Australian Government | National Skills Commission

Inquiry into Australia's Skilled Migration Program

Submission from the National Skills Commissioner

to the Joint Standing Committee on Migration

March 2021

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Introduction

I welcome the opportunity to make a submission to the *Joint Standing Committee on Migration's Inquiry into Australia's skilled migration program* (the Inquiry). As noted at the 1 March 2021 public hearing for the Inquiry, this submission focusses on the third term of reference and related labour market analysis.

Role of the National Skills Commissioner in Migration

The National Skills Commissioner has a legislative[1] responsibility for advising the Minister for Employment, Skills, Small and Family Business and the Secretary of the Department of Education, Skills and Employment (DESE) on:

- Australia's current, emerging and future workforce skills needs;

- The development of efficient prices for VET courses;

- The public and private return on government investment in VET qualifications;

- The performance of Australia's system for providing VET;

- Issues affecting the state of the Australian and international labour markets; and

- Opportunities to improve access, skills development and choice for regional, rural and remote Australia in relation to VET.

The Prime Minister also noted in his 26 May 2020 address to the National Press Club, that the NSC would be responsible for advice on the Skilled Migration Occupation Lists (SMOL).[2] These lists are central to the temporary, provisional and permanent skilled visa programs covered by the terms of reference for the Inquiry.

The NSC's role in migration has since been extended to include labour market analysis and advice on the Priority Migration Skilled Occupations List (PMSOL).[3] The PMSOL was introduced on 2 September 2020 to prioritise the processing of employer-sponsored skilled visa applications to supplement the skilled workforce needs of sectors that will support Australia's economic recovery from the COVID-19 pandemic. This list may also be the basis for a request from an employer-sponsored skilled visa applicant, for a travel exemption while Australia's international border restrictions are in place.[4]

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[1] *National Skills Commissioner Act 2020 (Cwlth)*
[2] Prime Minister of Australia, National Press Club, 26 May 2020 Transcript, https://www.pm.gov.au/media/address-national-press-club-260520
[3] Senator the Hon Michaelia Cash, Minister for Employment, Skills, Small and Family Business and Hon Alan Tudge MP, Acting Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs, 2 September 2020 Joint Media Release, https://minister.homeaffairs.gov.au/alantudge/Pages/supporting-australian-business-to-fill-critical-skills-needs.aspx
[4] Department of Home Affairs, COVID-19 and Border Travel Exemption Requirements for Individuals in Critical Sectors or with Critical Skills, https://covid19.homeaffairs.gov.au/critical-skills-and-sectors

The NSC's labour market analysis supports the objective of Australia's skilled migration program, which is to deliver economic benefits by enhancing productivity and job creation. Specifically, by targeting the skilled migration programs to skill gaps in the labour market (either directly through the employer-sponsored visa categories or through increasing the supply of human capital), the SMOL helps businesses and industries to expand and adapt to new economic opportunities.

Skilled Migration Occupation Lists

The SMOL were introduced in April 2017 and are regularly reviewed to ensure they reflect the genuine skill needs of the Australian labour market.[5] The SMOL comprises three occupation lists—the Short Term Skilled Occupations List (STSOL), the Medium and Long Term Strategic Skills List (MLTSSL), and the Regional Occupations List (ROL). Collectively, these lists identify those skilled occupations where labour market data analysis and stakeholder consultation, suggest that access to skilled migration is appropriate.

The current SMOL are not skill shortage lists per se. For example, and consistent with Australia's international obligations and to support broader government objectives, these lists contain a number of occupations where there is no evidence of a shortage in the Australian labour market and/or which pre-COVID-19 projections by the then Department of Employment, Skills, Small and Family Business showed declining employment growth to May 2024.

The current SMOL came into effect on 11 March 2019, with the scheduled March 2020 update put aside due to the significant labour market and economic impacts of the COVID-19 pandemic. The next update will occur when the Australian economy and labour market has sufficiently recovered from the impacts of the COVID-19 pandemic.[6] The timeframe for this update will be determined by the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs in consultation with relevant portfolio Ministers and taking into consideration NSC labour market analysis.[7]

The NSC is currently developing a Skilled Priority List (SPL) which will be at the heart of the NSC's advice on the next update to the SMOL. The SPL will help policy makers understand the skilled workforce needs of the Australian economy and may be used to inform policy responses (such as training, employer incentives and migration). The NSC will also undertake supplementary labour market analysis—using previous element of

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[5] The Hon Peter Dutton MP, Minister for Home Affairs, 17 May 2017 Media Release, https://minister.homeaffairs.gov.au/peterdutton/Pages/update-of-skilled-visa-occupations-lists.aspx
[6] The Hon Peter Dutton MP, Minister for Home Affairs, 17 May 2017 Media Release, https://minister.homeaffairs.gov.au/peterdutton/Pages/update-of-skilled-visa-occupations-lists.aspx
[7] https://immi.homeaffairs.gov.au/visas/working-in-australia/skill-occupation-list

the labour market indicator model that informed previous SMOL reviews and updates[8]—and will also consult relevant Commonwealth departments.

For the purposes of the SMOL, the labour market analysis covers most 6-digit ANZSCO Skill Level 1 to 3 occupations.[9] This is consistent with the definition of "highly skilled" for the purposes of Australia's temporary, provisional and permanent skilled visa programs.

The NSC will provide its labour market advice on the SMOL to the Minister for Employment, Skills, Small and Family Business. The Minister will then make recommendations to the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs, who is the final decision maker on the SMOL and its application to a range of temporary, provisional and permanent (skilled) visa programs. This is the same approval process as applied to previous updates to the SMOL.

This approach will ensure that the SMOL has a strong evidence base, while also ensuring that it supports broader Government policy objectives (such as the National Innovation and Science Agenda (NISA)) and is implemented in a manner which is consistent with Australia's long standing international obligations.

The NSC will release information on the methodology and timeframe for future updates to the SMOL on its website (https://www.nationalskillscommission.gov.au/consultation/skilled-migration-occupation-lists).

Priority Migration Skilled Occupations List

On 2 September 2020, the Minister for Employment, Skills, Small and Family Business and the then Acting Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs, jointly announced the introduction of the PMSOL.

The PMSOL, which is based on labour market analysis by the NSC, is a short-term measure to prioritise the processing of employer-sponsored skilled visa applications and nominations, to supplement the skilled workforce needs of sectors which are critical to Australia's economic recovery from the COVID-19 pandemic.

The NSC's analysis considers available data and information on Australia's post-COVID-19[10] labour market and follows consultation will relevant Commonwealth Government departments on the sectors, sub-sectors

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[8] Information on the SMOL labour market indicator model was outlined in a 2017 consultation paper released by the then Department of Employment.

[9] ANZSCO Skill Level 1 occupations have skills commensurate with an AQF Bachelor or higher qualification; Skill Level 2 have skills commensurate with an AQF Associate Degree, Advanced Diploma or Diploma; Skill Level 3 have skills commensurate with an AQF Certificate IV or a Certificate III requiring at least two years on-the-job training; Skill Level 4 have skills commensurate with an AQF Certificate II or III; and Skill Level 5 have skills commensurate with an AQF Certificate I or the completion of compulsory secondary education.

[10] NSC advice on the PMSOL includes analysis of data from the Internet Vacancy Index (IVI), changes to employment in recent months and over a 12 month period, occupation distribution and relevance to sectors and subsectors identified as important to the COVID-19 economic recovery; and information sources suggesting longer-term stability in the labour market for an occupation. The NSC has also considered the findings of its resilient occupation analysis.

and skill sets that will support Australia's economic recovery from the pandemic. This includes the Treasury, Department of Industry, Science, Energy and Resources, and the Department of Health.[11]

For the purposes of the PMSOL, the NSC's labour market analysis covers all of the 6-digit ANZSCO Skill Level 1 to 3 occupations eligible for possible inclusion on the SMOL (i.e. the NSC's analysis is not limited to occupations on the current SMOL), and the priority sectors are referenced to ANZSIC (at the 1-digit Division level for sectors and at the 2-digit Group level for sub-sectors).

The PMSOL labour market analysis and consultation on priority sectors and skill sets is refreshed by the NSC on a quarterly basis, with the outcomes reflected in the 27 November 2020 update to the PMSOL.

The PMSOL does not affect the composition of the SMOL. That is, the 508 occupations on the current STSOL, MLTSSL and ROL for the Temporary Skill Shortage (TSS) visa program, remain available for approved business sponsors for the purposes of this visa program. Further, the PMSOL:

- Is specific to the employer-sponsored skilled migration (visa) programs. The use of this list for other visa purposes (such as various state and territory sponsored skilled visa programs) is at the discretion of the relevant authorising body.

- Has a national focus. This is consistent with Australia's employer-sponsored skilled migration (visa) programs to which the PMSOL applies, while also reflecting the limitations of available post-COVID-19 labour market data and information sources. In this context it is important to note that data sources used must be available for all ANZSCO Skill Level 1 to 3 occupations potentially eligible for inclusion on SMOL.

The NSC regularly engages with its stakeholders (including peak industry bodies and businesses) on labour market issues. As appropriate, feedback from these consultations is reflected in the advice provided to the Minister for Employment, Skills, Small and Family Business as part of the NSC's advice on the PMSOL.

Economic Benefits of Skilled Migration

Australia's migration program has delivered significant economic benefits. The IMF estimated (pre-COVID-19) that Australia's immigration system will contribute roughly one percentage point to GDP growth each year from 2020 to 2050.[12]

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[11] The NSC has consulted other departments (such as the Department of Infrastructure, Transport, Regional Development and Communications) on emerging workforce issues associated with sub-sectors relevant to their portfolio responsibilities.
[12] IMF, *Regional Economic Outlook: Asia and Pacific, May 2017: Preparing for Choppy Seas,* noting an update of this estimate was not reported in the IMF's *Regional Economic Outlook: Asia and Pacific, October 2020: Navigating the Pandemic: A multispeed recovery in Asia.*

According to modelling by the Treasury and the Department of Home Affairs, without migration, Australia's participation rate would have been 2.1 percentage points lower over the period 2000-2016.[13] This suggests that as a result of migration, Australia is better placed than other advanced economies in key demographic factors like median age, fertility rate, life expectancy, and old-age dependency.[14]

Research and analysis show that at the aggregate level, permanent migration has strong positive impacts on Australia's economy. For example, the Productivity Commission's report on the *Migrant Intake into Australia*[15], found that skilled migration provides a larger benefit to the economy than unskilled migration.

Even during periods of economic downturn and/or a softer global economy, skilled migration has a role to play in contributing to economic growth and to meeting short-term and longer-term skilled workforce needs of Australian business and industry. Research also shows that:

- Permanent skilled migrants contribute to Australia's stock of human capital as they tend to be more skilled (i.e. have a higher level of qualification) than the existing resident Australian workforce. That is, skilled migration helps to address skills gaps in the labour market, while also increasing its ability to adapt to the evolving needs of the economy. [16]

- Migration—and particularly the permanent skilled migration categories that include skill and age criteria— adds younger workers with higher participation rates to the population. This helps to alleviate workforce and capacity constraints by shifting the ratio of working age to non-working age people.

- Skilled migrants contribute to productivity because they are highly educated and often bring with them knowledge that helps diffuse innovations developed overseas. That is, skilled migrants often make a positive contribution to GDP per capita.[17]

The global economy and the nature of work are rapidly changing. Structural changes in our economy, including digital disruption, are changing the skills that employers need and are creating increasingly varied combinations of required skills for different roles within previously well-defined occupations. The Digital

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[13] Treasury and the Department of Home Affairs, *Shaping a Nation, https://research.treasury.gov.au/external-paper/shaping-a-nation*
[14] Treasury and the Department of Home Affairs, *Shaping a Nation, https://research.treasury.gov.au/external-paper/shaping-a-nation*
[15] Productivity Commission 2016, *Migrant Intake into Australia* and The Treasury and the Department of Home Affairs 2018, *Shaping a Nation: Population growth and immigration over time.*
[16] Reports include Michael Bittman et al 2007, 'Human Capital: the social costs and benefits of migration into Australia'.
[17] Reports, including from the Productivity Commission and the Migration Council of Australia, show there is variation in the economic contribution of migrants across different visa categories. Permanent and temporary skilled have a positive effect (reflecting their younger age and high levels of human capital), while points-tested skilled migrants and temporary work visa holders make smaller contributions. Migrants who are not selected on the basis of their economic characteristics (such as humanitarian and family entrants) have a negative economic impact.

Economy Strategy[18] also acknowledges the importance of skilled migration to fill specialised, new and emerging occupations in technology fields crucial to the future of work.

Global Labour Market for Skilled Migrants and Talent

Australia is not the only country to recognise the economic opportunities from skilled migration programs. Other OECD countries such as Canada, France, and New Zealand (and more recently the United Kingdom), have also tailored their migration programs to attract highly specialised, skilled and experienced individuals to meet their skilled workforce needs.

Australia's skilled migration programs—including the SMOL that identify current and future skilled workforce needs that cannot be met through domestic employment and training—are crucial for attracting skilled migrants, foreign entrepreneurs, start-ups and investors.

While Australia has traditionally been an attractive destination, this needs to be considered in the context of increasing global competition for skilled workers and specialised skills and talent, and the impact of COVID-19 on international labour mobility.

Labour Market and Temporary Skilled Migration

The TSS migration (visa) program supplements the skilled workforce needs of Australian businesses. The Department of Home Affairs has portfolio responsibility for the TSS and other skilled migration program and policy settings, with labour market analysis provided by the NSC on the SMOL and the PMSOL.

Analysis by the NSC of ABS labour force data and relevant Department of Home Affairs visa data, shows that:

- The longer-term national average reliance on primary TSS and subclass 457 visa holders (i.e. the stock of primary visa holders as a percentage of the employed workforce) of 1.0 per cent, has been declining since the implementation of the April 2017 skilled visa reforms. For some industries this reliance has declined further since the start of COVID-19 in March 2020.

- In most states and territories, the stock of primary TSS and subclass 457 visa holders comprise a low percentage of the employed workforce in skilled occupations (ANZSCO Skill Level 1 to 3).

- There is some variation in the reliance on primary TSS and subclass 457 visa holders across industries, occupations, and states and territories. Prior to COVID-19, these differences could usually be explained by known labour market and economic factors. The NSC will continue to analyse these data-sets as the economy and labour market recovers from the pandemic.

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[18] https://www.industry.gov.au/policies-and-initiatives/participating-in-the-digital-economy

- For most occupations and industries, the median nominated base salary for TSS and subclass 457 visa grants has increased over time and is above the Temporary Skilled Migration Income Threshold (TSMIT) of $53,900. However, for some industries and occupation groups, there has been minimal change to the median salary which has also been consistently very close to the TSMIT (**Attachment A, Charts 1 and 2**).

Labour Market and Permanent Skilled Migration

A valuable source of information on the medium-term effects of permanent migration is provided by the Continuous Survey of Australia's Migrants (CSAM).[19] CSAM collects data on the settlement and employment outcomes of a randomly selected group of recent migrants in the Skill and Family stream, with respondents being surveyed six and 18 months post-arrival.

CSAM data shows positive employment outcomes for primary skilled visa holders and by extension, positive economic contributions to the Australian economy. The latest surveys found that employment outcomes for these visa holders were strong at the six-month and 18-month stages of settlement.

These findings have been consistent across all introductory CSAM surveys (2013 to 2018), noting:

- In aggregate terms, skilled migrants perform better than the resident Australian-born (includes both Australian-born and migrants) in terms of employment and participation rates.

- Employer-sponsored primary skilled permanent migrants reported high rates of employment (93.7 per cent), participation (95.6 per cent) and above average wages in highly-skilled jobs.

- Onshore independent primary skill stream migrants (i.e. in Australia at the time of visa application) also reported high rates of employment (93.5 per cent) and participation rates (97.4 per cent).

- While offshore independent primary skill stream migrants had an unemployment rate of 13.6 per cent, they reported higher average earnings than other categories of primary skilled migrants.

The NSC has analysed CSAM data at a more disaggregated level. This labour market analysis supports a permanent skilled migration program with a focus on the employer-sponsored visa categories and limiting the SMOL to ANZSCO Skill Level 1 to 3 occupations.

Specifically, the NSC analysis has found that 18 months after arrival, within the employer-sponsored visa categories, primary visa holders with ANZSCO:

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[19]CSAM (2018), www.homeaffairs.gov.au/research-and-statistics/research/live/continuous-survey-australia-migrant

- Skill Level 1 occupations (mainly managerial and professionals) were more likely to be employed in their nominated occupation[20] (84.6 per cent) than visa holders in ANZSCO Skill Level 2 (65.5 per cent), Skill Level 3 (66.6 per cent), Skill Level 4 (56.2 per cent) and Skill Level 5 (34.6 per cent) occupations.

- Skill Level 1 occupations had an unemployment rate (0.85 per cent) that was lower than primary visa holders in Skill Level 2 (3.6 per cent), Skill Level 3 (2.6 per cent) and Skill Level 4 (10.8 per cent) occupations.

- Skill Level 4 or 5 occupations (i.e. where visas are likely to have been granted under Labour Agreements), have poorer labour market outcomes 18 months post arrival than primary skilled visa holders whose nominated occupation was an ANZSCO Skill Level 1 to 3 occupation.

For the points-tested skilled categories, 18 months after arrival, primary visa holders with ANZSCO Skill Level 1 occupations were more likely to be employed in their nominated occupation (64.6 per cent), compared to primary visa holders with Skill Level 2 (57.5 per cent), and Skill Level 3 (59.2 per cent) occupations.

Skills and Industry Classification

The Australian Bureau of Statistics (ABS) is the relevant Australian government body responsible for the Australian and New Zealand Standard Classification of Occupations (ANZSCO) and the Australian and New Zealand Standard Industrial Classification (ANZSIC).

The ABS confirmed its responsibility for ANZSCO in the evidence it provided at the 1 March 2021 public hearing of the Inquiry, where it also noted that it is "looking to partner with other parts of the government to develop a business case for an update to the classification" that includes a "future focussed approach that's a bit more dynamic".[21] This is consistent with NSC comments on ANZSCO provided to the JSCM when it appeared at the 1 March 2021 public hearing.

The ABS, in consultation with Statistics New Zealand, is also responsible for determining the timeframe and their respective domestic consultation processes for reviews of the ANZSCO and other statistical classification frameworks, including input from the NSC and other Commonwealth departments. In this context, a recent ABS Media Release refers to a targeted and phased update of ANZSCO with priority areas including Agriculture, Forestry and Fisheries; Cybersecurity and Naval Ship Building.[22]

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[20] Nominated occupation is the occupation for which a primary skilled visa was granted and, in most instances, assessed for migration (visa) purposes against the Australian standard, by the relevant Australian assessing authority.
[21] Proof Committee Hansard, Joint Standing Committee on Migration, 1 March 2021, Canberra, Joint Standing Committee on Migration_2021_03_01_8529.pdf;fileType=application/pdf (aph.gov.au) (pages 47 and 48)
[22] ABS Media Release, 25 March 2021, Updating ANZSCO Commences in March 2021, https://www.abs.gov.au/media-centre/media-releases/updating-anzsco-commences-march-2021

While ANZSCO is used as the basis for the SMOL and PMSOL, it was developed for use in the collection, analysis and dissemination of occupation statistics in Australia and New Zealand. The ANZSCO framework is consistent with international standards which is important as it forms the basis for comparison of international statistics on labour market data.

Previous SMOL review processes undertaken by areas within DESE that are now part of the NSC, facilitated the recognition of new occupations within ANZSCO. For example, the ABS issued a determination that Data Scientist is an occupational title within Information and Organisation Professional nec[23] (ANZSCO 224999).

The NSC has also analysed and identified a number of emerging occupations that are likely to help drive innovation and productivity in the years ahead. For example, the NSC's recent publication on Emerging Occupations was developed in partnership with the ABS. Discussions are underway with the ABS on how this work could be leveraged to support the inclusion of emerging occupations in ANZSCO. This would assist in identifying emerging occupations for possible inclusion in future updates to the SMOL.
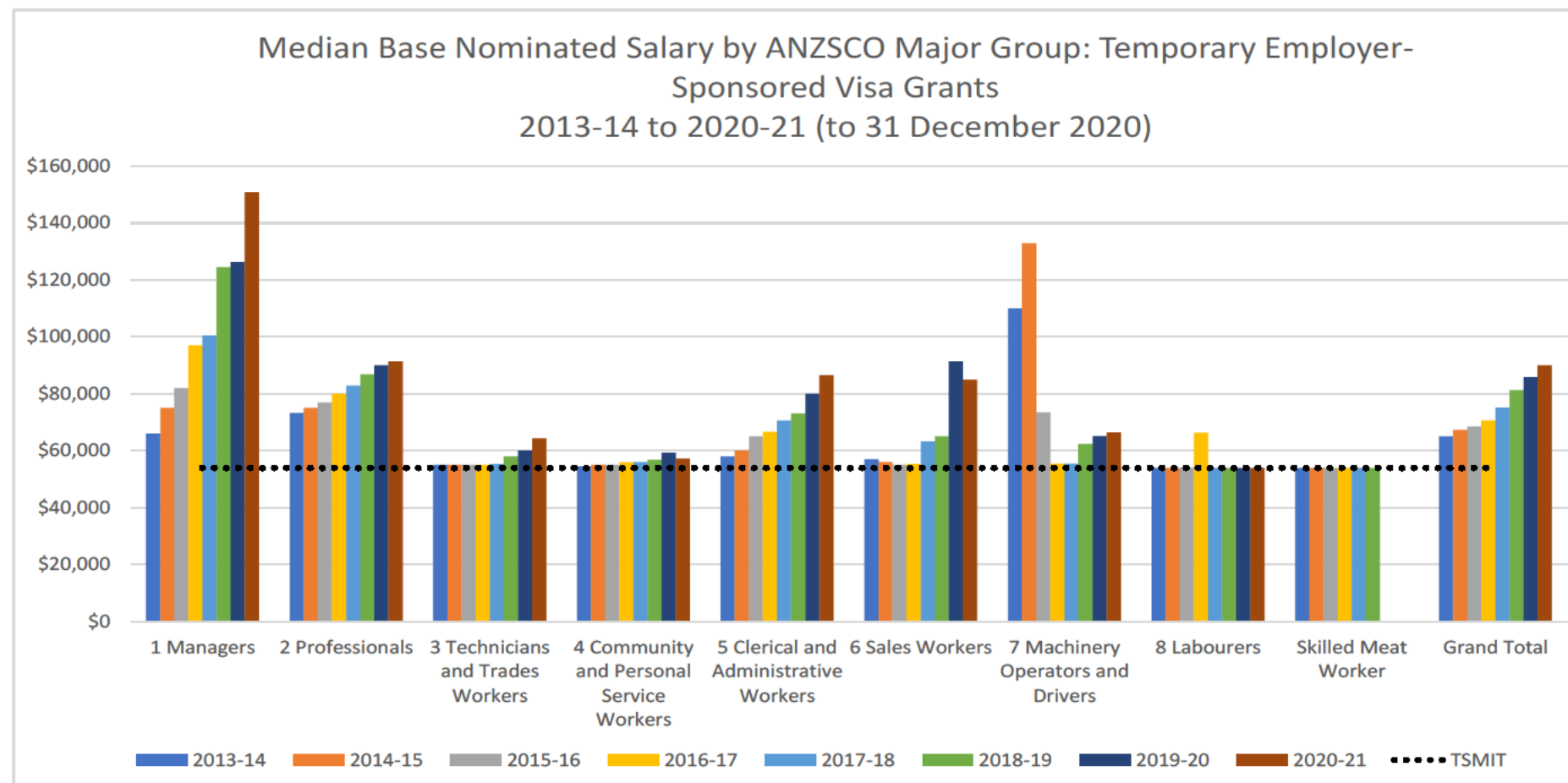
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[23] In the ANZSCO framework "nec" is not elsewhere classified. Information and Organisation Professionals nec (ANZSCO 224999) includes Data Scientist Electoral Officer, Information Management Co-ordinator, Knowledge Manager, Lobbyist, Museum Registrar, Procurement Specialist, Sales Analyst (https://immi.homeaffairs.gov.au/what-we-do/skilled-migration-program/skilled-visa-newsletters/september-2019 and https://www.abs.gov.au/ausstats/abs@.nsf/Product+Lookup/1220.0~2013,+Version+1.3~Chapter~UNIT+GROUP+2249+Other+Information+and+Organisation+Professionals)

Attachment A

Chart 1—Median Base Nominated Salary for Primary Subclass 457/TSS Visa Grants by Industry (ANZSIC Division) and TSMIT for 2018-19 (pre-COVID-19) and 2019-20

Base Nominated Salary by Sponsor Industry: Temporary Employer-Sponsored Visa Grants
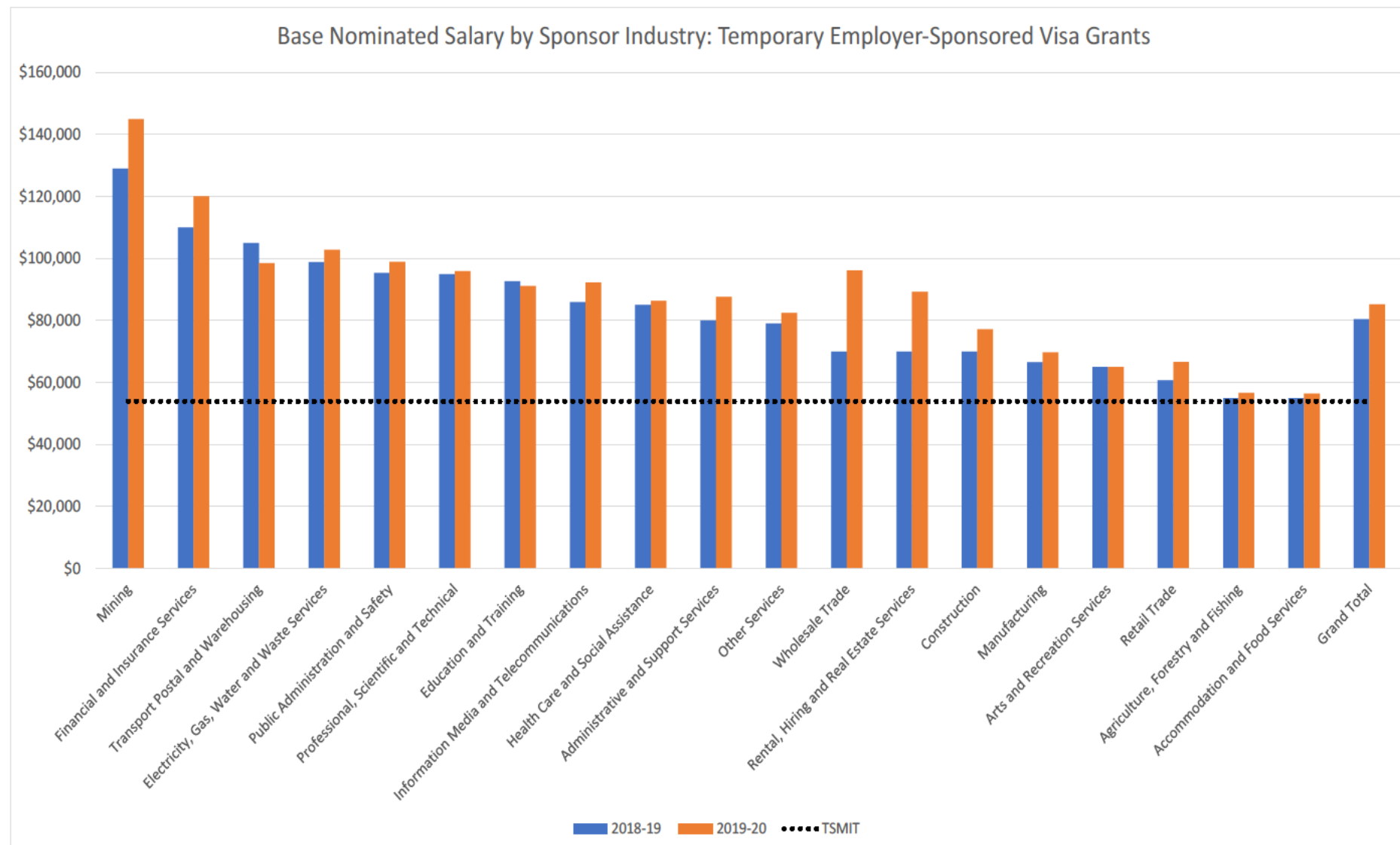
Chart 2—Median Base Nominated Salary for Primary Subclass 457/TSS Visa Grants by ANZSCO Major Group and TSMIT[24][25]

Median Base Nominated Salary by ANZSCO Major Group: Temporary Employer-Sponsored Visa Grants
2013-14 to 2020-21 (to 31 December 2020)

[24] Skilled meat worker is specific to the Meat Industry Labour Agreement and visa grant data is separately recorded in Department of Home Affairs visa reports.
[25] Visas Granted for ANZSCO Major Groups 5 to 8 are more likely to be under a Labour Agreement which mainly comprise ANZSCO Skill Level 4 and 5 occupations that are not eligible for possible inclusion on the SMOL.