



HOUSING INDUSTRY ASSOCIATION



Prepared for
Senate Legal and Constitutional Affairs References Committee

**Inquiry into the Effectiveness of the Current Temporary Skilled Visa
System in Targeting Genuine Skills Shortages**

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 65,000 members throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the HIA Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

“Promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct.”

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots' process that starts with local and regional committees before progressing to the Association's National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The Association operates offices in 20 centres around the nation providing a wide range of advocacy, plus business support including services and products to members, technical and compliance advice, training services, contracts, stationary and industry awards for excellence.

OVERVIEW

The Housing Industry Association (HIA) welcomes the opportunity to provide a submission to the Senate Inquiry into the Effectiveness of the Current Temporary Skilled Visa System in Targeting Genuine Skills Shortages.

Temporary Skill Visa (TSV) systems play an integral role in any workforce development policy given the importance of labour market flexibility to the Australian economy. Such flexibility cannot be provided by the nation's pool of domestic workers alone, but must be supplemented by an appropriate temporary skilled visa system; and indeed a strong policy on permanent migration.

The Australian economy benefits from a flexible labour market consisting of domestic and migrant labour in terms of economic growth, productivity growth and resident's standard of living.

There have been numerous inquiries and independent reviews of the TSV system over many years. This latest Inquiry is important as it comes at a time when there are clearly some deficiencies in the current system which was implemented in April 2017.

It has never been possible for the residential construction industry to fully utilise any TSV system given the large reliance the industry has on sub-contract labour. We will return to this point later in the submission.

HIA's submission identifies a number of areas for consideration based around the terms of reference, especially in relation to the following points of reference of the Inquiry:

- The interaction between the temporary skilled visa system and the system in place for training Australian workers, including how a skills shortage is determined.
- The current skills assessment regime, including but not limited to, the correct application of ANZSCO codes and skills testing requirements.
- The effectiveness of the current labour market testing arrangements.

HIA makes a number of recommendations, outlined here ahead of being explained in the body of the submission:

- **A review of the Temporary Skills Shortage (TSS) Visa occupation lists needs to occur as soon as possible in 2019, in consultation with industry;**
- **This review should consider a significant increase in the number of skilled occupations on the TSS Visa lists as there is no labour market justification for the sharp cuts that were implemented in April 2017;**
- **The Skilling Australians Fund Migration Levy needs to be lowered as it has reached a level where it is deterring businesses from engaging in the TSS Visa system;**
- **The Federal Government needs to re-introduce a more flexible framework to increase the opportunity for migrants to transition from temporary to permanent skilled migrant status;**
- **The unique nature of the workforce in the residential construction industry, reliant as it is on sub-contract labour, needs to be taken into account in the types of temporary visas that are available;**
- **Increased resources need to be allocated to the Department of Jobs and Small Business (DJBS) and any other relevant agencies or departments so there can be a more disaggregated analysis and assessment of the varying requirements Australian businesses have for temporary skilled migrants;**
- **The occupation lists need to be streamlined and, as previously noted the number of occupations expanded. There needs to be a focus on reducing the costs of time and money Australian businesses face when engaging the temporary migration system; and**

- **The previous Migration Outreach Officer program needs to be reinstated. This program can play an integral role in lowering the barriers to accessing the temporary skilled visa program.**

1. INTRODUCTION

There was a substantial shift in the Temporary Skilled Visa (TSV) system introduced in April 2017.

At this time the Subclass 457 Visa was replaced by the Temporary Skills Shortage (TSS) Visa (or Subclass 482).

In HIA's view this new visa category has proven detrimental to the ability of businesses to plug the gaps in labour market requirements that cannot be filled by Australia's domestic workforce.

That is the purpose of any skilled migration program – to ensure a supply of skilled migrant labour is available to complement the domestic labour supply, ensuring that across the two labour sources Australia has sufficient workers in the industries and geographical areas that market conditions demand.

The TSS Visa program is not working effectively in this regard.

HIA also notes that the changes to the TSV system made in 2017 had an impact on permanent skilled migration flows – the transition from a temporary to permanent skilled migrant became more difficult to achieve. Permanent skilled migration is crucial to successfully achieving the level of working age population Australia requires in coming years and decades. This is harder to achieve under the current temporary migration system.

2. KEY AREAS OF RELEVANCE

2.1 *The Interaction between the Temporary Skill Shortage Visa System and the System in place for Training Australian Workers*

Any TSV system and the frameworks in place for training Australia's domestic workforce are obviously indelibly linked and have been for many decades now. The effective interaction between the migrant and domestic workforces has become more difficult under the current TSS Visa system. There is more pressure on the domestic labour market to provide workers that are simply not available to supply.

HIA has a number of areas of concern.

The changes made to the occupations lists, announced on 18 April 2017 significantly reduced the number of occupations on the lists. In the subsequent 20 months there have been numerous reports of businesses being unable to access the skilled labour that they require because the occupations are no longer on the list. Eligibility criteria was also tightened in April last year, presenting a further barrier to businesses.

When the TSS Visa was introduced it was stated that it would 'support businesses in addressing genuine skill shortages'. If occupations were removed from the list because they were no longer deemed to be an area of genuine skill shortage, yet businesses are unable to acquire the skilled labour they need domestically, then clearly the TSS Visa is failing to meet its objective.

If the desired outcome from a significant reduction to the number of occupations was a decline in the number of temporary skilled migrants then the outcome has been achieved. The number of primary temporary skilled visas granted fell by 26 per cent between 2016/17 and 2017/18 and a downward trend appears to be persisting.

The problem is that amidst this decline businesses are not finding adequate skilled labour domestically, but can't source labour from overseas because their relevant occupations are no longer on a list; or because the barriers to access are too high. That means the TSS Visa system is actually having an adverse impact on the Australian economy.

HIA recommends a review of the TSS Visa occupation list be undertaken as soon as possible in 2019, in consultation with industry¹. There is no labour market justification for not expanding the number of occupations on the list.

A review into the occupation lists needs to include a reassessment of the visa categories. The TSS Visa program comprises three 'streams': short-term; medium to long-term; and labour agreement. This system is more complicated than pre-April 2017 and compliance costs faced by businesses are higher. The HIA notes that all three streams contain a considerably lower number of occupations.

There is also a time-related cost which needs to be addressed. A review of occupation lists is supposed to occur every six months. The last review was held in July 2018, but as yet no updated lists have been released. Consequently the list businesses are working with are twelve months out of date.

The review should consider a significant increase in the number of skilled occupations on the list; and also take into account that by the time this review occurs the current occupation lists could be over sixteen months old and the review undertaken in May 2018 will also be out of date.

Business also now face a significantly higher financial cost when engaging with the TSS Visa system. Added on to increased compliance costs is the increase in the Skilling Australians Fund Migration Levy from 12 August 2018. The overall cost is prohibitive for many businesses, particularly small businesses, meaning the TSS Visa framework is pricing participants out of the migrant labour market supply chain.

HIA recommends that the Skilling Australians Fund Migration Levy be lowered as it has reached a level where it is deterring businesses from engaging in the TSS Visa system.

2.2 Making Allowance for the Residential Construction Industry in the TSS Visa System

The residential construction industry is a critical component of the Australian economy. The breadth of the industry – stretching across new home building, renovations, manufacturing, supply/distribution and development generates over \$150 billion of economic activity a year and employs over one million people.

HIA has members who are large volume builders, manufacturers and suppliers who rely on migrant workers to complement their Australian employee base. These businesses have encountered greater difficulty with the TSS Visa system since the changes made in April 2017, a point elaborated on below.

A common and widespread theme across the residential construction industry is that the time and cost of the TSS Visa system has become too onerous and in some instances prohibitive. Various HIA recommendations cover this point.

When it comes to the new home building and renovations sectors the key point is the reliance of these sectors on sub-contract labour. This form of labour is the bedrock of the industry. A wide range of skilled labour trades are crucial to the industry, from carpentry to ceramic tiling; site preparation to roof plumbing.

Many of the skilled trades are in short supply. The HIA Trades Report – a quarterly update of the availability of thirteen distinct trades around the states – finds that in the September 2018 quarter twelve out of thirteen residential construction trades were in short supply.

Over its sixteen year history the HIA Trades Report has consistently found that even in housing downturns a considerable number of trades continue to be in short supply. Bricklaying and ceramic tiling are two prominent examples.

During this sixteen year period there have been five housing down cycles, including the current one. Given the duration of the time period and number of down cycles the evidence is compelling that there is a structural shortage of skilled trades in the residential construction industry. The HIA has been making this point for many years.

¹ There was little time available for industry to view the changes in 2017 and provide input, ahead of the April implementation date.

Despite this structural shortage of skilled trades it is difficult for the residential construction industry to access any TSV system because of the industry's large reliance on sub-contract labour. Residential building sites in Australia have a relatively large group of skilled workers, consisting of the builder and/or the developer and a range of sub-contractors in various skilled construction trades.

As such the 'builder' is not the employer of the skilled labour pool. The sub-contractors don't work for the same builder or company all the time (with the exception of some large volume builders) and often work across multiple sites over the course of a week.

A structural shortage of trades places unnecessary pressure on trade prices, leading to a deterioration in housing affordability. The sectors of the residential construction industry that are not large businesses with employers, but are small/medium sized business working on construction sites with negative cash flow models and sub-contract labour, need to be able to access skilled migrant labour too.

HIA recommends that the unique nature of the workforce in the residential construction industry be taken into account in the types of temporary visas that are available.

2.3 The Transition from Temporary to Permanent Migration

In HIA's view one of the largest deficiencies of the TSS Visa program is the impact it is having on the possibility of migrants transitioning from temporary to permanent visa status.

It has normally been the case that temporary skilled migrants can flow through to a permanent skilled visa category. This situation still applies, but access to this opportunity was considerably restricted with the 2017 changes.

This restricted access is in place at a time when Australia's permanent skilled migration intake direct from overseas is already 14 per cent lower than its threshold.

The Australian Government is currently restricting both sources of skilled migration, which is detrimental to economic and productivity growth and the rate of increase in Australians' standard of living.

As Australia's population ages, at an accelerating rate, it will be vital for Australia to have a working age population of sufficient size to support retirees. This is a common challenge globally and Australia competes with many other countries in attracting skilled human capital. The nation's domestic workforce will not grow by anywhere near the required rate, so skilled migration is a bedrock of Australia's future prosperity.

HIA recommends that the government re-introduce a more flexible framework and guidelines to increase the prospect of transition from temporary to permanent migrant.

2.4 The Assessment of Skills Shortages

As previously outlined HIA undertakes its own research into skills shortages in the residential construction industry via our quarterly Trades Report. HIA's extensive network of national, regional and branch managers stretching across twenty offices nationwide also allows for substantial qualitative evidence to be gathered regarding specific skilled labour needs in different capitals and regions of Australia.

Government liaison and consultation with industry is vital to successful outcomes, especially in relation to the divergences in skilled labour requirements across industries and also geographical regions and localities. Detailed anecdotal evidence from industry is very powerful because it stems from the people on the ground so the information is timely and accurate. Providing robust modelling as well, which industry has been asked to do for many years now, is difficult and costly to achieve and should be the purview of the department, in consultation with industry.

Putting the onus on industry to provide robust modelling of their skilled labour requirements, as has occurred to varying degrees over many years, is not a viable or sensible approach.

Increased resources need to be allocated to the Department of Jobs and Small Business and any other relevant agencies or departments. Any perceived need for quantitative modelling of skilled labour demand should be conducted by the relevant department/s. The expectation

that industry is capable of carrying the financial burden of providing such ‘proof’ of skills shortages is impractical.

The formal national skills shortage assessment carried out by the Department of Jobs and Small Business (DJSB) is very aggregate and generalised. As a result the assessment fails to pick up the divergence in skilled labour needs across and within states and territories; and different occupations. This makes it difficult to successfully match the skilled labour requirements of an industry in a particular region to available migrants with the right expertise.

A more disaggregated analysis of skilled labour requirements would be assisted by more effective liaison with industry. The relevant agencies and departments need to place greater value on what quantitative information industry can provide (such as the HIA Trades Report); and in particular place a higher value on the strength and accuracy of the qualitative evidence industry can bring to bear.

The bi-annual assessment conducted by the DJSB is also running behind schedule, as previously noted. The review of occupation lists was held in July, yet there is still no update in December.

HIA recommends that increased resources are allocated to the DJSB and any other relevant agencies or departments to allow for a more disaggregated analysis and assessment of skilled labour requirements for temporary skilled migrants.

2.5 Labour Market Testing

An unjustified bias is evident in the TSS Visa system. As previously noted the objective of the TSS Visa is to provide support to business in addressing genuine skill shortages. A clear bias towards Australia’s domestic workforce being the source of Australian businesses’ labour requirements means the visa system is not working.

The visa occupation lists have become more confusing, but at the same time a significant number of cuts to occupation lists were made in 2017. The compliance cost of using the TSS Visa system is higher than the previous 457 visa program. The financial cost of a visa has risen considerably. A fee of \$1,200 per annum per sponsored migrant can be very onerous or even prohibitive for a small business, for example.

Against this backdrop Australian businesses are going to undertake an exhaustive (and quite possibly excessive) search for domestic workers before engaging in the TSS system. When engaging with the system because they can’t source their labour needs domestically, businesses encounter high barriers and costs and may not even find their desired occupation on a list anymore. This set of lists is also now out of date.

The overriding issue is that the temporary visa system is supposed to create the opportunity for Australian businesses to plug labour shortages through temporary overseas skilled migration, not create barriers that prevent this outcome from being able to occur.

HIA recommends that the occupation lists be streamlined and that a focus be placed on reducing the costs of time and money Australian businesses face when engaging the temporary migration system.

2.6 Industry Outreach Program

HIA participated in the migration outreach program some years ago through having a HIA Outreach Officer. We found it to be a helpful and constructive experience.

Industry Outreach Officers would be especially helpful in assisting businesses understand the complexities that have crept into the temporary migration visa systems over the last decade, although hopefully there will be a focus on simplifying the system once more.

The HIA recommends that a Migration Outreach Officer program be reinstated and form an integral component of lowering the barriers to accessing the temporary skilled visa program.

3. CONCLUSION

A flexible labour market has been a crucial element to Australia achieving its enviable run of economic growth over the last two and a half decades. Net overseas migration, including temporary skilled visa programs, has and remains integral to the successful run Australia is enjoying.

The current TSS Visa system restricts that labour market flexibility and in so doing threatens Australia's future economic growth. Consequently the system is in need of urgent review and transformation.

Australia-wide service + support



HIA represents the residential building industry nationally and helps members locally through its regional offices across Australia.

