



MASTER BUILDERS
A U S T R A L I A

The Director, Permanent Migration Planning and Policy Section
Department of Home Affairs
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Dear Director

RE: Planning Australia's 2022-23 Migration Program.

Master Builders Australia welcomes the opportunity to make a submission to the Department of Home Affairs' consultation on *Planning Australia's 2022-23 Migration Program*.

Master Builders is the nation's peak building and construction industry association. We were established in 1890 through the federation of the Master Builders State and Territory Associations. Over our 130 year history we have come to represent over 32,000 businesses nationwide and are the only association representing all three sectors of the construction industry – residential, commercial and engineering/civil.

Migration to Australia has a long established positive relationship with economic growth – something which governments and businesses alike will agree is critical to Australia's covid recovery.

ABS jobs and wages data to 16 October 2021 shows there are more jobs in Australia now than there were pre-pandemic¹ and analysis by the National Skills Commission (NSC) of employer recruitment experiences and online job advertisements indicates strong demand for workers.

The NSC's Recruitment Experiences and Outlook Survey for October 2021 found 45 per cent of employers were actively recruiting or had recruited in the last month – an increase of 9 per cent on September 2021. At 44 per cent, a similar proportion of construction employers were actively recruiting (+14% on September). 54 per cent of recruiting employers reported difficulty finding suitable staff indicating potential labour shortages. Additionally, 28 per cent of surveyed employers (26 per cent for construction employers) expect to increase their staffing levels in the next three months.²

The NSC's Vacancy Report for October 2021 identifies that 247,913 jobs were advertised online in October 2021 – this is 48 per cent above the ten-year monthly average of 167,217 ads and 5.3 per cent higher (12,549 job ads) than the previous month. A relative increase in the number of online job advertisements is taken as a proxy for increased demand for workers and potential labour shortages.

Master Builders strongly supports policies and programs that enable Australians to develop the skills and knowledge needed for work now and into the future. Initiatives during the pandemic to support Australian's

¹ Source: ABS, weekly payroll jobs and wages in Australia, released: 10 Nov 2021

² Source: NSC, Recruitment Insights Report – October 2021

into training and work have been highly successful, in particular the Boosting Apprenticeship Commencements initiative which saw record apprentice enrolments and was lauded by building and construction employers.

Having said that, to maximise Australia's covid recovery we need to ensure that businesses are able to 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. Elevated job vacancies and recruitment difficulties indicate that demand may already be outstripping onshore supply.

The Prime Minister acknowledged this challenge, stating in a virtual address to AiGroup on 30 November 2021:

“Job ads [are] now at the highest level in 13 years. We've seen encouraging signs about the increase in jobs post the Delta lockdowns from the ABS payroll data, and 350,000 jobs in five weeks have come on. But the strong recovery does present us with a workforce challenge to ensure that we have enough workers and enough trained workers to fill vacancies and ensure that our recovery is not held back. This is a difficult challenge.”

To maximise economic opportunities and covid recovery it will be critical that employers are able to access both Australian and migrant workers, the latter of which will be predicated on getting migration settings right and ensuring that visa caps do not inhibit business or economic potential.

A 2019 report by the Committee for Economic Development of Australia (CEDA)³ found that skilled migration, while representing less than one per cent of Australia's labour force, delivers critical benefits to businesses, the economy more broadly and to the existing workforce. 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 capacity.

Master Builders not only has an interest in skilled migration to ensure that building and construction businesses can fill labour shortages that cannot be met by the domestic workforce, but also sees lifting migration as critical to invigorating Australia's economy and to reaching – or exceeding – the pre-covid population target of 30 million by 2030.

The building and construction industry has more businesses than any other sector in Australia. Of the over 410,000 businesses,⁴ 98.6% are small businesses.⁵ These businesses provide employment to over 1.1 million people⁶ who collectively undertake annual building work in excess of \$210 billion.⁷

In addition to the substantial size of the building and construction industry itself, the impact on other sectors of the economy is significant. In 2020, the National Housing Finance Investment Corporation estimated that for every \$1 million worth of residential building activity nearly \$3 million in activity and nine full-time jobs across the economy are supported.⁸

Increased migration not only directly supports Australian businesses to meet their workforce needs and maximise their outputs and productivity, it also creates demand for residential home building and other construction, the multiplier effect of which contributes further to overall economic activity and growth.

³ Source: CEDA, 2019, Effects of temporary migration, released: 14 July 2019.

⁴ Count as at 30 June 2021. Source: ABS, CAT:8165.0, released 24 Aug 2021

⁵ Percentage as at 30 June 2020, data not yet available for 2020-21. Source: ABS, CAT:8165.0, released 16 Feb 2021

⁶ Count as at August 2021. Source ABS, CAT:6291.0, released 18 Nov 2021

⁷ Building work has exceeded \$210 billion for each of the last ten years. Source: ABS, Cat 8755.0, released 24 Nov 2021

⁸ NHFIC, 2020, Building jobs: how residential construction drives the economy

Inward migration is particularly supportive in demand for higher density home building. The number of new home commencements on this side of the market dropped by over 35 per cent between 2015-16 and 2020-21. Larger volumes of migration over the coming years would speed up the recovery in this important part of Australia's building industry.

Master Builders supports increasing the size of the Migration Program in 2022-23 to ensure businesses can access the skilled workers they need to drive Australia's economic recovery from the pandemic and to reach the target of 30 million by 2030.

In regard to the size and composition of the skilled and family migration streams we note that the Government departed from the typical two-thirds skilled/one-third family distribution in 2020-21 to a more or less 50-50 arrangement. This lifted the number of family migrant visas issued to counterbalance lower skilled migration opportunities due to the pandemic.

Looking at the data in Attachment E to the discussion paper we note that family stream migrants have similar labour force participation rates to the general Australian population. Given that this migration stream was fully subscribed in 2020-21 there is likely demand to maintain this elevated number of visas in 2022-23 and therefore to assist the Australian population and economy to recover from the negative impacts of the pandemic.

The typical composition of visas being two-thirds skilled migrants reflects the elevated contribution that skilled migrants make to productivity and the Australian economy. These benefits are needed now more than ever. Given this, we support a return to the two-thirds skilled/one-third family distribution in combination with maintaining the elevated level of family migrant visas. This would see around 77,000 visas for family migrants and 154,000 places for skilled migrants – turbo charging recovery opportunities and getting us back track for 30 million by 2030.

In 2020-21, 75 per cent of permanent skilled visa applicants were already located in Australia and that in more typically years this figure is still strong at around 50-60 per cent. Given that such a high percentage of Australia's permanent visa applications come from migrants already in Australia a strong effort will also be needed to lift the number of temporary visa holders – including international students, working holiday makers and temporary skilled visa holders.

Australia ranks as a highly desirable country for international migrants and it is vital that this attractiveness is maintained. The OECD, in 2019, developed the *OECD Indicators of Talent Attractiveness*⁹ which ranks countries based on seven determinants of attractiveness: quality of occupations, income and tax; future prospects; family environment; skills environment; inclusiveness; and quality of life. Australia came out top of the list for highly qualified workers followed by Sweden, Switzerland, New Zealand and Canada. However, Australia did not make the top five for attracting entrepreneurs (7th) or university students (6th).

The OECD identified that country policies play an important role in their overall attractiveness and that most countries could jump to the top of the attractiveness list if they adopt more favourable policy settings.

The table at Appendix A lists the factors under each determinant of attractiveness and identifies the top and bottom performing OECD countries as well as the ranking for Australia and New Zealand.

⁹ OECD, 2019, Migration Policy Debates, No 19 May 2019. <www.oecd.org/els/mig/migration-policy-debates-19.pdf>

While Australia is the most attractive country for skilled workers, it doesn't top any individual determinant. Australia ranks highly on inclusiveness and quality of life, but is 19th of 35 OECD countries when it comes to the quality of labour market opportunities.

For entrepreneurs, Australia is in the bottom quartile for income and tax attractiveness (27th of 35), representing perhaps the most significant opportunity for reform to policy settings. There is also room for improvement in policy settings to make it easier to set up a business (rank: 16th).

Switzerland is the most attractive country for international university students. Australia's attractiveness could be improved by lowering tuition fees and improving access to work – Norway, Germany and Switzerland allow international students broad access to work during studies and apply the same tuition fees to domestic and foreign students.

Australia is a relatively expensive country for migrants, with housing affordability a particularly challenging component of the cost of living for both migrants wishing to buy a home and those planning to rent. Addressing housing affordability would enhance Australia's attractiveness as a destination for migrants. Master Builders' recent submission to the House of Representatives Inquiry into Housing Supply and Affordability made a number of detailed proposals relating to this. In short, we believe that affordability can be improved by reducing the taxation burden on new home building and by making it less costly to create new dwellings. Shortening the length of time it takes to deliver new housing stock would also lead to better affordability outcomes – this can be achieved through changes to the zoning, planning and regulatory process.

Summary

To conclude, as Australia continues the bumpy ride that is our economic recovery from the pandemic it is essential that employers can meet their workforce needs. But with more jobs now than pre-pandemic and job advertisements nearly 50 per cent higher than the long-term average, employers face challenges finding domestic workers. International migration will be critical for employers to fill labour shortages that cannot be met by the domestic workforce. **An increase in the size of the Migration Program in 2022-23 will enable employers to access the workers they need for their businesses and for the Australian economy to grow.**

Australia is an attractive destination for international migrants. Work by the OECD ranked Australia the most attractive of 35 OECD countries for skilled workers, sixth for international university students and seventh for entrepreneurs. Opportunities to maintain attractiveness include: tax policy changes to attract more entrepreneurs, reducing work restrictions for international university students, and implementing strategies to improve the quality of labour market opportunities for highly skilled workers.

Thank you for the opportunity to provide this input. Should you have any questions or would like further information please contact Jennifer, Manager Industry Policy, at Jennifer.Lawrence@masterbuilders.com.au or 0447 529 170.

Kind regards



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APPENDIX A: Determinants that attract migrant cohorts to a country

Migrant cohort	Skilled workers	Entrepreneurs	University students
Quality of opportunities			
Factors	Quality of labour market opportunities	Ease of setting up a business	Prestige of universities
Aus ranking	19	16	4
NZ ranking	14	1	20
Top ranking country	Hungary	New Zealand	United States
Bottom ranking country	Japan	Netherlands	Slovak Republic
Income and tax			
Factors	Earning potential, cost of living, tax		
Aus ranking	9	27	13
NZ ranking	7	31	19
Top ranking country	Chile	Hungary	Norway
Bottom ranking country	Italy	France	Turkey
Future prospects			
Factors	Long term integration, political participation, ease of status change, access to citizenship		
Aus ranking	7	7	11
NZ ranking	6	6	4
Top ranking country	Portugal	Portugal	Portugal
Bottom ranking country	Turkey	Turkey	Israel
Family environment			
Factors	Entry laws and labour market integration, child care costs, family benefits		
Aus ranking	9	9	21
NZ ranking	6	6	16
Top ranking country	Sweden	Sweden	Norway
Bottom ranking country	Turkey	Turkey	Turkey
Skills environment			
Factors	Skills environment, facilities and infrastructure, R&D, connectivity, English proficiency		
Aus ranking	11	11	4
NZ ranking	19	19	6
Top ranking country	United States	United States	Canada
Bottom ranking country	Mexico	Mexico	Mexico
Inclusiveness			
Factors	Degree of diversity, attitudes to immigration, gender equality		
Aus ranking	3	3	4
NZ ranking	4	4	3
Top ranking country	Switzerland	Switzerland	Luxembourg
Bottom ranking country	Mexico	Mexico	Israel
Quality of life			
Factors	OECD better life index		
Aus ranking	2	2	2
NZ ranking	14	14	14
Top ranking country	Norway	Norway	Norway
Bottom ranking country	Mexico	Mexico	Mexico
Overall ranking			
AUS overall ranking	1	7	6
NZ overall ranking	4	2	9
Top ranking country	Australia	Canada	Switzerland
Bottom ranking country	Turkey	Iceland	Turkey

Sources: OECD, 2019, Migration Policy Debates No. 19, www.oecd.org/els/mig/migration-policy-debates-19.pdf and OECD online interactive tool – Talent attractiveness: How does your country compare in each dimension www.oecd.org/migration/talent-attractiveness/how-does-your-country-compare-in-each-dimension.htm