

## QUESTION TAKEN ON NOTICE

### SUPPLEMENTARY BUDGET ESTIMATES HEARING: 30 October 2006

#### IMMIGRATION AND MULTICULTURAL AFFAIRS PORTFOLIO

#### (121) Output 1.1 Migration and Temporary Entry

Senator Carr asked:

In answer to QON 113 from the Budget Estimates round, the Department refers to an article by Bob Kinnaird that recently appeared in the journal *People and Place*.

It quotes Kinnaird pointing out that

*“The 457 rules... allow 457 visa-holders, even though sponsored by specific employers for a specific job, to change employers and effectively compete in the general Australian labour market (where the new employer takes on 457 sponsorship responsibilities).”*

1. Would you agree that the article from which these comments are taken is generally critical about the shape and administration of the 457 program?

2. Does the article say, in its conclusion

*“Even on the limited evidence available, there are legitimate grounds for concern about issues raised by critics of the 457 visas.”?*

3. Wasn't the comment quoted by DIMA in answer 113 actually a dot-point in a list of negative features identified by Kinnaird with the program?

4. Doesn't it follow a quote from Milton Friedman, about the equivalent US visa, the H-1B, which says,

*“There is no doubt that the [H-1B] program is a benefit to their employers, enabling them to get workers at a lower wage, and to that extent, it is a subsidy.”*

5. Isn't the point made by Kinnaird that, by changing employer and competing in the open labour market, 457 visa holders are in fact subverting the purpose and intention of the program, which was to complement the labour market as strictly necessary where skills are not available?

6. Is it the case that, as Kinnaird says, the 457 program does not “prohibit the displacement of Australian staff and their replacement by 457 visa holders... or local staff being required to train their 457 visa-holder replacements”?

7. Do you know of instances where this has occurred?

8. Kinnaird describes the practice of “benching” or “warehousing” 457 holders – standing them down for relatively lengthy periods with no pay between contracts. Since March 2004, the period for which this has been allowed has been limited to 28 days. Are you aware of instances where employers have been doing this? Please provide details.

*Answer:*

- 1 It is not clear why allowing 457 visa holders to compete for jobs, often at higher salaries is viewed in a negative light. Most articles written by Mr Kinnaird on immigration matters generally argue for greater restrictions on immigration.
- 2 See above.
- 3 See above.
- 4 It is not clear why a program that is of benefit to employers is viewed as a bad thing? If employers are unable to source the skills they need locally and source them from overseas in order to keep their businesses going, this would be good for the workers in that business and good for Australia. The sub-class 457 program requires employers to pay at either the Minimum Salary Level or the relevant industrial instrument, whichever is the higher.
- 5 No. Mr Kinnaird's point reflects a misunderstanding of how a market economy maximises economic welfare. A market economy works best where resources flow to where they will deliver the greatest return. If there are employers in Australia who can use the skills of an existing sub-class 457 worker to achieve a greater return, this can only be of benefit to the employer, the 457 worker and to Australia generally. Mr Kinnaird appears to be advocating that sub-class 457 workers should be bonded to their employer. This would be bad in terms of both economic and social welfare.
- 6 DIMA is advised that making Australian workers redundant in order to replace them with other workers (whether sub-class 457 or not) is a breach of the Workplace Relations Act. If Mr Kinnaird has evidence of this, it should be provided to the relevant authorities. It should also be noted that most immigration research has found that immigration, particularly skilled immigration, creates more jobs in the economy. It is notable that the increase in skilled migration in recent years, including temporary skilled migration, has co-incided with very rapid jobs growth.
- 7 No.
- 8 Use of on-hire companies is a rapidly growing global phenomenon. It enables employers to access the skills they need quickly while enabling employees to move between worksites that most need their skills and for the greatest return. In such an environment, there will be periods where a worker is between contracts. If such workers are on a sub-class 457 visa, they must be paid at the least the Minimum Salary Level, irrespective of periods they are between contracts.