

SUBMISSION TO THE DEPARTMENT OF HOME AFFAIRS REVIEW: A MIGRATION SYSTEM FOR AUSTRALIA'S FUTURE

Master Builders Australia welcomes the opportunity to provide input to the comprehensive review of Australia's migration system.

We are in precarious economic times with interest rates on the rise, geopolitical uncertainty, and some commentators warning of a potential recession in 2023. To improve the stability of the economy we need to improve business conditions.

We need to get the settings right to ensure that businesses can access workers with the skills and knowledge they need. If businesses cannot fill job vacancies, their outputs and productivity will be constrained as will the Australian economy.

The number one business issue we are hearing is workforce shortages. Businesses are screaming out for workers. The demand is there, but with such low unemployment and high participation there simply isn't the available supply within the domestic workforce.

Migration is a key policy lever available to address workforce shortages that cannot be filled by Australians. Skilled migration positively impacts business investment and productivity. It also raises the skills of the workforce through the transfer of knowledge and expertise, introduces new skills and enables emerging industries to leverage international capability.

Steps taken by the Government to increase the migration cap in 2022-23, to remove the Priority Migration Skilled Occupation List and to enhance visa processing capability within the Department of Home Affairs are welcome moves, but more substantial reforms are needed.

Our migration system is overly complex, expensive, and slow. Increasing demand for skilled migrants means we need to be more attractive than comparable countries such as the United Kingdom, Canada and New Zealand.

The key recommendations Master Builders will put forward in this submission are:

- **Increase permanent skilled visas to 200,000 places in 2023-24 and 2024-25 with preference to employer sponsored visa applications** to address severe workforce shortages and strengthen Australia's economic resilience.
- **Reduce the proliferation of occupation lists**, or preferably remove them all together. Occupation lists add complexity and confusion to the system. Additionally, they are based on the Australian and New Zealand Standard Classification of Occupations (ANZSCO) which is out of date.
- **Remove the requirement for labour market testing**. There is a lack of evidence that this requirement contributes to the recruitment of Australian workers first and it adds significant red tape.
- **Improve recognition of comparable international qualifications and pathways** to reduce tedious assessment processes, speed up recruitment and remove red tape.
- **Review English language requirements to ensure they align with occupational needs**, for example at present a tradesperson requires the same level of English proficiency as a journalist.

- **Review points-tested independent visa pathways** to ensure policy objectives are being met, workers can secure work appropriate to their level of education and experience, and address shortcomings in the system.
- **Expand eligibility for the graduate visa extension** to address acute workforce shortages and improve economic outcomes. The visa extension should apply to all current graduate visa holders regardless of their field of study or qualification, and eligibility for the visa should be expanded to include Certificate III and Certificate IV level qualifications.
- **Pilot an apprentice and trainee visa pathway** for relevant occupations as a mechanism to address projected workforce shortages in occupations unable to attract sufficient Australians.
- **Pilot a building and construction stream within the Pacific Australia Labour Mobility (PALM) scheme** to meet the government's commitment to improving opportunities for Pacific nationals in Australia and to assist Australian employers to meet acute workforce shortages.

The economic case for migration

Australia's population is diverse and multi-cultural. Since 1945 over 7.5 million people have settled in Australia. In 2015 nearly 30 per cent of the Australian population was estimated to have been born overseas, a high rate among OECD countries.¹

On average, skilled migrants have a larger positive fiscal impact over their lifetime (estimated at \$198,000 net present value (NPV) per person) than other migrant streams (family stream -\$126,000 NPV per person, and humanitarian stream -\$400,000 NPV per person) and the Australian born population (-\$85,000 NPV per person). Within the skilled stream, employer sponsored visa holders have the highest positive lifetime fiscal impact.²

In the coming decades, Treasury expects migrants to be the largest source of population growth in Australia. Migration contributes to Australia's economic growth and offsets population ageing.³

Without migration Australia's ageing population will see the number of working age people (15-64 years) decline relative to the number of dependents (children and retirees). The economy's capacity to support its non-working population would be pushed to the limit. The shrinking resources of the economically active would be stretched out over an expanding cohort of retirees. On a per capital basis, services like health, education and welfare would have to be curtailed. At the same time, those working would have to be taxed more to meet the government expenditures requirements. The result would be significant reversal in living standards for working and non-working Australians.

Skilled migrants are typically highly educated and in the early-to-mid stages of their careers. This boosts the working age population straightaway and means that the economy's productive capacity receives an instant expansion.

Migration not only directly supports Australian businesses to meet workforce needs and maximise outputs and productivity, it also creates demand for home building, infrastructure and construction activities. In 2020, the National Housing Finance and Investment Corporation estimated that for every \$1 million worth of residential building nearly \$3 million in activity is generated across the economy.⁴

¹ Phillips and Simon-Davies, 2017. Parliamentary Library Research Paper Series: Migration to Australia: a quick guide to the statistics. https://parlinfo.aph.gov.au/parlInfo/download/library/prspub/3165114/upload_binary/3165114.pdf

² The Treasury, 2021. The Lifetime Fiscal Impact of the Australian Permanent Migration Program. https://treasury.gov.au/sites/default/files/2021-12/p2021-220773_1.pdf

³ The Treasury, 2021. 2021 Intergenerational Report. https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

⁴ NHFIC, 2020, Building jobs: how residential construction drives the economy

Scope of the current challenge

In October 2022 the ABS estimated there to be 453,900 unemployed people in Australia, an unemployment rate of 3.4 per cent – the lowest on record. Concurrently the participation rate, at 66.6 per cent, is at a near record high.⁵

With an estimated 470,900 job vacancies in Australia in August 2022⁶ there are more jobs available than there are unemployed people. Mismatches in location, education and experience requirements, as well as other factors mean employers cannot fill vacancies with Australian workers.

To maintain and grow business outputs and productivity it is critical that employers can access workers with the skills and knowledge they need. With limited domestic supply, employers need timely and cost-effective access to international talent. Unfortunately, the Australian migration system is neither timely nor cost-effective.

Challenges and opportunities ahead

The decades ahead will see substantial changes for Australia's workforce. The increasing complexity of occupations and the adoption of technological solutions will require a workforce that is more highly skilled and innovative than ever before.

In the construction sector we are seeing substantial regulatory change that is moving the industry toward a greater reliance on science, expert advice, and digital solutions.

Australia's ageing population, geopolitical environment and changing climate will add substantial pressures to the economy and change the way we do things. For the construction industry:

- The ageing population is increasing the need for accessible buildings and for workers with the design and construction skills needed for this task.
- Uncertainty in the geopolitical environment and the pandemic are highlighting our reliance on global supply chains for construction materials and our limited sovereign capacity. Going forward steps will be needed to rebuild domestic capability.
- Climate change, energy transition and the pathway to net zero are seeing the development of more resilient building materials, improved energy efficiency, and the transition to renewable energy generation. The construction workforce will need to embrace lifelong learning to adapt these changes and to build the skills and knowledge needed.

Migration will play an important role in helping Australia to navigate the challenges and opportunities that lie ahead. Skilled migration introduces new skills into the Australian workforce, raises the skills of the existing workforce through the transfer of knowledge and expertise, and enables emerging approaches to work and industries to leverage international capability.

Given the need for additional workers and the positive lifetime fiscal impact of skilled migrants, particularly employer sponsored skilled migrants, this visa stream should be prioritised.

⁵ ABS, 2022. 6202.0 Labour Force, Australia

⁶ ABS, 2022. 6354.0 Job Vacancies, Australia

Employer sponsored visas

Employer sponsored visas deliver the best outcomes for the individual, for the business and for the economy. Employer sponsored migrants are more likely to be employed at the skill level commensurate to their education and experience, and at higher wages.

To maximise the outcomes that migration presents we need to ensure that employer sponsored visa pathways are attractive to both employers and migrants.

Simplifying the system for employers

From an employer's perspective, they have an identified business need that cannot be met domestically. They want to address this need as quickly, easily, and cost-effectively as possible so they can get on with running their business.

It is a telling sign of the complexity of the current system that businesses need to use a third-party migration agent to navigate what needs to be done and when.

97.5 per cent of Australia's 2.57 million businesses are small, that is they have less than 20 employees. The steps for an employer to sponsor a skilled migrant need to be sufficiently clear and straight-forward that a small business operator engaging in the system for the first time can understand what they need to do and are able to do it – this is a simplicity target the Department of Home Affairs should strive to achieve.

Master Builders has identified a range of options to reduce the complexity of the system. Our proposals include:

- **Removing the proliferation of occupation lists** or preferably occupation lists all together. From a business's perspective, if they need an employee and they can't fill the role domestically at market rates, then they should be able to employ a migrant to fill the role, regardless of what occupation it is. The current system prevents this from happening whenever an occupation in need is not listed on a skilled occupation list. There are multiple reasons an in-need occupation may not be listed.
- **Removing the requirement for labour market testing.** Employers generally prefer to hire Australian workers – it is easier, and it is cheaper. There is little evidence that labour market testing contributes to the recruitment of Australian workers first; yet there is overwhelming evidence that the process of labour market testing adds significantly to the red tape and inconvenience faced by employers. Labour market testing needs to be dropped.
- **Improving recognition of comparable international qualifications and pathways.** Work is needed to identify pathways that are comparable to or exceed Australian requirements, for example some trade apprenticeships from the United Kingdom meet higher skills standards than Australian pathways. Where these pathways are identified, skilled migrants should not have to undertake trade or skills recognition assessments. This will speed up processes and reduce red tape and costs.
- **English language requirements** for skilled visas should be set commensurate to the level of English required for the occupation, or class of occupations. For example, a journalist needs a much higher grasp of the English language than a bricklayer. However, under the current system both require competent English. We have received feedback from employers that requiring English at the competent level is prohibitive for many construction trade occupations and that functional English would be a more appropriate requirement. Department of Home Affairs should review the English language requirements for skilled visas.

Attracting skilled migrants to Australia

Pre-covid, the OECD's Indicators of Talent Attractiveness⁷ ranked Australia ranked as a highly desirable country for international migrants. However, it also noted that country policies play an important role in overall attractiveness and that most countries could improve their attractiveness by adopting more favourable policy settings. While post-covid analysis is not available, it is likely that Australia has slipped down the ranks due to strict covid border closures, slow reopening, and visa processing costs and delays.

While Australia is likely to remain a desirable destination for migrants, increasing global demand for skilled workers means that to attract the cream of the crop Australia needs to be more attractive than comparable countries such as the United Kingdom, United States, New Zealand and Canada.

Feedback from an employer in Victoria:

“It’s easier and quicker to go to other countries. I have just lost a guy from Chile as he can go to Canada much easier than here. I can’t blame him as the hoops we have had to jump through here are painful.”

The Government's steps to increase the migration cap in 2022-23, to ensure pathways to permanency and increase processing capacity are steps in the right direction. Further work is needed to simplify the system for migrants, improve processing times, and address unnecessary barriers.

Independent points-based skilled visas

Independent skilled visa classes are assessed on a points-based metric and do not require employer sponsorship. These visas provide skilled workers with greater flexibility to work for different employers while in Australia. However, these visa holders can face barriers to gaining employment that is commensurate with their education and experience.

Concerningly, at the Jobs and Skills Summit some stakeholders called for all skilled visas to be portable and not linked to an employer. Master Builders does not support this approach.

Employer sponsored visa pathways are the most successful pathway – employer sponsored migrants have high rates of participation (95.6%) and employment (93.7%) and have the largest lifetime fiscal impact. The fiscal impact for primary employer-sponsored visa holders (\$557,000 NPV per person) is 1.4 times higher than for independent skilled migrants (\$386,000 NPV per person) and twice as high as state/regional sponsored migrants (\$279,000 NPV per person).⁸

Master Builders is concerned that highly educated and skilled independent and state/regional migrants accept work below their level of education and experience due to barriers to employment. These barriers include hesitancy from Australian employers to engage workers without onshore experience, having a lack of industry networks (such as those established through employment), and location restrictions tying a worker to a specific region or state. The Productivity Commission reported that “around 30 per cent of highly educated immigrants in employment appear to be ‘over-qualified’.”⁹

⁷ OECD, 2019, Migration Policy Debates, No 19 2019. The OECD identified seven determinants of attractiveness – (1) quality of opportunities; (2) income and tax; (3) future prospects; (4) family environment; (5) skills environment; (6) inclusiveness; and (7) quality of life.

⁸ The Treasury, 2021. The Lifetime Fiscal Impact of the Australian Permanent Migration Program. https://treasury.gov.au/sites/default/files/2021-12/p2021-220773_1.pdf

⁹ Productivity Commission, 2016. Migrant Intake into Australia. www.pc.gov.au/inquiries/completed/migrant-intake/report

This brings into question the policy efficacy of these streams, particularly in comparison to the employer sponsored stream. Master Builders recommends the government review points-tested visa pathways to address shortcomings in the system, ensure policy objectives are being met and to improve employment outcomes for skilled migrants.

ANZSCO is not a fit basis for migration occupation lists

Under ANZSCO identified occupations are given a 6-digit code and allocated a skill level between 1 and 5. Skill level 1 is the highest and skill level 5 the lowest.

To recruit a skilled migrant in the current system the occupation must be on a relevant migration occupation list. To be listed the occupation needs to be in shortage, have a unique 6-digit ANZSCO, and be classified at skill level 1, 2, or 3.

This is problematic because ANZSCO is not up to date. Emerging occupations are not captured in a timely manner and skills levels are not updated to reflect the increasing complexity of roles nor their education pathways.

For example, in the construction industry, 'waterproofers' is a skilled occupation which is licensed in a number of jurisdictions but is not yet recognised as a separate occupation in ANZSCO. The occupation of 'concreter' is classified at skill level 5 despite having a Certificate III pathway, being an apprenticeship in some jurisdictions and a licensed occupation in others.

We note that the Australian Bureau of Statistics has commenced a multiyear program to update all ANZSCO occupations. This is well overdue and Master Builders is supportive of this program of work.

However, **the changing nature of work is accelerating, and this necessitates a skilled migration system that is more responsive and contemporaneous to emerging occupations and skills than is possible through ANZSCO.**

Graduate visas

International students that graduate from an eligible tertiary education institute in Australia with a degree or higher, diploma, advanced diploma or trade qualification and that required at least two academic years to complete are eligible for the Temporary Graduate visa (subclass 485).

As part of the Jobs and Skills Summit the government announced extensions to post study work rights for 485 visa holders in select fields and qualifications. This announcement will increase Australia's attractiveness as a destination for international students looking to study in one of these restricted pathways and in the longer-term will strengthen our economy's pipeline of skilled workers. In determining the parameters of this announcement, the government should extend eligibility to current 485 visa holders and ensure that all current international students will be eligible upon their graduation.

To address the acute workforce shortages Australia is currently experiencing and improve economic outcomes, this visa extension should apply to all current visa holders and eligible graduates, regardless of the field of study or qualification. In addition, eligibility for the graduate visa should be expanded to include Certificate III and Certificate IV level qualifications.

A new visa for apprentices and trainees

There is currently no visa that allows foreign nationals to undertake an apprenticeship in Australia. This is despite the demand for trade apprentices greatly outstripping the domestic supply, and most trade occupations being identified as in short supply on the Skills Priority List.

International students are eligible, however, to study a trade qualification at selected Australian institutions and to graduate with the same qualifications as an Australian that completes an apprenticeship.

If the qualification is at least two years in duration the individual can apply for a graduate working visa upon completion. However, they are not employable as a tradesperson as they lack the requisite work experience gained through an apprenticeship. In the construction industry this would see the visa holder working below their education level as a labourer, working in a different industry or not gaining employment. This outcome is not beneficial for the visa holder, nor for Australian employers.

Feedback from an employer in Victoria:

“With kids from another country, why can’t we put them through an apprenticeship like the locals? They get sponsored, go to training, and the other days they work on the job. This would give them the skills they need and businesses the workers they can’t get. The problem is these kids do training for a year or two and get the trade qualification, but it’s a dumbed down version and they don’t really get the skills.

If they could do an apprenticeship and earn while they learn they will develop the skills and get qualified at the same. This is more beneficial to all concerned. A lack of skills leads to mediocre workmanship, substandard quality, and building insurance claims. If that floated, I have two kids from America that would come out tomorrow.”

To determine the viability of this visa pathway and the attractiveness to both employers and migrants, the Department of Home Affairs should pilot a visa pathway for apprentices and trainees. Under the proposed pilot, neither the apprentice nor the employer would be eligible for government funded apprentice incentives or course subsidies, and the apprentice would have the same work rights and conditions as Australian apprentices.

Building pacific capability through a construction worker scheme

Master Builders supports the Government's commitment to economic prosperity in the Pacific and believes Australia's building and construction industry can positively contribute to this goal.

During the pandemic, Master Builders was invited by the Department of Home Affairs to collaborate and explore opportunities for Pacific nationals to gain skills and experience in Australia's building and construction industry.

The Australia Pacific Training Coalition¹⁰ in conjunction with TAFE Queensland deliver a wide range of Australian Certificate III qualifications in Pacific nations. This includes the Certificate III in Carpentry delivered in Fiji, Vanuatu, Papua New Guinea and the Solomon Islands, and the Certificate III in Wall and Floor Tiling delivered in Fiji. These qualifications are delivered as accelerated programs and targeted to Pacific nationals with local experience in building and construction.

¹⁰ <https://www.aptc.edu.au/home>

While the graduates of these courses should meet the threshold for skilled migration pathways, similar to international students that complete onshore trade qualifications without local work experience, they can face barriers to employment as tradespeople in Australia.

Another option explored was the development of a construction stream to the PALM) scheme. This would allow lower skilled and semi-skilled workers from Pacific nations to work in Australia's building and construction industry, enabling them to develop construction skills and knowledge that will ultimately improve the quality of building and infrastructure in Pacific nations.

We note and support the government's flagged reforms to the PALM scheme and believe that the addition of a construction stream to the PALM will assist to deliver these reforms. A construction stream will also assist Australian employers to address acute workforce shortages which cannot be met within the capacity of the domestic workforce.

We encourage the Department of Home Affairs and Department of Foreign Affairs and Trade to continue engaging with industry to pilot a PALM program for the building and construction industry.

Contact

Master Builders welcomed the opportunity to provide input to this review.

If the Department of Home Affairs has any questions or would like to further discuss any of the points raised in this submission, please contact:

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