

Submission to the Senate House Committee Review on Temporary Migration

CEDA – the Committee for Economic Development of Australia – is an independent, membership-based think tank. In 2020, CEDA celebrates its 60th anniversary. Working with our members, we identify policy issues that matter for Australia's future and pursue solutions that deliver better economic and social outcomes for the greater good.

As noted in CEDA's *Connecting People with Progress Report*, immigration has been a critical ingredient in Australia's economic growth and development over recent decades. Some of the country's foremost economic organisations have also credited Australia's migration program as an important contributor to this growth.ⁱ

Despite this success, issues have been raised regarding the impacts of immigration on the Australian labour market, economy, culture and society. The Committee's Terms of Reference touch on these aspects of Australia's temporary migration program. Given the important role that immigration has and will continue to play in Australia's economic and social development, it is imperative that policymakers take a considered, fact-based approach in considering the implications of Australia's temporary and permanent migration programs and how they evolve over time in line with global trends and the needs of Australia's economy and society.

Implications of COVID-19

With the onset of COVID-19, Australia and other countries around the world, proceeded to close their borders to new arrivals, and urged citizens living overseas to return home. In addition, universities had to quickly move online to retain students, Australia began to experience health worker shortages, and our key sectors including aviation and international education had to scale back services.

These events have raised questions about the rights and benefits we extend to temporary migrants, and whether more should be done to ensure that they are not severely adversely affected by this crisis.

The crisis has also highlighted the importance of migrants' skills and labour in many sectors, some of which will not be able to operate in the same way without access to migrants. The horticulture sector in particular is expected to suffer from the return of many working holiday makers back to their home country. During the last few weeks, we've seen the Federal Government take some extraordinary measures to grant full-time working rights to international students who are employed at the major grocery stores, and to international student nurses.

The long-term impacts of this pandemic on the labour market and temporary migration are still uncertain. However, in the immediate term it has already raised issues around temporary migrants' access to income support, the work rights of some visa classes and access to bridging visas. These issues are particularly pressing given that migrants comprised a little over 30 per cent of the casual workforce in Australia.

As Australia and the world comes to grips with the pandemic that confronts our health systems and economies, policymakers will have to contend with what this means for Australia's migration system in the future. Our submission doesn't seek to analyse the issues created by the pandemic at this early stage, as the impacts continue to unfold. Instead, our submission closely follows the terms of reference and the findings of CEDA's previous research in this area.

CEDA's submission provides further detail below on:

- the findings of CEDA's recent research on temporary migration
- the latest statistics on the number of temporary visas under different categories
- the impact of migration on local workers
- the observed transitions from temporary to permanent migration
- how the temporary skilled migration system could be improved.

CEDA's recent research on temporary migration

CEDA's recent research, addressed:

- the different categories of temporary migration and how they've changed over time
- the impact of recent waves of migration on Australia's labour market
- the importance of the temporary skilled migration system and how it could be improved.

A copy of that report, *Effects of Temporary Migration*, is attached.

CEDA's report concludes that it is desirable that temporary migration, particularly temporary skilled migration, serves as a de facto pathway to permanent migration. Temporary skilled migrants are relatively young, productive, well-educated and have proven themselves in the Australian workforce. However, this recommendation comes with some significant caveats.

For example, 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.

Recent cases of wage underpayment affecting temporary migrants have revealed the vulnerability of some temporary migrants and employment laws to exploitation. This was not a focus of CEDA's report, but we support implementation of the recommendations of the migrant workers taskforce chaired by Alan Fels.

CEDA modelling, as summarised from the report, shows that recently arrived migrants have not had a negative impact on the wages or participation rates of Australian-born workers. This finding is consistent with previous research conducted in Australia, which shows no evidence that the entry of migrants had a negative effect on the labour market outcomes of incumbent workers.

Business is increasingly relying on temporary skilled migration to plug skill gaps particularly in rapidly emerging areas of need like in digital technology and data related fields. Limitations have emerged in the face of the growing importance of temporary skilled migration. For example, skills lists like the ANZSCO are not keeping up with rapidly shifting skills. In addition, employees at major multinationals often have to be quite mobile with global projects requiring expertise from a colleague at another

location. The lack of a dedicated intra-company transfer visa has created unnecessary complexities for businesses in progressing large projects and leaves Australia lagging behind countries such as the UK and the US.

CEDA's analysis highlights how improvements to the temporary skilled migration system could create significant potential economic gains. Priorities for improvement include strengthening the identification of skills shortages to increase confidence in the process, introducing a dedicated pathway for intra-company transfers and undertaking a comprehensive review of Australia's occupation codes so that the skills list can be kept up to date. Further details on these recommendations are included below and in the attached report.

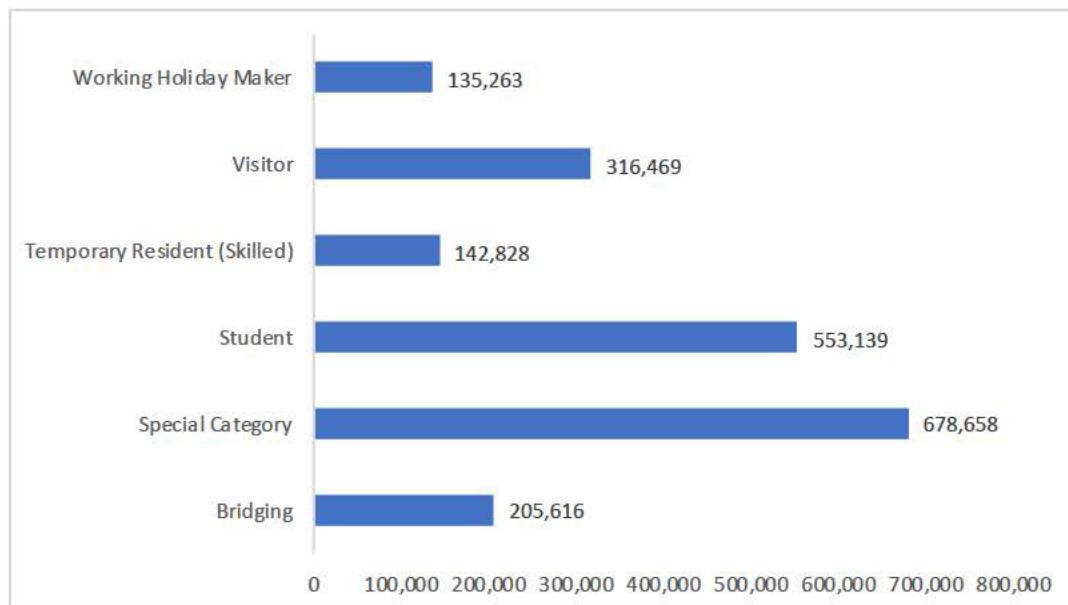
Statistics on different categories of temporary visas

Australia's temporary migration system caters to different categories of migrants, all of whom have different needs and expectations of their time working, studying or living in Australia.

Broadly temporary migrants fall under the following non-exhaustive categories – working holiday makers, visitors, bridging visa-holders, temporary skilled migrants and students. The number of grants and visa holders in these categories fluctuate often due to changing economic conditions and other factors depending on the type of visa.

An under-appreciated aspect of the temporary migration numbers is that New Zealand citizens comprise the largest group of temporary migrants in Australia (Special Category Visas). While New Zealand citizens can come to Australia and stay for any amount of time under the Trans-Tasman Travel Arrangement, their visas are granted on a single-entry basis and expire upon exit from the Australia.

Figure 1: Australia's temporary entrants visa-holders (as at 30 June 2019)



Source: Department of Home Affairs 2019 Temporary entrants visa holders (BP0019)

Over the last few years there has been considerable variation in the number of workers in the temporary skills visa category. In part, this reflects the nature of economic events like the mining boom which create significant and specific skill needs and policy changes like those that occurred in 2017.

The 2017 changes split the temporary skilled visa (formerly the 457 visa subclass, now known as the 482 subclass) into two streams – a long term stream with a pathway to residency, and a short term visa to fill short term gaps in the skills market. While the temporary skilled program receives considerable scrutiny and has been subject to significant regular policy change, it is important to note that temporary skilled migrants represent a very small proportion of the total workforce in Australia (less than one per cent).

International student numbers depend on the choices that students make about their study options. This includes what course they want to study, where they might want to live, and what their longer-term employment prospects are in that country. Given how globally mobile international students are, the relative attractiveness of other locations is also an important consideration, as is cost which is significantly impacted by the relative exchange rates. Changing societal perceptions of international students, which manifests itself in the level of community support for students and incidents of hostility also plays a critical role in students' decisions to study in Australia. ⁱⁱ

Bridging visas generally come into effect when a migrant is between visas – that is, they have applied for a substantive permanent visa and are awaiting a decision. This category has been growing over the last five years and suggests administrative pressure building in the system.

It is likely that the number of working holiday makers, international students and temporary workers living in Australia will have fallen in this last quarter because of COVID-19 but we will only know more once this data becomes available. At this stage, the government has not made any announcements about what will happen to migrants whose visas expire during the pandemic and can't return home because of travel restrictions and lack of flights. These migrants will require special consideration, including granting extensions to visas, bridging visas, and temporary work rights during this uncertain time.

Impact of migration on local workers

CEDA's report included empirical research on the impacts of recent migrants on local labour markets.

Using survey data from the ABS the analysis tested whether migrants adversely impact job outcomes of local workers. Our research found no evidence to support this claim. On the contrary, our analysis shows that an increase in the recent migrant share is associated with a positive effect on the labour force participation rate and annual wages of local workers. ⁱⁱⁱ

Table 1: Modelling results – Effects of Temporary Migration

	Log weekly wages	Log annual earnings	LFPR	Unemployment rate
US literature (Borjas) †	-0.422 (0.295)	-1.025 (0.359)	n/a	n/a
Breunig et al ††	0.519 (1.024)	0.437 (1.108)	0.287** (0.135)	0.101 (0.095)
Our estimates	0.2175 (0.266)	0.864*** (0.227)	0.9234*** (0.414)	-0.024 (0.043)

Source: CEDA 2019 Effects of temporary migration on

Our estimates of the impacts of recent migrants on the local labour market outcomes of Australian workers are in line with estimates from other researchers. Deutscher et al (2015) using similar data found that there was no evidence to suggest that migrants had negatively impacted local workers' labour market outcomes.^{iv} Consideration of this issue at the RBA 2019 conference on low wage growth reached the same conclusion.^v

Temporary visas and the transition to permanence

Figure 2: 457 transition to permanent residence

Source: Based on the Australian Government, the Treasury and Department of Home Affairs, data.

Australia's migration system has historically been one where migrants settle permanently in Australia. Known as Australia's permanent settlement program, this defined much of post war migration to Australia.^{vi} More recently, the Australian government has incorporated Australia's skills needs into the matrix of requirements prospective migrants must meet based on their eligibility to migrate from a list of criteria including occupations that are in demand.

More recently, since the introduction of temporary visas with pathways to permanent residency, Australia has seen the emergence of two step pathways to permanent settlement. As noted in CEDA's report, this has been a positive for Australia particularly in relation to temporary skilled migration. However, it is also worth noting that the two-step pathway does not follow as easily for all classes of temporary visa. For example, there is a common misconception that international students can easily attain permanent residency upon completion of their degree, but this link was removed in 2008 and more recent evidence has shown that only 18 per cent of international students go on to permanent residency.^{vii}

In some instances, migrants might want to stay in Australia on a short-term basis. However, should they decide to stay, the option should be available to them, and the process to attainment of permanent residency should be clear.

Temporary Skilled Migration

No matter how good our education and training systems are there will likely always be a need for migrants' skills. Australia's training and education system will not always be fast enough to respond to emerging skill needs. Time lags, poor information and complex projects will create skill demands that materialise just as quickly as they dissipate.

In other cases, there are long-term demands coming down the pipeline that look impossible to meet without temporary skilled migration. For example, Australia will need 18,000 more cyber security workers by 2026, against current supply of 500 graduates a year. Australia will also require a tripling of the current aged care workforce within three decades to meet anticipated demand.

In our report, CEDA proposes five fixes the Federal Government should implement to embed greater stability, predictability, transparency and administrative efficiency into the temporary skilled migration program:

1. Strengthen identification of skill shortages and eligible occupations for skilled visas in the skilled occupation list to increase confidence in the process by:
 - Being more transparent about the data and methods used in assessing whether occupations are included on skilled occupation lists.
 - Immediately reviewing the Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes to ensure they align with current and emerging labour trends, particularly the impact of technology.
 - Establishing an independent committee, like the Migration Advisory Committee in the UK, to undertake analysis, consultation and advice on the formulation of skilled occupation lists.
2. Remove the requirement for labour market testing once the skills shortage list process has been strengthened.
3. The Federal Government should immediately introduce a dedicated, streamlined path for intra-company transfers of employees to Australia.
4. Improve the operation of the Skilling Australia Fund Levy by:
 - Aligning the use of the Skilling Australia Fund Levy to training initiatives that alleviate the skill shortages driving skilled migration.

- Changing the point of levy collection from the visa nomination stage to the visa approval stage so that employers do not incur the levy if a visa nomination is refused.
5. The Federal Treasurer should task the Productivity Commission with undertaking a review of the Temporary Skill Shortage visa program every three to five years to guide future changes to policy settings.

ⁱ The Australian Government the Treasury and the Department of Home Affairs. 2019 Shaping a nation, available at <https://research.treasury.gov.au/sites/research.treasury.gov.au/files/2019-08/Shaping-a-Nation-1.pdf>

ⁱⁱ Preiss, B. 2012 Indian Student Numbers Falling, *The Age*, available at <https://www.theage.com.au/national/indian-student-numbers-falling-20121213-2bcnq.html>

ⁱⁱⁱ This is echoed in descriptive studies like that of Borland, J Labour Market Snapshot February 2020, who observes that migrants are responsible for 0.48 percent of the increase in the labour force participation rates in Australia

^{iv} Breunig, R., Deutscher, N., & To, H. T. (2017). The relationship between immigration to Australia and the labour market outcomes of Australian-born workers. *Economic Record*, 93(301), 255-276.

^v RBA 2019 Proceedings from the Conference on Low Wage Growth, available at <https://www.rba.gov.au/publications/confs/2019/pdf/rba-conference-2019-panel-discussion.pdf>

^{vi} Gregory, R. G. (2015). The two-step Australian immigration policy and its impact on immigrant employment outcomes. In *Handbook of the economics of international migration* (Vol. 1, pp. 1421-1443). North-Holland.

^{vii} The Australian Government the Treasury and the Department of Home Affairs. 2019 Shaping a nation, available at <https://research.treasury.gov.au/sites/research.treasury.gov.au/files/2019-08/Shaping-a-Nation-1.pdf>