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Dear Sir/Madam

Please accept the following as the Northern Territory's submission to the Senate Inquiry into the Migration Amendment (Skilling Australians Fund) Bill 2017 and the Migration (Skilling Australians Fund) Charges Bill 2017, noting the impacts upon Northern Territory business and economy from introduction of the Skilling Australian Fund (SAF) Levy.

The Northern Territory has a unique combination of economic conditions, demographic profile and labour market, and our tight labour market continues to deliver among the lowest unemployment rates and highest participation rates in the Nation. Coupled with high population turnover and declining population growth, these characteristics lead to ongoing shortages in a wide variety of occupations, including skilled workers for both construction of major export facilities and the myriad small businesses and services sectors that dominate the Northern Territory business profile. Occupations with tight supply include human services workers, and shortages of these workers compromises availability of services such as health care, aged care and child care, the latter having a flow-on effect of restricting labour availability to other sectors.

Training and up-skilling of local workers, particularly Aboriginal and Torres Strait Islander people, and attraction of interstate workers remain Northern Territory Government priorities. However, despite all efforts, overseas workers are an essential component to meet the workforce needs of government and local business in the Northern Territory. Some businesses within the hospitality industry have more than 50 per cent of their workforce needs met by overseas workers. The Northern Territory is also reliant on overseas workers in the health and child care industries who deliver services to remote Aboriginal communities and contribute directly to closing the gap in Aboriginal disadvantage.

Introduction of the proposed Migration Amendment (Skilling Australians Fund) Bill 2017 and the Migration (Skilling Australians Fund) Charges Bill 2017 is likely to impact thin market environments such as the Northern Territory more significantly than in larger jurisdictions. Levy requirements may have adverse impacts on small business operations as a result of the additional costs and administration burden to comply with the process, particularly in the Northern Territory where fostering business and economic growth is critical to the Australian and Northern Territory Governments' shared objective to develop Northern Australia. The benefit to skills formation would be marginal at best, given the structural shortage of people to train.

Ninety five percent of all businesses in the Northern Territory are categorised as small business and are critical to the Northern Territory economy. These businesses operate with tight margins, particularly within the current business environment, and any additional financial stress will limit their ability to invest in training and employment. An unintentional consequence of the levy could be that business will not employ or train locals as they may see that their contribution to the Fund as replacing their commitment to training locals.

The Northern Territory Government supports the provision for refunds of the nomination fee based on non-approved applications or overseas workers not arriving or leaving the place of employment within a certain time period. It is recommended the refund process not be onerous or lengthy and not adversely impact the financial and operational viability of small business. An alternative to providing refunds would be to implement a staged payment rather than an up-front payment; for example, the up-front payment being significantly reduced, and staged payments introduced after the migrant worker arrives and periodic payments based on length of stay. This would be more palatable and achievable financially and operationally for small business.

The Northern Territory is concerned by requirements within the legislation which would mean that state and territory governments are required to pay for the migrant workers they employ, alongside a requirement to co-contribute 50 per cent of the funding to approved projects under the proposed National Partnership Agreement (NPA) on the SAF currently been consider by First Ministers. Based on preliminary modelling, this would effectively mean the Northern Territory Government would contribute 60 per cent of the total cost of approved projects. This also does not take into consideration the other requirements impacting state and territory budgets stipulated in the NPA on the SAF such as having to maintain total VET budget activity.

This requirement raises affordability and sustainability issues for the Northern Territory, particularly at a time where economic growth is low and governments are facing significant budgetary pressures, including falling revenues. As such, the Northern Territory advocates that state and territory governments are either exempt from paying the levy, or that their contribution to the levy is taken off their required co-contribution to SAF projects.

Migration is critically important to the Australian Government's commitment to develop Northern Australia. Migrant labour has been recognised as essential not only to support population growth, but also to support the capacity building of existing commercial and community service providers. The NT's seasonal and skilled labour markets are particularly vulnerable, and more so in industries that require highly specialised skills and where periods of peak demand require rapid labour supply growth. Any policy that has the effect of reducing targeted international recruitment is likely to directly challenge joint Australian and Northern Territory Governments efforts to develop remote and regional Australia, including the North.

As stated above, the Northern Territory Government's priority is to train and upskill locals to support Northern Territory business workforce needs. However, as a developing northern economy with a transient and declining population base, Northern Territory businesses will always be reliant on overseas workers in some capacity, and it is important that these reforms enable continued economic growth and development, while fostering the training and employment of local Territorians, particularly in our regional and remote communities. This levy and administration of the levy should not disadvantage those businesses who do the right thing.

Yours sincerely,

NICOLE MANISON

22 DEC 2017