

**An analysis of employers' use of temporary skilled visas in Australia**

Submission to the Senate Education and Employment References Committee

Inquiry into the impact of Australia's temporary work visa programs on the Australian labour market and on the temporary work visa holders

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## Executive summary

- This submission presents an analysis of the findings of a survey of 1,600 Australian employers conducted in 2012 to examine the question of why employers recruit workers on temporary skilled subclass 457 visas. The findings are relevant to the terms of reference of the Senate Education and Employment References Committee inquiry into the impact of the 457 visa scheme on the Australian labour market.
- The main stated objective of the 457 visa is to help employers address skilled labour shortages. We find that the vast majority of employer survey respondents claim to experience challenges recruiting workers from the local labour market, while a small majority of employers cite the role of the 457 visa in filling skilled vacancies as a benefit of the scheme. However, it is important to note that recruitment challenges and skilled job vacancies are not necessarily the same as skills shortages. Only a very small proportion of employer respondents claim that they would seek to address skilled vacancies by increasing the salary being offered, which is generally considered a necessary precondition for a skills shortage to exist. Therefore, even where employers are using the 457 visa scheme because of skills shortages, the shortages that exist do not appear to be acute.
- Employers in the education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and mining industries are more likely than average to use the 457 visa scheme for reasons relating to its intended purpose of addressing skills shortages.
- However, the findings indicate that many employers are not using 457 visas to address skills shortages. When selecting potential skilled migrants, employer respondents place greater priority on interpersonal competencies than on 'hard skills' such as qualifications and experience. A significant minority of employers use the scheme to engage workers perceived to be harder working or more loyal. Employers in some industries are much more likely to express satisfaction with workers on 457 visas than 'similar Australian workers', which suggests that these employers may have developed an embedded preference for 457 visa holders.
- The problem of the 457 visa not fulfilling its stated objective is particularly acute among employers in the accommodation and food services industry, and to a lesser extent the construction and manufacturing industries. These employers should be encouraged to utilise alternative strategies to address their recruitment difficulties

before using the 457 visa. Improving job quality to attract a wider pool of candidates, greater investment in structured training to facilitate career development opportunities for existing and prospective employees, and other measures likely to engender long-term workforce commitment and retention are likely to be more effective than the 457 visa scheme for helping these employers to alleviate their recruitment problems in a more systematic manner.

- We argue that skilled migration needs to continue as a central policy solution for addressing skills shortages. Alternatives such as structured training and education suffer from significant inadequacies that must be addressed, but steps also need to be taken to ensure that employers engage more extensively with the domestic education and training system in addressing their skills needs.
- Our findings indicate that the current practice of using employer demand to identify skills shortages is highly problematic. We therefore support the conclusions of previous studies (Howe, 2013) and independent reviews (Azarias et al., 2014) and recommend the establishment of an independent mechanism to verify the existence of skills shortages before employers can use the 457 visa. We also support the use of a more precise list of occupations for sponsorship.
- The employer survey analysed in this submission was conducted prior to reforms implemented in July 2013 that introduced labour market testing requirements and extended the period for visa holders to find another sponsor before losing their right to residency. The findings need to be interpreted in the context of these policy changes, which may have affected the reasons why employers recruit workers on 457 visas, in particular by discouraging them from using the scheme for reasons other than addressing skills shortages.

## Introduction

The nature and impact of temporary skilled immigration in Australia has been the subject of intense political controversy in recent years. The Temporary Work (Skilled) Visa (Subclass 457) ('457 visa'), which allows an employer to sponsor a skilled migrant worker for up to four years, has been the main subject of this controversy. In 2013, the Gillard government initiated several reforms to the 457 visa on the grounds that the scheme was taking opportunities for employment and skilled training away from citizens and permanent residents. Prime Minister Gillard's justification for these reforms was that "the areas where temporary work from overseas is growing show that this is work for which we can and should train young Australians... We will not allow Australian workers to be denied the opportunity to fill Australian jobs" (Gillard, 2013). While trade unions were supportive of these changes to temporary skilled immigration policy, they were criticised by business leaders who argued that the 457 visa was necessary for addressing "critical skills shortages", according to Business Council of Australia (BCA) Chief Executive Jennifer Westacott (BCA, 2013). The Abbott government has supported these sentiments, with the (then) Immigration Minister asserting in 2014 "skilled workers on sponsored programs are not a substitute for Australian jobs but they are an integral part of the economic machinery that creates Australian jobs" (Morrison, 2014).

The disagreement over the impact of the 457 visa within political debate is broadly reflected within the academic research community. On one hand, the conclusion of some studies is that the 457 visa scheme helps employers to source skills that are difficult to find in the domestic labour market at short notice (Bahn & Cameron, 2013; Cameron & Harrison, 2013; Khoo et al., 2007). On the other, some scholars conclude that weak obligations imposed on 457 visa sponsors to train local workers and the lack of requirement to demonstrate that a skills shortage exists before using the scheme provides employers with little incentive to invest in skills as a means of addressing job vacancies (Howe, 2013; Kinnaird, 2006; Toner & Woolley, 2008).

Despite the confidence of these conclusions, there has been little rigorous analysis of the reasons why employers use the 457 visa scheme in the first place. While there are several studies on the capacity of migrant workers to exercise their employment rights (Boese et al., 2013; Toh & Quinlan, 2009; Velayutham, 2013) and the macroeconomic impacts of Australia's skilled immigration policy (Access Economics, 2008; Cully, 2012), we know little about the

role of employers in the migration process and their motivations for recruiting migrant workers. As Anderson and Ruhs (2010) demonstrate in relation to lower skilled immigration in the United Kingdom, these are crucial issues for understanding the impact of immigration on the host country labour market, specifically for asking whether employers engage migrants to address genuine labour shortages or for other reasons that could negatively impact the employment prospects and working conditions of resident workers.

Drawing upon an analysis of large scale survey data of employers' stated reasons for recruiting workers on 457 visas, this submission provides evidence to address the following question: why do employers recruit workers on 457 visas? The migration recruitment motivations of employers have been explored in relation to lower skilled immigration (Atanackovic & Bourgeault, 2013; Bach, 2010; Cangiano & Walsh, 2014; Hussein et al., 2011; Moriarty et al., 2012; Rodriguez, 2004; Ruhs & Anderson, 2010; Waldinger & Lichter, 2003). However, there have been very few equivalent studies of higher skilled migrant workers, such as those engaged on 457 visas.<sup>1</sup> This distinction is important given that higher skilled workers are more likely to possess niche skills that are difficult to obtain, to earn higher wages and to have greater capacity to negotiate favourable terms of employment than lower skilled workers, thereby diminishing the capacity employers to exploit them or to gain an unfair advantage.

The next section reviews the literature on employer demand for migrant labour in general and higher skilled migrant workers in particular. The methodological approach is then outlined and the findings and analysis are presented. This is followed by a conclusion that explains the implications of the findings for policy and research.

## **The nature of employer demand for migrant labour: A review of the literature**

### ***Lower skilled migration***

Before analysing the reasons why employers recruit 457 visa holders, we need to consider their motivations for engaging migrant workers in general. In many countries, particularly those with weak capacity to control migration flows, migrants work predominantly in low-

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<sup>1</sup> The 457 visa allows entry only to those workers qualified to work in an occupation classified as managerial, professional and technicians/trades, making it difficult for workers to be sponsored to perform an intermediate or lower skilled occupation (which typically account for fewer than 5% of entrants per annum).

paid, lower skilled occupations in conditions that often prove unattractive for local workers. In this context, Michael Piore's landmark study on immigration and labour market segmentation in the United States identified a desire for 'disposable labour', i.e. workers that are easy to control and to dispense with, as a key factor accounting for employer engagement of migrant workers. According to Piore (1979), new migrants are likely to be more willing to work for inferior pay and conditions compared to resident workers because of a relative lack of knowledge about the local labour market, lower expectations if they are from a country with lower wages and weaker employment protections, or simply not being in a position to complain if mistreated, especially migrants dependent upon maintaining their employment relationship in order to qualify for permanent residency. Several other influential studies from this period reach similar conclusions, finding that the main motivation of employers for recruiting migrant workers is to minimise their costs directly by engaging workers willing to work below the prevailing wage rate (Castells, 1975; Castles & Kosack, 1973; see also Bauder, 2006).

Perhaps because of the creation and strengthening of minimum labour standards in many countries in recent years, recent studies have generally attributed employer demand for recruiting lower skilled migrant labour to behavioural traits and interpersonal competencies benefits rather than cheaper labour. For instance, a study of the recruitment practices of employers utilising labour migration in the Irish construction sector found that immigrants are favoured not because they can be hired below the prevailing wage rate, but because of their better attitude and work ethic, as well as potential international links appealing to enterprising employers (Moriarty et al., 2012). Perceptions that migrants are harder working and more committed, easier to retain, more willing to work in difficult conditions and provide better customer service are the main factors attributed for employer preferences for migrant labour in the Canadian care sector (Atanackovic & Bourgeault, 2013). A study of the English care sector also identified these behavioural traits as motivating employer recruitment of migrant workers, but also found that addressing job vacancies is an important factor (Hussein et al., 2011). Employer perceptions that that migrant workers are harder working and more reliable than resident workers is a common theme among studies of lower skilled migration in the United States and the United Kingdom (for instance, MacKenzie & Forde, 2009; Rodriguez, 2004; Ruhs & Anderson, 2010; Waldinger & Lichter, 2003).

The attributes of migrant workers identified in these studies, such as their tendency to have the right attitude or personality, at least from the perspective of employers, are characterised as

'soft skills' by some scholars (e.g. Moriarty et al., 2012). However, the characterisation of these attributes as soft skills is questionable, given the overlap with characteristics associated with higher productivity or loyalty that may be a consequence of migrant workers' dependence on their employer in order to maintain residency rights (Anderson, 2010; Waldinger & Lichter, 2003). While stronger minimum labour standards make it "difficult to explicitly recruit employees for obedience ... recruitment in terms of 'attitude' enables selection of those prepared to do the work on the employers' terms" (Moriarty et al., 2012: 1872), for instance, because of the restricted terms of employment under their work visa. The argument that employers recruit migrants because these workers possess soft skills that are otherwise difficult to source should therefore be treated with scepticism.

### ***Higher skilled migration***

While these recent studies are potentially instructive, the focus on lower skilled immigration means their findings cannot necessarily be assumed to explain employer motivations for using higher skilled immigration. In other words, these studies are concerned with the recruitment of migrant workers heavily concentrated in lower skilled jobs, and in countries that have little willingness or capacity to restrict entry only to migrant workers qualified to work in occupations considered to be higher skilled. While there is a lack of research on employer motivations for higher skilled immigration, several studies of the 457 visa are relevant.

Bahn and Cameron's (2013) study of the Western Australian resources sector identified a lack of specialised skills and knowledge among resident workers and an unwillingness of potential candidates with requisite skills to relocate to remote locations as the main reasons why employers recruit higher skilled migrants. In their analysis of a 2008 survey of 581 managers of organisations that employed workers on 457 visas, Cameron and Harrison (2013) found that a shortages of skills was the most common reason for using the scheme (cited by 86% of respondents), followed by a desire to attract international skills and knowledge (38%), difficulties getting Australian citizens and permanent residents to relocate to the location of the business (26%), and a need for visa holders to train other workers (11%). Factors relating to the higher costs (13%) and motivational characteristics (7%) of local workers were cited by only a small minority of employers. However, given that the response rate of the survey was fewer than 8% and the sample was limited to member

organisations of the Australian Human Resources Institute, it is questionable whether the motivations cited by respondents are representative of the broader population.

In their analysis of a 2003 survey of 135 employers using the 457 visa scheme, Khoo et al (2007) found that difficulties obtaining specialised skills in Australia was the most important reason for sponsoring higher skilled migrants (cited by 89% of respondents), followed by a need for people who can train others to do the work (57%), a desire (prevalent among multinational corporations) to facilitate intra-company transfers of skilled personnel (40%), and a need for people at very short notice (26%). They found that a small number of employers (9%) cited the lower cost of 457 visa holders compared to local workers as a reason for using the scheme, but that a higher proportion of respondents used the scheme due to the perceived behavioural traits of migrant workers. For instance, some employers cited higher commitment from 457 visa holders (22%) and the existence of visa rules limiting workers' mobility and thus making them easier to control (12%) as reasons for using the scheme (Khoo et al., 2007).

Although there is some overlap in employer motivations for recruiting lower compared to higher skilled migrants relating to behavioural traits, these studies suggest that addressing skilled labour shortages is likely to be a more important reason for using higher skilled immigration. Addressing skills shortages is the principal objective of the 457 visa, a feature shared with skilled visa schemes in many other countries (OECD, 2012: 101-103; Papademetriou et al., 2008). The explicit purpose of the 457 visa upon its creation in 1996 was to facilitate greater speed and procedural simplicity in arrangements governing longer-term temporary entry of professionals and managers (Roach Review, 1995). Over time, the main purpose of the visa evolved towards addressing skills shortages, particularly among firms with international operations. According to the Immigration Department, the scheme is now “designed to enable employers to address labour shortages by bringing in genuinely skilled workers where they cannot find an appropriately skilled Australian” (Immigration Department, 2014b: 3).

Despite the lack of systematic and reliable empirical evidence regarding the use and impact of the 457 visa, several studies based on either small sample sizes or regulatory analyses claim that the 457 visa scheme's regulations do not meet its stated objective. For instance, Kinnaird (2006) argues that employers can sponsor workers on the visa “without any reference to whether there is a skill shortage in the field or not”. According to other studies,



this feature of the regulation potentially deters employers from investing in training workers in the local labour market (Toner & Woolley, 2008) or raising wages and taking other measures to improve job quality that would potentially increase the supply of local skilled applicants (Junankar, 2009). Several reforms have been made since 2009 to address these problems, for instance by introducing skilled training benchmarks and labour market testing requirements that employers have to meet as preconditions of using the scheme. However, more recent studies have essentially reached the same conclusions as these earlier studies. According to Howe (2013), the Consolidated Sponsored Occupations List that defines the occupations that the visa can be used for is too broad. This list includes virtually all of the 600-plus occupations listed as 'managers', 'professionals' and 'technicians and trades workers' under the Australian and New Zealand Standard Classification of Occupations. Moreover, employers are not required to demonstrate that a verifiable skills shortage exists before applying for sponsorship, meaning that employer demand rather than independent assessments of labour market need is essentially used to determine whether or not a nominated occupation is actually in shortage.

### ***The nature of employer demand***

The use of employer demand as a proxy for skills shortages raises several important issues. Firstly, demand is not fixed but is susceptible to fluctuation, especially in response to changes in the nature of labour supply. According to Ruhs and Anderson (2010: 6), “‘what employers want’ can be critically influenced by what employers think they can get from the various pools of available labour, while at the same time, labour supply often adapts to the requirements of demand”. For instance, while the skilled nature of the 457 visa and the scheme’s protective regulations ensure that visa holders earn above average salaries, for much of the scheme’s existence workers had only 28 days to find a new sponsor if their employment relationship ceased. Prior to this period being extended to 90 days in July 2013, these visa regulations effectively made workers dependent on their sponsoring employers to maintain their temporary residency status. As several studies and inquiries found, these rules increased the vulnerability of visa holders to mistreatment and potentially made them a more compliant and attractive source of recruitment, because they effectively altered the nature of migrant labour supply and consequently the nature of employer demand (Campbell & Tham, 2013; Deegan Review, 2008; Toh & Quinlan, 2009; Velayutham, 2013).

The slipperiness of the term 'skills shortage' is another reason why employer demand is an imperfect measure for assessing whether an occupation is actually in shortage. Labour economists tend to define skills shortages as the shortfall of supply relative to demand at the prevailing conditions or 'market wage' (Healy et al., 2012; Richardson, 2009). According to Shah and Burke, the common practice of using employer-based surveys to identify skills shortages is problematic because employers often fail to understand the difference between "the concepts of skills shortages, recruitment difficulties and skills gaps" (2003: vi).

In contrast to skills shortages, recruitment difficulties may arise because of employers not undertaking the necessary steps towards recruitment, or not offering adequate training, wages and conditions and career prospects to attract a sufficient number of potential internal and external candidates (Green et al., 1998; Healy et al., 2012; Shah & Burke, 2003). While most definitions focus on a shortfall of supply at the prevailing conditions, Haskel and Martin (1993: 574) claim that a skills shortage should be defined as "a situation in which the firm must wait longer than normal, or search more actively to hire a worker". This view is consistent with the prescriptions of neoclassical economic theory which suggest that wages need to rise to stimulate increased supply before a skills shortage can be deemed to exist (Junankar, 2009). According to Healy et al. (2012: 13), situations where low-wage employers are not willing to raise wages in order to attract more potential candidates "should not be regarded as a true labour shortage". Other studies find that firms that pay above market rates or take other meaningful steps to improve the quality of jobs and the working environment are less likely to experience shortages (Green et al., 1998). A study of German firms by Backes-Gellner and Tuor (2010) found that firms with independent collective voice mechanisms, established apprenticeship training programs and management practices that successfully fostered workforce commitment were less likely to experience recruitment problems. Moreover, the authors found such factors to be more important for allowing firms to address shortages than higher wages and monetary benefits. However, several studies point out that employers are often reluctant to increase wages and conditions to increase the supply of candidates, because such a move will be difficult to reverse once a shortage has been addressed, and may require wages and conditions to be improved for existing employees (Haskel & Martin, 1993; Richardson, 2009).

A common refrain among critics of the 457 visa and similar schemes operating elsewhere is that easy access to skilled visas deters employer from investing in training to address skills shortages. Employers are often reluctant to train lest they lose their investment to competitors

engaging in poaching in order to address their own vacancies. This is a common collective action problem often leading to underinvestment in training, which can exacerbate skills shortages and require governments to intervene (Cooney, 2010; Richardson, 2009; Wright, 2012). There are other reasons why employers may be disinclined to utilise structured training. The training required for a person to become suitably qualified will vary across occupations, but in those with long training lead-times, a shortage may no longer exist by the time that workers complete the necessary training. Moreover, while governments can offer incentives to education and training providers to increase enrolments in courses relating to skills shortages, there is little they can do to ensure that students actually complete these courses (Mitchell & Quirk, 2005). Skilled training is therefore a less perfect solution for addressing skills shortages than is often acknowledged.

While the risk of employers confusing shortages with recruitment difficulties is an argument against using employer demand as a public policy measurement of skills shortages, it is also possible that the formal definitions of skills shortages are too restrictive. These definitions tend to equate 'skills' with the 'hard' qualifications and credentials required for a particular occupation, despite employers often placing equal importance on 'soft skills', i.e. interpersonal competencies that are generally transferrable across occupations, but can be important factors contributing to a worker's individual productivity (Green et al., 1998; Mitchell & Quirk, 2005). However, Anderson and Ruhs emphasise the need to carefully distinguish between soft skills and "attributes and characteristics that are related to employer control over the workforce". The soft skills that may be important for the effective utilisation of hard skills should not be confused with the behavioural traits, attitudes and qualities that employers may find "desirable because they suggest workers will be compliant, easy to discipline and cooperative" (Anderson & Ruhs, 2010: 20).

This review of literature relating to the primary question of why employers recruit skilled migrants has identified several secondary research questions that will be used to analyse data relating to employer motivations for using the 457 visa scheme:

- Do employers engaging 457 visa holders experience difficulties recruiting workers from the local labour market?
- What are the reasons for these difficulties?
- What are the most important strategies that employers engaging 457 visa holders use to address skills shortages?

- What is the nature of the skills desired by employers engaging 457 visa holders?
- What are the advantages cited by employers for engaging 457 visa holders?

## **Methodology**

Temporary work visas are a relatively new phenomenon in Australia. Prior to the introduction of the 457 visa in 1996, the main way that migrant workers could come to Australia was through the permanent immigration program. The permanent immigration program accounts for a large proportion of inward migration. In 2011-12 when the survey analysed here was conducted, 125,755 permanent skilled visas were issued, as compared to 125,070 visas issued to primary and secondary applicants under the 457 visa program, which accounts for a large and growing proportion of total work visa intakes. As Figure 1 shows, the intakes under the 457 visa and permanent skilled visas are smaller than those under the Working Holidaymaker visa, which allows visa holders to work in any occupation for up to 12 months, or 24 months if they work in any primary industry in a regional area for at least three months (Wright, 2015).

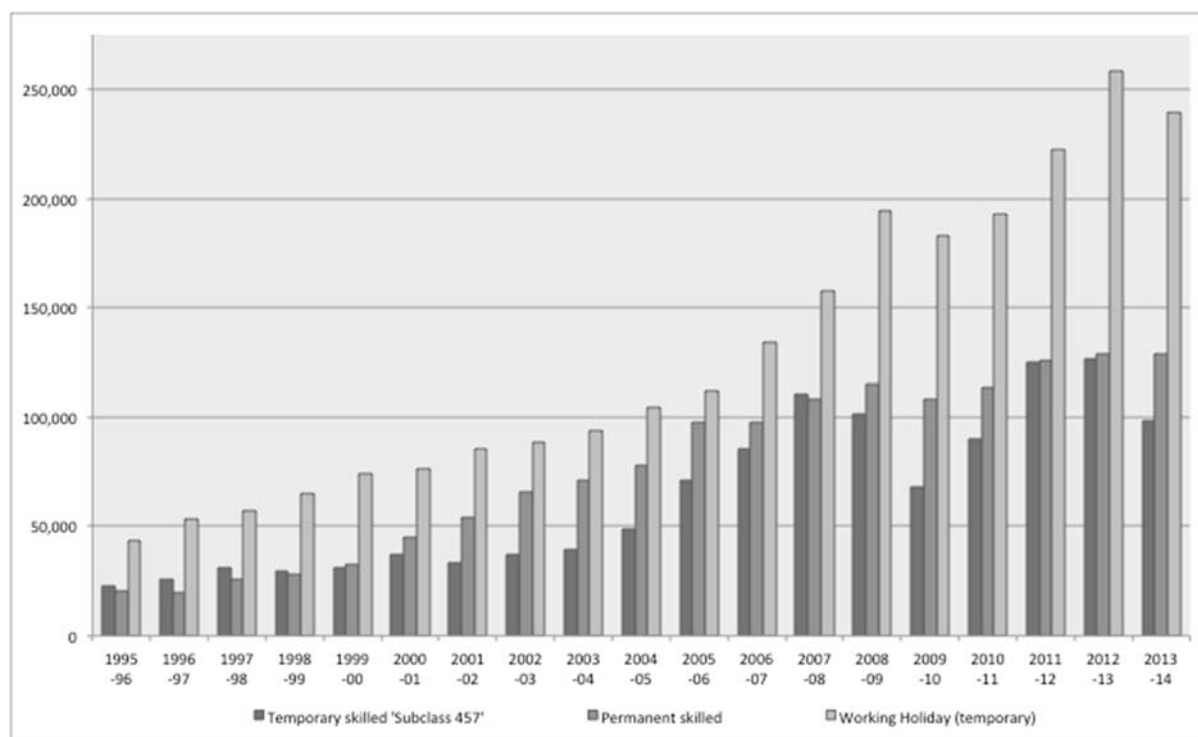
The analysis of employer motivations for recruiting 457 visa holders draws on a survey conducted and designed by the Social Research Centre that was commissioned by the Department of Immigration and Border Protection (DIBP), which have made the data available for the purposes of this study. Evaluating the visa scheme's effectiveness and suitability in addressing the skilled labour needs of employers was the main objective of the survey. Respondents were asked questions relating to their business characteristics, the extent to which they used the 457 visa, their satisfaction with aspects of the scheme and the performance of visa holders, their recruitment difficulties and how they typically responded, the factors they used to assess prospective sponsored migrant workers, and the perceived benefits and drawbacks of the scheme and suggestions for its improvement. Two reports published by the Immigration Department (2014c) and the Migration Council of Australia (2013) have utilised this survey data. These studies focused primarily on reporting the headline findings of the survey, contained limited discussion of differences between industries and no analysis of the reasons for employer demand of skilled migrant labour.

The sample population of the survey is 1,600 employers that were current and previous sponsors of workers on the 457 visa. The overall response rate among employers surveyed

was 90.3%, which consisted of a response rate of 91.7% among current employer sponsors (1,500 completed interviews and 136 refusals) and a response rate of 73.5% among lapsed sponsors (100 completed surveys and 36 refusals). The survey was conducted via telephone in May-June 2012, before reforms of the 457 visa implemented in July 2013 that required employers to advertise a vacancy before using the scheme, increased the window for migrant workers to find another sponsor if the employment relationship ceased, and conferred powers to the Fair Work Ombudsman to scrutinise the practices of sponsoring employers. The findings need to be considered against the regulatory context that existed prior to these regulations coming into effect.

Post stratification weights were applied to ensure that the final population sample was representative of the relevant industry and geographical (state/territory) population benchmarks. Table 1 provides a breakdown of survey respondents by industry. The analysis presented in the following section will focus only on the industry sponsors that accounted for more than 5% of the total primary visa grants in 2011-12 (see Immigration Department, 2012), which will be referred to as the 'main industry sponsors'. The main industry sponsors, listed in italics in Table 1, are accommodation and food services, construction, education and training, health care and social assistance, information media and telecommunications, manufacturing, mining, other services, and professional, scientific and technical services. In order to test for statistical differences among industries and given the categorical nature of the variables included in the present analysis, chi-square and adjusted residuals tests have been employed.

**Figure 1** Annual immigration intakes for the main permanent skilled and temporary work visa categories, Australia, 1995/96-2011/12



Source: Immigration Department (2002, 2007, 2014a); Joint Standing Committee on Migration (2007)

**Table 1** Survey respondents by sponsor industry

| Industry   | Survey respondents (unweighted) | % of total respondents (weighted) |
|--|---------------------------------|-----------------------------------|
| <b>Accommodation &amp; food services</b>                 | <b>113</b>                      | <b>7.1</b>                        |
| Administrative & support services                        | 37                              | 2.4                               |
| Agriculture, forestry & fishing                          | 41                              | 2.3                               |
| Arts & recreation services                               | 43                              | 2.8                               |
| <b>Construction</b>                                      | <b>150</b>                      | <b>9.9</b>                        |
| <b>Education &amp; training</b>                          | <b>116</b>                      | <b>7.2</b>                        |
| Electricity, gas, water & waste services                 | 47                              | 3.3                               |
| Financial & insurance services                           | 36                              | 2.6                               |
| <b>Health care &amp; social assistance</b>               | <b>259</b>                      | <b>17.0</b>                       |
| <b>Information media &amp; telecommunications</b>        | <b>98</b>                       | <b>5.7</b>                        |
| <b>Manufacturing</b>                                     | <b>147</b>                      | <b>7.7</b>                        |
| <b>Mining</b>  | <b>44</b>                       | <b>3.2</b>                        |
| <b>Other services</b>                                    | <b>22</b>                       | <b>1.4</b>                        |
| <b>Professional, scientific &amp; technical services</b> | <b>244</b>                      | <b>15.3</b>                       |
| Public administration & safety                           | 21                              | 1.1                               |

|  |             |              |
|--|-------------|--------------|
| Rental, hiring & real estate services      | 9           | 0.5          |
| Retail trade                               | 78          | 4.8          |
| Transport, postal & warehousing            | 35          | 2.1          |
| Wholesale trade                            | 50          | 2.9          |
| Not recorded / don't know / not applicable | 12          | 0.8          |
| <b>Total</b>                               | <b>1602</b> | <b>100.0</b> |

## Findings and analysis

### *Do employers engaging skilled migrants experience difficulties recruiting workers locally?*

The responses from the employer survey were analysed to address the secondary research questions identified above. Employer respondents were asked the question ‘Do you find it difficult to hire or employ workers from the local labour market?’ The question did not distinguish between workers recruited for higher skilled occupations that can be sponsored under the 457 visa and lower skilled occupations that are largely ineligible for sponsorship. The vast majority (86%) of employer respondents using the 457 visa scheme replied that they find it difficult to hire workers locally, with around half of these (46%) claiming they find it very difficult. Employers in the accommodation and food services (95%), health care and social assistance (90%), other services (89%) and mining industries (88%) recorded above-average affirmative responses, while those in the professional, scientific and technical services (81%), construction (83%), manufacturing (83%), education and training (84%), and information media and telecommunications (84%) were less likely than average to cite local recruitment difficulties.

While the proportion of employer respondents claiming that they find it difficult to hire workers from the local labour market may seem high, the data simply indicates whether employer respondents experiences recruitment difficulties, which as noted earlier is not the same thing as labour shortages or skilled labour shortages. Other data available from the employer survey discussed below can help us to understand why respondents may be experiencing recruitment difficulties. Furthermore, it is notable that 14% of employer sponsors using the scheme claim not to have difficulties recruiting from the local labour market. Given that the explicit objective of the 457 visa scheme is to address skilled labour shortages, it is unclear why this many respondents claim to have no local recruitment difficulties. It could be that employers no longer using the scheme (6% of the total sample) account for a high proportion of those claiming to have no local recruitment problems.

Another reason could be that current users of the scheme experienced recruitment difficulties in relation to a small number of specialised occupations, but not for the rest of their workforce. However, the figures could also suggest that a proportion of employers are using the 457 visa scheme for reasons other than to address recruitment difficulties or skills shortages.

***Why do employers engaging skilled migrants experience difficulties recruiting workers locally?***

Table 2 presents an analysis of the reasons cited by employer respondents in response to the question 'why do you find it difficult to find employees in the local labour market?' Respondents were able to provide multiple factors. Not enough workers with the right skills was the biggest reason cited by employers across all industries for their local recruitment difficulties (65%), followed by not enough workers with the right skills in Australia (41%). However, the patterns of employer responses vary considerably between industries. Chi-square tests show that differences observed among industries for all factors cited by employers are highly statistically significant. Among the main industry sponsors, information media and telecommunications (78%) and professional, scientific and technical services (76%) were more likely than average to claim that there were not enough workers with the right skills, with employers in professional, scientific and technical services (55%) also much more likely to cite not enough workers with the right skills in Australia. The test for adjusted residuals shows that these two industries are significantly different than expected. They are both particularly dynamic, with new technology playing a strong role in spurring organisational change, and also internationally integrated, characterised by multinational firms and internationalised labour markets, which may make it more difficult for Australian employers to compete with their counterparts abroad for skilled workers. Several large industry sponsors were much less likely than average to cite a lack of appropriately skilled local workers as a reason for their recruitment difficulties, particularly accommodation and food services (49%), construction (56%) and health care and social assistance (60%). Tests for adjusted residuals also indicate that these three industries also score significantly lower than expected in relation to the response 'not enough workers in Australia with the right skills'. These industries were more likely to attribute their recruitment problems to other factors, some of which are not necessarily related to skills shortages.



Better paid jobs in other industries is a factor cited by 13% of employers as contributing to their recruitment difficulties, with manufacturing (23%), mining (20%), construction (19%) and accommodation and food services (19%) the main industry sponsors more likely than average to cite this reason, with the adjusted residuals test indicating these industries as scoring higher than expected. These relatively high response rates can be explained by two possible reasons. Some of these industries are characterised by occupations with skills that are transferable across industries, for instance skilled technicians and trades workers that can potentially utilise their skills in mining, manufacturing and construction. Secondly, some of these industries, particularly accommodation and food services, tend to be characterised by low pay and poor job quality (Knox et al., 2014; Vanselow et al., 2010). At the other extreme, tests point at health care and social assistance (6%) and information media and telecommunications (8%) as being much less likely than expected to invoke 'better paid jobs in other industries' as a problem in recruiting.

The location of businesses in remote locations, which is cited by 12% of employers as a reason why they find it difficult to hire workers locally, is another factor contributing to recruitment problems. There is significant discrepancy among industries, with health care and social assistance (28%) the main industry sponsor most likely to cite this as a problem and scoring significantly higher percentage than expected, Given that this industry acts as an essential service in urban and regional communities alike, it is not particularly surprising that employers are more likely than others to see regional location as contributing to recruitment difficulties. On the other hand, employers in other services (0%), information media and telecommunications (2%), construction (4%), and professional, scientific and technical services (4%) score statistically significantly lower than expected in citing remote location as a factor contributing to recruitment problems.

A relatively small number of employers attribute their recruitment problems to factors associated with the motivations and attitudes of the local workforce, with 10% claiming that Australian workers do not like doing the job and 6% claiming that Australian workers have a poor attitude. Again, there is considerable variation in these responses across industries. Accommodation and food services employers (29%) were more than three times likely than average to claim that Australian workers did not like doing jobs for which they experienced difficulties recruiting, and were almost as likely to cite this factor as contributing to their recruitment problems as they were likely to cite a lack of local workers with the right skills (30%). This evidence is also supported by the test for adjusted residuals indicating a

significantly higher score than expected for accommodation and food services, as well as for other services (23%). Information media and telecommunications (1%), education and training (2%), mining (3%) and professional, scientific and technical services (5%) were the industries that score significantly lower than expected. Employers in construction (14%) and manufacturing (10%) were significantly more likely than average to attribute their difficulties in hiring workers locally to the poor attitude of Australian workers. By contrast, education and training (0%), information media and telecommunications (3%) and health care and social assistance (3%) are indicated by the adjusted residuals as significantly lower than expected to attribute their recruitment difficulties to this factor.

It is notable that industries most likely to cite a lack of skilled workers or skilled workers in Australia as the reasons for their recruitment problems were among those least likely to cite factors associated with local workforce attitudes. This is particularly the case among employer respondents from the information media and technology industry, and to a lesser extent education and training, professional, scientific and technical services, and mining industry employers. Conversely, industries most likely to cite the motivations and attitudes of the local workforce, especially accommodation and food services and construction, were less likely to attribute their recruitment problems to factors associated with skills shortages. As the following sections indicate, it is possible that problems relating to job quality in these industries may also explain why they face challenges recruiting skilled workers locally and may in turn contribute to employers' negative perceptions of the attributes of local workers.

**Table 2** Main reasons cited by employer respondents for why they find it difficult to find employees in the local labour market

|   | Not enough local workers with the right skills*** | Not enough workers with the right skills in Australia*** | Better paid jobs in other industries*** | The business is in a remote location*** | Australian workers don't like doing this job*** | Other employers in my industry offer better paid jobs*** | Australian workers have a poor attitude*** |
|---|---|--|---|---|---|--|--|
| Accommodation & food services                 | 49.1%~  | 30.2%~   | 18.9%~                                  | 14.4%                                   | 29.2%~  | 5.7%   | 6.8%                                       |
| Construction                                  | 56.3%~  | 33.4%~   | 19.2%~                                  | 3.5%~                                   | 12.9%   | 4.6%   | 13.6%~                                     |
| Education & training                          | 67.8%   | 43.9%  | 12.8%                                   | 10.9%                                   | 1.6%~   | 6.4%   | 0.0%~                                      |
| Health care & social assistance               | 59.5%~  | 36.8%~   | 6.3%~                                   | 28.1%~                                  | 10.8%   | 8.4%~  | 3.1%~                                      |
| Information media & telecommunications        | 78.0%~  | 39.2%  | 8.2%~                                   | 1.6%~                                   | 1.4%~   | 1.6%~  | 2.6%~                                      |
| Manufacturing                                 | 68.1%   | 42.3%  | 22.6%~                                  | 11.0%                                   | 12.8%   | 4.9%   | 10.1%~                                     |
| Mining  | 70.6%   | 42.3%  | 20.0%~                                  | 6.2%                                    | 3.1%~   | 14.9%~   | 6.4%                                       |
| Other services                                | 55.7%   | 48.5%  | 10.0%                                   | 0.0%~                                   | 22.7%~  | 0.0%   | 8.4%                                       |
| Professional, scientific & technical services | 76.2%~  | 55.0%~   | 11.5%                                   | 4.1%~                                   | 5.0%~   | 6.2%   | 5.4%                                       |
| <b>Total (all industries)</b>                 | <b>64.7%</b>                                      | <b>41.1%</b>   | <b>13.3%</b>                            | <b>12.1%</b>                            | <b>10.4%</b>                                    | <b>6.3%</b>  | <b>5.9%</b>                                |

Note: Respondents were asked the following question: 'Why do you find it difficult to find employees in the local labour market?' Multiple responses were allowed. Main responses reported above include those eliciting a total response rate of more than 5%. Those eliciting smaller responses include 'there are better paid jobs in other parts of Australia' (4.4%), 'people have to travel a long way to get to the job' (3.3%), 'need workers who speak a language other than English' (1.4%), 'the work is too physically demanding' (1.1%), 'there are not enough local workers (no further information)' (1.0%), 'local workers are unreliable and don't stay long enough / come and go' (1.0%), 'Local workers prefer to work for themselves' (0.6%), 'need short-term labour or sub-contractors' (0.5%), 'local workers want more pay' (0.5%), 'other' (2.6%) and 'don't know' (1.2%).

Level of significance: \*\*\* p < .001; \*\* p < .01; \* p < .05; + p < 0.1; ~ Adjusted Residuals > 1.96 or < -1.96.

### ***How do employers engaging skilled migrants address skilled vacancies?***

The main priorities for employers sponsoring workers on 457 visas to find skilled workers to address skilled vacancies are presented in Table 3. Seeking overseas workers was the most favoured way for employer respondents to address job vacancies, with 23% of employers nominating this option. Differences among industries are statistically significant. Employers in others services (41%) and professional, scientific and technical services industry (28%) were especially likely to seek overseas workers as their preferred strategy for addressing job vacancies, while construction (14%) and accommodation and food services (17%) employers were much less likely than average to nominate this strategy. Adjusted residuals indicate that most of the cross-industry variation comes from these four industries. These response rates are interesting given that accommodation and food services and construction employers were most likely to see attitudinal problems of local workers as a reason for their recruitment difficulties. In contrast, professional, scientific and technical services employers were much

more likely than average to attribute hiring problems to a lack of skilled workers. This suggests that employers in industries where recruitment difficulties are directly attributed to a lack of skilled workers are generally more inclined to engage migrant workers in response, though there are notable exceptions to this (e.g. information media and technology).

Only 11% of employer respondents said that training existing employees is the strategy most preferred when they have difficulties recruiting skilled workers, with answer distribution differing significantly between industries. This figure is surprisingly low given that training has traditionally been one of the main policy solutions proposed for addressing skills shortages, particularly because it can engender organisational commitment and career advancement benefits for workers. It is interesting to note that nearly twice as many employers across all industries cited recruiting overseas workers as their preferred option compared to training internal employees, with the proportion more than four times higher for the employers in the health care and social assistance industry. However, these figures do not necessarily reflect a lack of investment in training per se. For instance, while only 5% of health care and social assistance employers nominated training internal employees, this may be the result of accredited skilled training through industry-based and external institutions (such as universities) as a common mechanism of skills development in this industry. Adjusted residuals also indicate health care and social assistance as main contributor to the cross-industry variation among employers using internal training as their main strategy for recruiting skilled workers. By contrast, less reliance on industry-based training arrangements may account for the relatively high and statistically significant proportion of respondents in the accommodation and food services industry (19%) citing internal training as their favoured strategy. However, this explanation does not account for other industries that were more likely than average to use this option, such as manufacturing (16%) and construction (15%) where external training mechanisms are more strongly established.

Local recruitment strategies, such as using a recruitment agency (19%) or a website such as LinkedIn or Seek (11%), were also common preferences for addressing skilled vacancies for employers across all industries. Recruiting workers from other local businesses was the preferred option for addressing skilled shortages among a relatively small number (5%) of employer respondents, but was higher among those in the construction industry (11%). Among the other potential strategies when experiencing difficulties recruiting skilled workers, increasing the salary being offered (0.5%) and offering incentives to prospective employees (0%) was cited by virtually no employer respondents across all industries. When

employers were asked separately whether these solutions were used at all to address skilled vacancies (as opposed to being the main strategy used), only a marginally higher number said that they would increase the salary being offered (0.9%) or would offer incentives to prospective employees (0.4%). Given the arguments of various scholars (e.g. Junankar, 2009) that an increase in wages is a necessary precondition for a skills shortage to exist, the recruitment difficulties cited by employers using the 457 visa are unlikely to be skills shortages, or at least certainly not acute shortages.

**Table 3** Highest priority given to strategies for recruiting skilled workers when experiencing recruitment difficulties (main responses)

| ***   | Seek overseas workers | Contact recruitment agency | Search LinkedIn /Seek | Train internal employees in the required skills | Put the position on hold until the right person turns up locally | Keep looking / continue advertising | Seek local workers from other businesses in the area |
|---|-----------------------|----------------------------|-----------------------|---|--|-------------------------------------|--|
| Accommodation & food services                 | 16.7%~                | 14.8%                      | 14.5%                 | 19.4%~  | 8.6%   | 8.2%                                | 3.9%   |
| Construction                                  | 14.4%~                | 18.9%                      | 6.6%~                 | 14.7%~  | 11.4%  | 11.0%                               | 10.7%~   |
| Education & training                          | 24.0%                 | 20.2%                      | 9.1%                  | 11.0%   | 6.5%   | 11.4%                               | 5.4%   |
| Health care & social assistance               | 23.4%                 | 24.6%~                     | 9.2%                  | 5.1%~   | 8.4%   | 11.3%~                              | 4.8%   |
| Information media & telecommunications        | 19.3%                 | 19.2%                      | 22.6%~                | 8.3%  | 7.5%   | 7.4%                                | 3.9%   |
| Manufacturing                                 | 22.6%                 | 12.5%~                     | 10.8%                 | 15.8%~  | 14.5%~   | 7.8%                                | 5.3%   |
| Mining  | 22.2%                 | 39.0%~                     | 0.8%~                 | 12.6%   | 2.0%~  | 6.0%                                | 6.3%   |
| Other services                                | 41.3%~                | 6.8%~                      | 10.4%                 | 6.2%  | 15.7%  | 10.3%                               | 3.3%   |
| Professional, scientific & technical services | 28.3%~                | 13.8%~                     | 11.9%                 | 8.4%~   | 7.8%   | 4.3%~                               | 7.0%   |
| <b>Total (all industries)</b>                 | <b>22.6%</b>          | <b>18.9%</b>               | <b>10.7%</b>          | <b>10.6%</b>                                    | <b>8.9%</b>  | <b>8.7%</b>                         | <b>6.0%</b>  |

*Note: Respondents were asked the following questions: 'When you are recruiting skilled workers and you cannot find someone who matches your preferred job specifications, typically, what are your next steps? And, which one of these would have the highest priority?' Only one response was allowed. Main responses reported above include those eliciting a total response rate of more than 5%. Those eliciting smaller responses include 'broaden job specification' (4.8%), 'through friends and family / word of mouth / networking' (2.9%), 'increase the salary being offered' (0.5%), 'recruit at university / college etc' (0.4%), 'search on the internet' (0.4%), 'through professional associations' (0.3%), 'offer prospective employee incentives' (0%) and 'other' (4.4%)*

\*\*\*Answers for this question are statistically different across industries,  $p < 0.01$ .

~ Adjusted Residuals  $> 1.96$  or  $< -1.96$ .

### *The nature of the skills desired by employers engaging skilled migrants*

In terms of the factors that employers value when assessing potential skilled migrants, strong English language skills (90%) are seen the most important, followed by personality and values (89%), teamwork and people management skills (86%), recognised qualifications (84%), unique industry experience (81%), and unique specialisations (71%). Table 4 indicates that these responses vary quite considerably across industries. In general, employers using the 457 visa scheme place more importance on attributes such as personality and values and teamwork and people management skills, compared to recognised qualifications and unique specialisations. The 'skills' desired by employers are therefore more likely to relate to attributes that could potentially be classified as 'soft skills' (see Moriarty et al., 2012), but which could also be interpreted as eliciting greater managerial control and employee compliance with organisational decisions. Given the ambiguity over the meaning of these terms, the analysis presented in Table 4 and Figure 2 uses the term 'interpersonal competencies' to describe personality and values and teamwork and people management skills, in order to indicate that these attributes cannot accurately be described as 'skills', but may be relevant for the capacity of workers to utilise their qualifications, specialisations and experience.

In relation to hard skills, recognised qualifications was a particularly important factor for employers in the health care and social assistance (93%), mining (91%), and education and training (91%) industries, and less important for those in the information media and telecommunications (74%) and accommodation and food services (75%) industries. Adjusted residuals confirm that all of these industries, as well as professional, scientific and technical services, contribute most to the cross-industry variation. While information media and telecommunications employers did not place much importance on recognised qualifications compared to their counterparts in other industries, they were much more likely to see unique specialisation and industry experience as important factors when assessing the potential skilled migrants. Along with information media and telecommunications (85%) employers, those in education and training (83%) and professional, scientific and technical services (77%) were more likely than average to see unique specialisation as an important factor, while construction (62%), accommodation and food services (64%), and health care and social assistance (64%) saw this factor as less important when assessing prospective skilled migrants. Employer respondents in information media and telecommunications (88%) and professional, scientific and technical services (85%) placed relatively more importance on unique industry experience than employers in other industries, while those in accommodation

and food services (74%) were less likely than average to cite this factor. Overall, statistical tests confirm that information media and telecommunications, education and training, construction, health care and social services, along with accommodation and food services and professional, scientific and technical services are the main contributors to the cross-industry variation when it comes to unique specialisation. In the case of unique industry experience, chi-square tests show highly significant statistical differences.

With respect to interpersonal competencies that employers prioritised, strong teamwork and people management skills was cited by a relatively large number of employer respondents in the construction (91%) industry, but was a relatively less important factor when assessing prospective skilled migrants by mining (78%) and education and training (82%) employers. Personality and values was a particularly important factor for employer sponsors in the information media and telecommunications (93%) and manufacturing (93%) industries, and was significantly less important for education and training (79%) employers.

Taking all of these responses into account, Figure 2 presents an analysis of the proportion of employers nominating hard skills and interpersonal competencies as important based on averages of the individual variables relating to each category. English language skills and factors cited among the other potential responses do not fit neatly into either the hard skills or interpersonal competencies categories, and therefore are not included in this analysis. The analysis shows that 87% of employers across all industries nominate the importance of interpersonal competencies (IC) when assessing potential skilled migrants, namely strong teamwork and people management skills and personality and values, compared with 79% nominating hard skills (HS), namely recognised qualifications, unique specialisation and unique industry experience. Several of the largest industry sponsors were more likely than average to prioritise interpersonal competencies over hard skills, including accommodation and food services (90% IC, 71% HS), construction (90% IC, 75% HS) and manufacturing (89% IC, 77% HS). By contrast, the gap was smaller than average in the education and training (81% IC, 84% HS), mining (84% IC, 79% HS) and information media and telecommunications (88% IC, 82% HS). The greater importance placed by employers in virtually all industries on interpersonal competencies compared to hard skills when assessing prospective skilled migrants could be interpreted as suggesting that the formal assessments of skills shortages do not fully capture the nature of skills demanded by employers. Alternatively, this finding may indicate that employer claims of skills shortages relate not simply to an undersupply of workers with the qualifications and experience required to

perform the job, but also with the attributes to utilise these skills productively and perhaps to undertake their duties in a compliant manner.

**Table 4** The importance placed by employer respondents on various skills and attributes when assessing potential skilled migrants

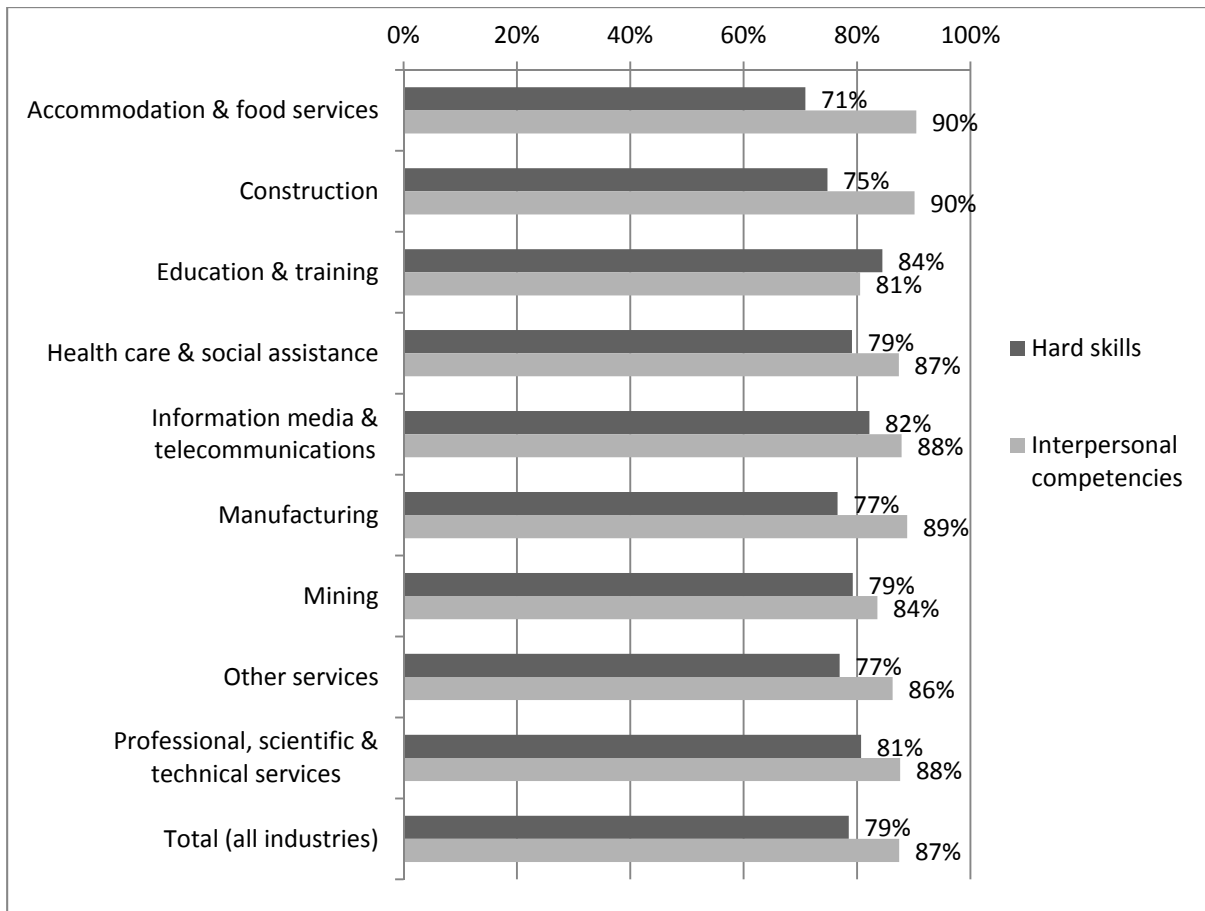
|   | <i>Hard skills</i>           |                          |                              | <i>Interpersonal competencies</i>               |                           |
|---|------------------------------|--------------------------|------------------------------|---|---------------------------|
|   | Recognised qualifications*** | Unique specialisation*** | Unique industry experience** | Strong teamwork and people management skills*** | Personality and values*** |
| Accommodation & food services                 | 74.8%~                       | 63.6%~                   | 74.3%~                       | 89.3%   | 91.6%                     |
| Construction                                  | 84.2%                        | 61.6%~                   | 78.6%                        | 91.2%~  | 89.1%                     |
| Education & training                          | 90.5%~                       | 82.5%~                   | 80.4%                        | 81.8%~  | 79.3%~                    |
| Health care & social assistance               | 93.1%~                       | 64.2%~                   | 80.0%                        | 85.5%   | 89.2%                     |
| Information media & telecommunications        | 74.1%~                       | 84.9%~                   | 87.5%~                       | 82.4%   | 93.3%~                    |
| Manufacturing                                 | 80.9%                        | 70.7%                    | 78.2%                        | 84.9%   | 92.8%~                    |
| Mining  | 91.2%~                       | 67.7%                    | 78.9%                        | 78.2%~  | 89.0%                     |
| Other services                                | 80.8%                        | 67.4%                    | 82.6%                        | 81.4%   | 91.2%                     |
| Professional, scientific & technical services | 80.9%~                       | 76.7%~                   | 84.6%~                       | 88.6%   | 86.6%                     |
| <b>Total (all industries)</b>                 | <b>84.4%</b>                 | <b>70.6%</b>             | <b>80.6%</b>                 | <b>86.2%</b>                                    | <b>88.6%</b>              |

*Note: Respondents were asked the following question: 'Which of the following factors are important when assessing potential skilled migrants?' Multiple responses were allowed. Figures do not include responses that elicited lower response rates and those that could not easily be classified as hard skills or other competencies, e.g. English communication skills (89.5%), availability to start work almost immediately (57.0%), candidate's current visa status (51.1%), family life/commitments (42.1%), Australian work experience (32.0%), other (1.1%) and don't know (1.1%).*

*Level of significance: \*\*\* p < .001; \*\* p < .01; \* p < .05; + p < 0.1; ~ Adjusted Residuals >1.96 or < -1.96.*



**Figure 2** The importance placed by employer respondents on hard skills compared with other attributes when assessing potential skilled migrants



*Note: The figures for 'hard skills' and 'interpersonal competencies' are averages of the individual variables for the categories presented in Table 4.*

### ***What are the advantages cited by employers for engaging skilled migrants***

The main benefits of the 457 visa cited by employers are presented in Table 5. Differences between industries are statistically significant for all advantages cited. We can see that for all of the major sponsor industries, employers see filling skilled vacancies as the main benefit of the scheme. While the majority of employer respondents cite this reason (52%), we could have expected that more employers would see the role of the 457 visa in addressing skilled vacancies as a benefit given that this relates to the scheme's main purpose of meeting skilled labour shortages. Moreover, this figure represents a substantial decline from the 89% of employer sponsors surveyed in 2003 citing difficulties recruiting skilled workers locally (Khoo et al., 2007) and the 86% of those surveyed in 2008 citing skills shortages (Cameron &

Harrison, 2013) as reasons why they used the 457 visa. However, these differences may relate to differences in the sampling and questions used in the surveys. Among the largest industry sponsors, employer respondents in health care and social assistance (63%), information media and telecommunications (62%) and mining (62%) were all more likely than average to see the role of visa holders in filling skilled job vacancies as a benefit. By contrast, accommodation and food services (42%), construction (42%) and manufacturing (45%) were less likely to cite this reason as a benefit. All of these industries were the main statistical contributors to the cross-industry variation.

The role of the 457 visa in allowing employers to recruit highly skilled workers is the second main benefit cited across all industries (33%). The industries likely to see this factor as beneficial broadly follow the patterns of those claiming that filling skilled vacancies is a benefit of the 457 visa. Employers in other services (47%) and professional, scientific and technical services (40%) were more likely than average to see the visa's role in facilitating the engagement of high skilled workers, while construction (26%) employers were less likely. These differences are statistically significant according to the chi-square tests.

Relevant work experience of 457 visa holders was another benefit relating to 'hard skills' cited by a small but notable proportion of employer respondents (10%). Among the largest industry sponsors, other services (27%) and information media and telecommunications (18%) were most likely to report this factor as an advantage, which may suggest that the work experience demanded by employers in these industries is rather specialised. These industries are confirmed by adjusted residuals as main contributors to the cross-industry variation. Health care and social assistance (7%) was the only large industry sponsors less likely than average to cite the work experience of 457 visa holders as an advantage of the scheme by a considerable margin.

The role of the 457 visa in facilitating knowledge transfer is another benefit cited by a significant proportion of employer respondents (15%). Sponsors in other services (30%), education and training (22%) and professional, scientific and technical services (21%) were more likely than average to see the passing of skills and experience from 457 visa holders to other workers as an advantage, while those in construction (9%) and health care and social assistance (11%) were less likely to cite this factor. These industries were indicated by the adjusted residuals as contributing most to the cross-industry variation.

Perceptions that 457 visa holders are more loyal (19%) and are harder working and have a better attitude (19%) than other workers were, respectively, the third and fourth highest-ranked benefits that employer respondents cited, and vary significantly across industries. The industries where factors relating to these 'behavioural traits' were most likely to be cited as advantages were those least likely to cite reasons relating to 'hard skills' and addressing skilled job vacancies, such as the role of the visa in facilitating the recruitment of highly skilled workers. Employers in the accommodation and food services industry (41%) were statistically significantly more likely to see increased loyalty of 457 visa holders as a benefit of scheme, with more respondents from this industry citing this factor than those citing highly skilled recruitment as an advantage. Manufacturing (25%) and construction (23%) employers were also more likely than average to see increased loyalty as a benefit, while those in the education and training (8%), information media and telecommunications (13%), and professional, scientific and technical services (14%) industries were significantly less likely than average. Among employers citing the harder working nature and better attitudes of 457 visa holders as a benefit of the scheme, respondents in accommodation and food services (35%), construction (26%) and manufacturing (24%) were again more likely to report this factor. Conversely, education and training (10%), information media and telecommunications (12%), professional, scientific and technical services (14%) and health care and social assistance (16%) were less likely to cite this factor. According to the adjusted residuals, these industries were the main statistical contributors to the variation across industries.

These patterns are reflected in Figure 3, which reports the responses of employer sponsors to a question asking them whether they are more or less satisfied with their 457 visa workers compared to 'similar Australian workers'. Across all industries, a majority of respondents (67%) said that they were equally satisfied with workers in both of these categories. However, employer respondents were more than three times more likely to express greater satisfaction with their 457 visa workers (25%) than their Australian workers (7%). This discrepancy was particularly large among respondents in the accommodation and food services and other services industries, who respectively were 13 times and 8 times more likely to express greater satisfaction with their 457 visa workers than Australian workers. By contrast, the gap was much smaller than average among health care and social care employers, with 18% expressing greater satisfaction with their 457 visa workers and 12% with their Australian workers.

Among the benefits of the 457 visa cited by a small proportion of employer respondents (i.e. fewer than 5% across all industries), only 4% of employer respondents saw the role of the 457 visa in bringing workers from international offices and 1% cited sponsorship suiting the company's policies as advantages of the scheme. This compares to the 40% of employers surveyed in 2003 that cited the 457 visa as suiting the company's policy of providing international experience to its employees as a reason why they used the scheme (Khoo et al., 2007). While these differences are considerable, they may relate to differences in the sampling and questions used in the two surveys. Some industries with a relatively high degree of international integration, such as information media and technology (8%), were more likely than average to cite bringing in workers from international offices as a benefit, however this was not the case with other internationalised industries, in particular mining (0%).

Only 2% of employer respondents cited the higher level of control provided by 457 visa conditions and 0.5% cited the lower cost of 457 visa holders as benefits of the scheme. Both of these figures are notably lower than the responses elicited from the 2003 survey, which found that 12% of respondents cited visa rules that provided a greater degree of control and 9% saw the lower cost of visa holders as reasons why they used the scheme (Khoo et al., 2007). Again, differences between the findings of the two surveys may relate to differences in their methodological approaches, but the large discrepancy provides an indication that the reasons why employers use the scheme has changed significantly over the past decade, with employers much less likely to cite benefits relating to hard skills, lower costs and greater control and more likely to cite advantages relating to interpersonal competencies and behavioural traits.

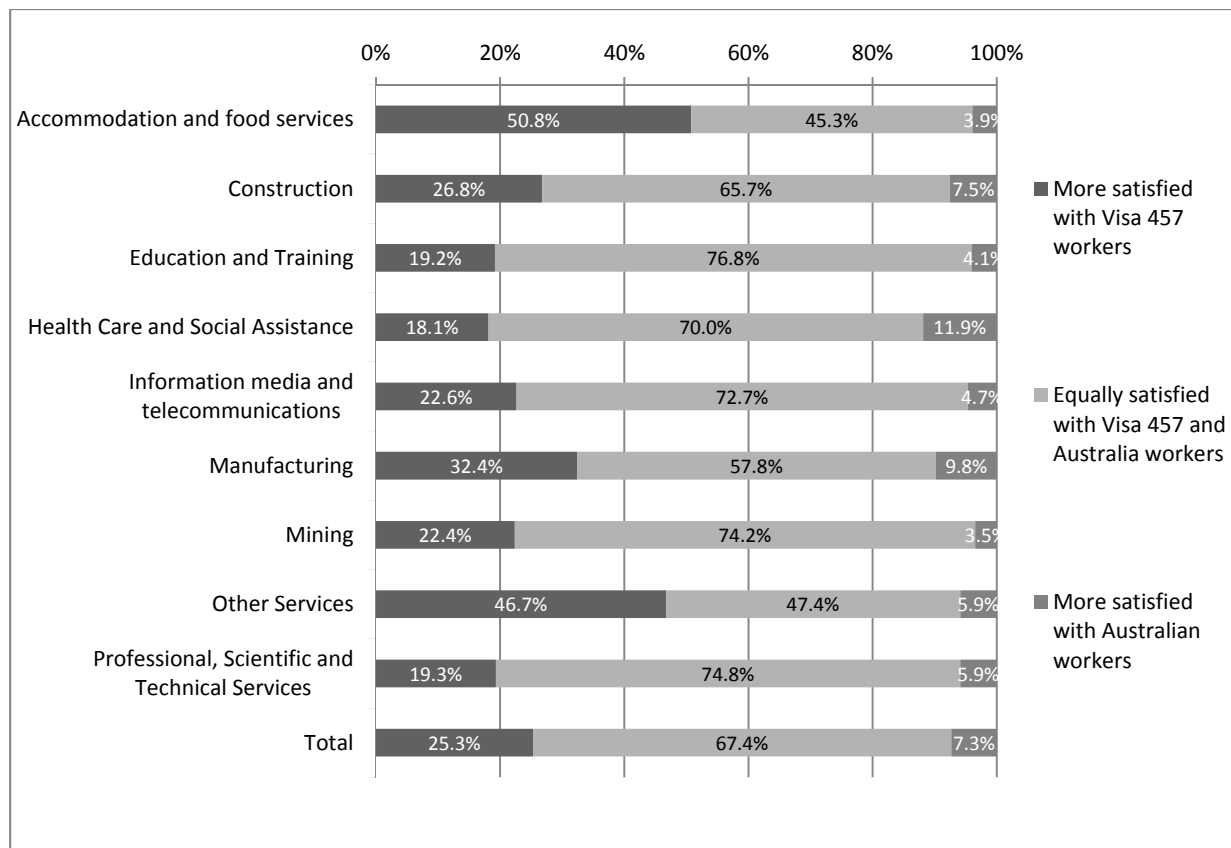
**Table 5** Main benefits cited by employer respondents of sponsoring 457 visa workers (multiple responses allowed)

|   | They have filled skilled job vacancies*** | They are highly skilled workers*** | Increased loyalty from 457 workers*** | They are hardworking / have a better attitude*** | They have passed skills / experience onto other workers*** | They have relevant work experience*** |
|---|---|------------------------------------|---------------------------------------|--|--|---------------------------------------|
| Accommodation & food services                 | 42.2%~                                    | 27.7%                              | 40.6%~                                | 34.6%~   | 12.1%  | 10.4%                                 |
| Construction                                  | 41.5%~                                    | 26.0%~                             | 22.9%~                                | 26.0%~   | 8.7%~  | 9.0%                                  |
| Education & training                          | 53.7%                                     | 33.6%                              | 7.8%~                                 | 9.8%~  | 21.7%~   | 9.5%                                  |
| Health care & social assistance               | 62.6%~                                    | 31.3%                              | 17.7%                                 | 15.8%~   | 10.5%~   | 6.5%~                                 |
| Information media & telecommunications        | 62.1%~                                    | 34.0%                              | 13.4%~                                | 12.4%~   | 18.7%  | 17.5%~                                |
| Manufacturing                                 | 44.8%~                                    | 32.8%                              | 25.4%~                                | 24.0%~   | 14.4%  | 13.6%~                                |
| Mining  | 62.0%~                                    | 27.8%                              | 14.9%                                 | 18.0%  | 10.8%  | 11.5%                                 |
| Other services                                | 54.1%                                     | 47.2%~                             | 14.0%                                 | 14.0%  | 29.5%~   | 26.7%~                                |
| Professional, scientific & technical services | 49.1%                                     | 40.4%~                             | 14.2%~                                | 14.0%~   | 21.2%~   | 8.7%                                  |
| <b>Total (all industries)</b>                 | <b>52.2%</b>                              | <b>32.8%</b>                       | <b>19.2%</b>                          | <b>18.6%</b>                                     | <b>15.1%</b>   | <b>10.1%</b>                          |

*Note: Respondents were asked the following question: 'In your experience, what do you think are the benefits, if any, of sponsoring 457 workers?' Multiple responses were allowed. Main benefits include those eliciting a total response rate of more than 5%. The benefits eliciting a smaller response rate include: they bring cultural diversity / multiculturalism to the workplace (5.0%), no benefits (4.7%), can bring workers from international offices (3.5%), they require little training (3.5%), expands the pool of available job candidates / more workers to choose from (2.5%), 457 Visa conditions provide a higher level of control (2.4%), they get along well with other workers (2.3%), benefits to the sponsored 457 worker (1.9%), people can be brought in to train others (1.2%), sponsorship suits company's policy (0.9%), workers can be brought in at very short notice (0.7%), they can be employed on a non-ongoing basis (0.6%), sponsored workers have a lower cost (0.5%), other (2.8%) and don't know (1.7%).*

*Level of significance: \*\*\* p < .001; \*\* p < .01; \* p < .05; + p < 0.1; ~ Adjusted Residuals > 1.96 or < -1.96.*

**Figure 3** Employer respondents' satisfaction with 457 visa workers compared to 'similar Australian workers'



*Note: Respondents were asked the following question: 'When comparing your Visa 457 workers to similar Australian workers, are you generally much more satisfied with Visa 457 workers, slightly more satisfied with Visa 457 workers, equally satisfied with Visa 457 and Australian workers, slightly more satisfied with Australia workers, or much more satisfied with Australian workers'*

## Discussion and conclusions

Returning to the primary research question posed at the beginning of the submission, the findings presented suggest that most employers recruit 457 visa holders to address skilled job vacancies. While the vast majority of employer sponsors of 457 visa holders claim to experience problems recruiting from the local labour market, it needs to be remembered that recruitment difficulties and skilled job vacancies are not the same as skilled labour shortages. Whereas skilled labour shortages relate to a shortfall of supply relative to demand at the prevailing wage rates, recruitment difficulties may arise due to a failure by the employer to advertise vacancies at prevailing wages or at conditions of a sufficient standard to attract a larger pool of candidates. Only a very small proportion of respondents surveyed (less than

1%) were prepared to increase wages or offer incentives to prospective candidates in order to address their recruitment problems. This and other evidence presented suggests that even if employers are using the 457 visa scheme because of skills shortages, which in some cases appears to be doubtful despite being this the scheme's stated purpose, the skills shortages that exist do not appear to be acute.

The data presented indicate that many employers are using the 457 visa scheme to recruit workers with certain behavioural traits and interpersonal competencies, or what some studies misleadingly call 'soft skills' (e.g. Moriarty et al., 2012). This is evident in the relatively high number of respondents citing behavioural traits including increased loyalty, the supposedly harder working nature and the better attitudes of 457 visa holders as benefits of the scheme. The underlying motivations for using the scheme is also seen in the greater importance that employers in most industries place on interpersonal competencies such as teamwork, people management skills, personality and values over 'hard skills' such as recognised qualifications, unique specialisations and unique industry experience when assessing potential skilled migrants.

Employers in the industries most likely to value these interpersonal competencies over hard skills, particularly accommodation and food services, also tend to be more likely to cite the access to the behavioural traits of 457 visa holders as a benefit of the scheme. They are also much more likely than average to express greater satisfaction with 457 visa holders than 'similar Australian workers'. Conversely, employers in the education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and mining industries are likely to place relatively greater importance on hard skills when assessing skilled migrants, and to cite the role of the scheme in addressing skilled vacancies and facilitating the recruitment of highly skilled workers as benefits of the scheme. This suggests that this particular group of employers are more likely to use the scheme for reasons relating to its intended purpose of addressing skills shortages.

In contrast, accommodation and food services and to a lesser extent construction and manufacturing employers are much more likely to use the scheme to recruit workers with desired behavioural traits and interpersonal competencies, which employers may associate with higher productivity, loyalty or compliance. While a proportion of employers in the these industries attribute their recruitment problems to the supposedly poor attitudes of Australian workers or their disinclination to work in the industry, this may in fact reflect the low job

quality characterising these industries, particularly accommodation and food services (Knox et al., 2014; Vanselow et al., 2010). A relatively high proportion of employers in these industries claim that better paid jobs in other industries was one factor contributing to their recruitment difficulties, which indicates that these employers may need to adopt more effective human resources strategies in order to attract a wider pool of productive and suitable local candidates. The acute recruitment problems of employers using the 457 visa scheme for reasons relating to sponsored workers' behavioural traits may be alleviated in a more systematic manner through alternative strategies than the ones they are currently using. These strategies could include improving job quality, greater investment in structured training to facilitate career development opportunities for prospective employees, and other measures likely to engender long-term workforce commitment and retention (Backes-Gellner & Tuor, 2010).

These findings suggest that there are significant problems with the regulation of the 457 visa scheme. While policymakers have made several reforms in response to concerns relating to the ability of visa holders to exercise their rights, steps to ensure that the scheme meets its main objective by verifying that a skilled occupation is in shortage before an employer can sponsor migrants to perform the job have been inadequate. An obligation for employers to advertise a vacancy before using the visa, other than for exempt occupations such as those classified as professional or managerial, was introduced in July 2013 (after the survey analysed here was conducted), but there are reasons to doubt the effectiveness of this reform. For instance, this form of labour market testing is seen as a blunt and cumbersome instrument that does not adequately assess the state of local labour supply and can be circumvented easily by employers (Ruhs, 2013: 181-182). Furthermore, the reforms do not prevent employers from using the 457 visa scheme for reasons other than addressing skills shortages.

According to Howe (2013: 460), the maintenance of employer demand as the proxy for assessing whether a skills shortage exists "fails to question whether the shortage is genuine by assessing the reasons for its existence". She argues that an independent verification of labour market needs, such as the system of assessment used by the Migration Advisory Committee in the UK, would be a more effective mechanism for ensuring that employers can sponsor migrants only where genuine skills shortages exist. Additionally, a more selective and targeted list of occupations permitted for sponsorship on the 457 visa – such as the Skilled Occupations List (relating to the Independent, Family Sponsored Points Tested and subclass 485 visas) – would be more precise than the Consolidated Sponsored Occupations



List for ensuring the scheme address skills shortages. These recommendations were echoed in the Independent Review into Integrity in the Subclass 457 Programme, published in September 2014 (Azarias et al., 2014). The evidence presented in this submission indicates that employer demand is a poor proxy for skills shortages. We therefore support Howe's arguments and the recommendations of the 2014 Independent Review that an independent mechanism for identifying skills shortages and use of a more selective list of shortage occupations would help to ensure that 457 visa scheme is more aligned with the skills needs of the labour market.

Martin Ruhs argues that there is a risk that if not managed properly, demand-driven labour immigration programs like the 457 visa can potentially create labour market distortions, such as by potentially encouraging employers to develop structural preferences for migrant labour in ways that can erode opportunities for the local workforce. To mitigate this risk, Ruhs argues that policies must be designed with reference to a broader range of policy principles other than simply 'employer interests'. As well as independently verifying employer claims that labour immigration is needed to fill 'skills shortages', governments need to examine the feasibility and desirability of policy alternatives for increasing the supply of skilled labour, such as training, active labour market programs and improving job quality (Ruhs, 2013: 179-183).

In the context of rising unemployment and underemployment especially among younger workers (Healy, 2015), Australian governments clearly need to do more to encourage employers to use these alternative mechanisms more systematically as part of their efforts to address skilled vacancies. However, the common criticism of the 457 visa from unions that it deters employers from training investment is somewhat misplaced, given the shift in employer preferences for sourcing skills from internal to external labour markets over the past quarter-century (Wright, 2015). The deregulation of the training system in the 1990s led to an erosion of structured training, which was traditionally a common mechanism for addressing skills shortages in Australia, and to a decline in the quality of training output (Cooney, 2010; Cooney & Long, 2010). Employers have become increasingly inclined to engage ready-trained skilled migrants as a consequence (Wright, 2012), as reflected in the survey evidence presented indicating that employers are more than twice as likely to address skilled job vacancies by recruiting workers from abroad as they are to train their existing employees. It is possible that employer respondents also utilise external training to address vacancies to a greater extent, but this seems unlikely given the decline in number of people

commencing apprenticeships and traineeships over the past decade (NCVER, 2014) and in light of findings reported by Healy et al. (2012) that small and medium businesses are almost four times more likely to use internal rather than external training in response to skills shortages. This suggests that there are major problems with the capacity of the structured training system to address skills shortages that are unlikely to be resolved without greater coordination and investment by employers (Cooney & Long, 2010).

Governments could also encourage greater utilisation of the tertiary education sector. However, increasing the number of student enrolments will not necessarily lead to a major increase in skilled labour supply. For instance, despite longstanding skills shortages, the proportion of domestic students enrolled in undergraduate information and communications technology courses that completed their degrees has consistently been below 20% since 2003 (Australian Computer Society, 2013: 30). Reforms are needed to improve the responsiveness of the education and training system, which will take considerable energy and time to address. But in any case, it is unrealistic to expect these domestic mechanisms to be completely adequate for meeting employers' skills needs. As the Roach Review (1995: 1.5) argued when recommending the introduction of the 457 visa two decades ago, "a country of Australia's size cannot expect to be completely self-sufficient at the leading edge of all skills in the area of key business personnel. When world trade in services is based on different countries developing specialised skills in different areas, it is not realistic for Australia to attempt to develop specialised skills in all areas".

The analysis of the survey data potentially suggests that existing policy mechanisms aimed at responding to skills shortages are too focused on hard skills at the expense of soft skills, such as interpersonal competencies. Soft skills can be important for enhancing the capacity of workers to utilise their qualifications and formalised credentials productively and efficiently (Green et al., 1998; Mitchell & Quirk, 2005). However, there is a large overlap between employers engaging skilled migrants for reasons relating to soft skills and those for behavioural traits that could elicit greater control over visa holders whose residency rights are largely contingent on maintaining the employment relationship with their sponsor. As such, any consideration of incorporating soft skills into independent assessments of skills shortages must be approached very cautiously and would need to clearly distinguish defined competencies from individual traits that engender worker compliance and stifle the capacity of visa holders to exercise their workplace rights.

Much of the existing research on why employers recruit migrant workers relates to lower skilled labour, which identifies a desire for interpersonal competencies and behavioural traits as key factors motivating employer recruitment. The findings presented here lend some support to the limited research on employer recruitment of higher skilled migrant workers, such as those sponsored on 457 visas, by finding that demand for skilled labour is an important reason. However, in contrast to previous studies (Cameron & Bahn, 2013; Cameron & Harrison, 2013; Khoo et al., 2007), we also find that there is significant demand for interpersonal competencies and behavioural traits, which employers appear to associate with 457 visa holders. Given that we expected addressing skills shortages to be a more prominent factor motivating employer recruitment of higher skilled migrants, the findings indicate that there are more similarities than we may have expected regarding the nature of employer demand for higher skilled compared to lower skilled migrant labour.

However, there are specific factors related to the 457 visa scheme that are likely to influence the nature of employer demand for workers on these visas. In particular, the limited capacity of visa holders to switch employers has been shown to increase their vulnerability to mistreatment and coercion (Deegan Review, 2008: 67). This condition grants employers a greater degree of control over 457 visa holders compared to other workers, which may explain the motivations of some employers to use the scheme. The policy reform that extended the period from 28 days to 90 days for visa holders to find another sponsor before losing their right to residency, which was implemented in July 2013 after the survey analysed here was conducted, is likely to have diminished the capacity of employers to recruit workers on 457 visas for these reasons. The findings need to be interpreted in the context of these policy changes.

Addressing skills shortages expediently is a public policy imperative. Failure to do so can precipitate wage inflation, lead to work intensification and impose pressures on the education and training system. There are clear consequences for economic growth, business competitiveness and employment creation if skills shortages are not adequately met (Backes-Gellner & Tuor, 2010; Healy et al., 2012). Moreover, the acuteness of skills shortages in regional areas, which tend to be concentrated in essential services like health care and social assistance, can have wider implications for local economic and social outcomes. With its explicit objective of helping employers to meet skilled labour shortages, the 457 visa plays an important role in addressing these challenges. However, the reasons why employers use the scheme are much more varied, with a significant minority of employers seeking to acquire

workers with certain behavioural traits. This may be leading these employers to develop an embedded preference for 457 visa holders in ways that could potentially inhibit workers' rights, enable these employers to gain an unfair advantage over their competitors, and have adverse implications for the employment and career advancement prospects of citizens and permanent residents. In conclusion, the findings of this report suggest that the practices of employers using the 457 visa need to be regulated more effectively to ensure that the scheme meets its stated purpose.

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