributory parent visa, impede family reunification, making it more viable for parents to travel to Australia on two-to-three-year validity visit visas than to apply for a temporary parent visa.²⁶

The Government should assess the viability of a family-skilled visa, similar to the US Family visa system. Studies of the US program have found that migrants, particularly siblings who came in on these visas, were highly qualified already and brought key education and skills, allowing them to compete well in the American labour market. Moreover, existing links with family in the US ensured that the new migrants were able to establish themselves relatively quickly.²⁷

Recommendations

5. Focus immediate reforms to family visas on reducing applicant costs and waiting times. In the longer term, the Government should assess the viability of a family-skilled visa, not unlike the US Family visa system.

Resolving the temporary/permanent tension

Temporary migration has been particularly responsive to Australia's economic conditions. Following the global financial crisis and coinciding with a booming resources sector, Australia's relatively favourable labour-market conditions and flexible exchange rate attracted increasing numbers of temporary skilled workers, working-holiday makers and students. Between the end of 2010 and the middle of 2013, the number of temporary-skilled-visa holders in the mining industry doubled to reach more than 6000, before receding to less than 600 today. Strong economic conditions and policy that enabled universities to charge international students full fees drove an almost four-fold rise in student visas granted in the two decades leading up to COVID.

The fact that temporary migration, particularly temporary skilled migration, serves as a de-facto pathway to permanent migration is desirable. After all, temporary skilled migrants are relatively young, productive, well-educated and have proven themselves in the Australian workforce.

The current system maintains the important delineation between the temporary and permanent programs. This recognises that some, but not all, temporary migrants wish to become permanent residents after a period. It also recognises those applicants who are most likely to make successful transitions to permanent residency. But important policy implications must be addressed to better manage the temporary migration program and pathways to permanent migration.

Preventing exploitation of temporary migrants

Workplace exploitation based on vulnerability of visa status is far too common amongst temporary migrants.²⁸ Australia should provide visa protections to migrants who act as whistle-blowers reporting exploitation to the Fair Work Ombudsman or taking action in court. They are otherwise too vulnerable to confidently raise issues of exploitation. In addition, migrants need an effective national workplace-rights and support service separate from government. New South Wales has several proven mechanisms advocating for and providing free legal advice to migrant workers including Unions NSW and the Immigration Advice and Rights Centre's Visa Assist, as well as the Employment Rights Legal Service.

Permanent migration planning

Temporary migrants need clearer and more consistent pathways to permanent residency. With a demand-driven temporary-migration system and a capped permanent migration system, this is likely to require much greater transparency of permanent-visa transition trends and a permanent-migration program cap that is subject to greater variation.

There is currently limited up-to-date information on temporary-to-permanent visa transitions. The most recent analysis for 2000-01 to 2013-14 suggests that almost half of those granted permanent visas were already in Australia

on temporary visas.²⁹ For temporary-skilled-visa holders, 55 per cent eventually transitioned to permanent residence compared with 16 per cent of international students. In previous decades, international students had been the largest source of permanent skilled migrants. As part of the annual permanent-migration-program planning and consultation process, DHA should publish the latest trends in temporary-to-permanent transitions to provide greater transparency on the demand for these transitions and actual outcomes.

The previous Federal Government characterised the migration program planning level as a “ceiling” rather than a “target”.³⁰ The position of the current Federal Government has not been made explicit, but in increasing the permanent program from 160,000 to 195,000 to address skills shortages, in 2022-23 it is more of a target than a ceiling. The problem with setting one number is that it tends to become entrenched. For example, between 2013-14 and 2018-19 the planning level was 190,000 before being reduced to 160,000, where it remained until the current Government increased it. Despite the complex interactions between net overseas migration, temporary migration and permanent migration, any increase in the permanent program is simply portrayed as being more permissive of migration and any decrease as more restrictive.

The Federal Government should provide greater transparency on its future approach to the permanent-migration-program planning figure, including whether it is a ceiling or target. It should also examine whether to establish a range for the program so that governments are not unnecessarily restrained in responding to changing demands and developments in the temporary-migration system.

Better administration

It will be important to minimise administrative burden and uncertainty for applicants pursuing the path from temporary to permanent. As the temporary-migration program has risen in importance, there have been periodic episodes of elevated bridging-visa numbers – a helpful proxy for how the Federal Government is managing the intersection of temporary and permanent migration. As noted below, if Australia is to be globally competitive it will need to make long-term investments in increasing administrative capacity and efficiency.

Avoiding perpetual temporary migrants

Australia should not unintentionally create a class of perpetual temporary migrants for whom permanent migration and the associated safety nets are always out of reach. Excluding New Zealand citizens, an estimated 46,000 people who arrived on a temporary visa between 2007 and 2008 remained on one at the end of 2016.³¹ This is a relatively small proportion of all temporary migrants but the notion that anyone would be a temporary migrant for almost a decade undermines the purpose of the program. Temporary migrants who have been in Australia for a decade or more should be offered a path to permanent migration as a matter of course.

Recommendations

6. To improve the interface between temporary and permanent migration:
 - The Federal Government should provide more visa protections to temporary migrants, including those who act as whistle-blowers, reporting exploitation to the Fair Work Ombudsman or taking action in court.
 - Government, unions and business should collaborate to establish an effective national workplace-rights and support service for migrants separate from government.
 - As part of annual permanent-migration planning and consultation, DHA should publish the latest trends in temporary-to-permanent transitions to provide greater transparency on the demand for these transitions and actual outcomes.
 - The Federal Government should provide greater transparency on its future approach to the permanent-migration-program planning figure, including whether it is a ceiling or target. It should also examine whether to establish a range for the program.
 - Temporary migrants who have been in Australia for a decade or more should be offered a path to permanent migration as a matter of course.

Ongoing governance, administration and evaluation

CEDA has previously noted the revolving door of policy reviews and ad-hoc changes, including more than 40 substantive policy reviews and changes to the temporary-skilled-visa system since 1996.³² This review, which will establish a strategy for the migration system including core principles to guide future reforms, is an opportunity to create greater coherence in the system.

This review should not be a one-off. The Federal Government should enshrine in the Migration Act 1958 that an eminent panel will undertake a strategic review of the migration system every five years, formulating a strategy that guides reform and improvement in the system for that five-year period. This would not prevent detailed policy review and change, but it would provide a coherent and predictable framework for users of the system and institutionalise continuous improvement across political cycles. The Terms of Reference could address the ongoing suitability of policy settings and assess administrative performance in line with the prevailing domestic and global environment, including emerging migration, demographic and labour market trends.

Visa processing times, which have become a major frustration since borders re-opened, do not appear to be subject to a rigorous public-performance framework or reporting. DHA periodically publishes median processing times on its website and in visa statistics publications, but there do not appear to be any public KPIs for them.³³ The department's annual report includes performance reporting for areas like citizenship processing times, but provides limited reporting on visa processing times and appears to have no targets despite being subject to a regulator performance framework.

The Government has sought to increase processing capacity in the immediate term by allocating

\$42.2m

to the department over two years from 2022–23.

DHA should undertake benchmarking of processing times in other jurisdictions and set appropriate targets for median visa processing times, formally reporting against these regularly.

The Government has sought to increase processing capacity in the immediate term by allocating \$42.2 million to the department over two years from 2022–23.³⁴ Despite the unusual nature of the pandemic and border re-opening, the need for this funding raises questions about the department's ongoing visa-processing capacity. The 2023-24 Budget should prioritise a permanent funding boost to visa processing capacity as necessary. This is money well spent if it makes Australia's migration program more competitive.

In the longer term, the efficiency of and reporting on visa processing will be enhanced by digitisation. The status of previous plans to digitise visa processing are unclear.³⁵ The digitisation of the visa system is understandably complex, and will require a long-term strategy and specialist skills to avoid disrupting business as usual. It is clear from countries such as Finland that when done well it can reduce inefficiencies and backlogs.³⁶ The Federal Government should reveal the status of digitising visa processing and develop a long-term strategy for achieving this, with a view to having a fully digital system by 2030.

Recommendations

7. To improve the administration and governance of the migration system:

- The Federal Government should enshrine in the Migration Act 1958 that an eminent panel undertakes a strategic review of the migration system every five years, formulating a strategy that prioritises and guides reform and improvement in the system for that five-year period.
- DHA should undertake benchmarking of visa processing times in other jurisdictions and set appropriate targets for median visa processing times, formally reporting against these regularly.
- The 2023-24 Budget should prioritise a permanent funding boost to visa processing capacity as necessary.
- The Federal Government should publicly outline the status of digitising visa processing and develop a long-term strategy with a view to having a fully digital system by 2030.

Conclusion

As disruptive as COVID-19 has been for Australia's migration program, it has also highlighted weaknesses in the current system that will become costly in an increasingly competitive global landscape with high skills demands and deteriorating demographics.

The pandemic and the migration policy review present an opportunity for a forced recalibration of migration settings. Historically, Australian governments have adapted policies well in response to external shocks. Policymakers must do so again to continue the vital contribution of migration to Australia's economic development for the decades to come.

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