

4 April 2013

Committee Secretary  
Senate Legal and Constitutional Affairs Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Sir/Madam

Framework and operation of subclass 457 visas, Enterprise Migration Agreements and Regional Migration Agreements.

Thank you for an opportunity to make a submission.

Matters addressed in this submission regarding the current framework and operation of subclass 457 visas, Enterprise Migration Agreements and Regional Migration Agreements, are:

*(a) their effectiveness in filling areas of identified skill shortages and the extent to which they may result in a decline in Australia's national training effort, with particular reference to apprenticeship commencements;*

.....  
*(k) any related matters.*

Submission:

Australian Commerce and Industry, overall, has slipped seemingly into muscular atrophy as regards training unskilled Australian workers for skilled work and higher wages. Trades seek a continuation of protection of their member revenues by limiting new entrants (competition) through poverty wages for apprentices. (How long can this archaic system go on? A relic of the middle ages.) The same can be true in the professions limiting opportunities to commence training. But in the medical field, recent government intervention has alleviated shortages by forcing increases in places at relevant Australian educational facilities ... and this is turning around the crippling shortages of Australian doctors and nurses. Employers and professional bodies can have a conflict of interest as regards training. Measures need to be taken to break this synapse. A disconnection needs to be made, if you will, between those that may be conflicted and those setting the numbers in training decisions, to ensure the supply of Australian trained people can meet the demands of the economy/community.

The 457 visa is a very successful instrument now, with its transition pathway, in locating skilled, "job already" migrants with a try it and see it approach....and hopefully young. The Australian economy desperately needs to grow and at the same time be skewed to favour a demographic shift.

Tampering with this new cornerstone of Australia's migration policy fix now in place should be a last

resort. The 457 system needs to run unabated to ensure Australia grows the right way. It is extremely well administered and those in DIAC leading that administration, and delivering consistently year after year as they do, deserve a Public Service Medal.

The “skill shortage perception” of the day to day Australian business manager, is driven largely by newspaper and trade association talk or rhetoric. For the Small to Medium Enterprise manager there is a need to rely on that thought leadership as such SME managers are time poor. They will think that because it seems impossible to readily find someone to do a job as well as another long standing employee, adjudge that as a shortage rather than their own unreal expectation or their failure to train others to replace or expand. Their spasmodic, brief and many times inexpert forays into recruiting do not provide a sound basis for that judgement, particularly when they enter that activity as victims of rhetoric. The fact is most businessmen are bad planners, so busy with the day to day activities, that they can’t make a decision now to hire a school leaver or a fresh tertiary graduate as a trainee and cultivate them into a skilled occupation. Assistance with part time further studies is becoming a thing of the past. All businessmen want is to hire a “finished product”. There can be a dangerous reliance on body hire from employment agencies in many cases, which doesn’t help this situation as employers are thereby cultivated to lose interest in doing their own training. When a SME manager becomes uncomfortable with a perceived skill shortage it is not seen by them as possibly due to planning and training shortcomings on their own account. If this was got right the 457 program becomes a merely additional option for the SME manager.

In regard to the 457 availability, there is a supply push rather than a demand pull aspect to it. Young skilled people originating overseas apply for positions, and the successful ones are those that come on working holidays and visit visas and door knock, and those able to work take any job and attract the attention of a sponsor by becoming indispensable. Then the employer sees they can’t be replaced easily and it goes on from there to be part of a skilled shortage perception. It fits with the day to day nature of business and failure to do any medium term planning. The 457 system does elevate Australia’s stocks and is a key part of the migration program now with the transition stream to the subclass 186.

It is not the 457 availability that is the problem for Australians feeling that their opportunities are being lost. What is absent is a real staff development or a training ethic in Australian business to create opportunities. It is a general problem in all of Australian Commerce and Industry. The fastest way to cultivate this ethic is not by simply explaining this and establishing elaborate boutique connections with education institutions for specific occupations. Commerce and Industry only understand one thing for widespread action in the near term..... company taxation or separate levies that act in the same fashion.

Government needs to reintroduce a Training Guarantee Levy, a “tax” to be paid to the extent of the taxpayers shortfall on an acceptable (Australian) staff training expenditure benchmark ... for large and medium companies alike. This levy was very successful in the 1990’s. It should be phased back in as an “optional tax rate” to be paid by companies to fund training they don’t do. Each company can look at what it is doing to train up staff and plan for its skills requirements in the longer run and by acting on those needs, so the company it does not have to pay the levy. Hopefully, no levy need to be collected as companies respond. And unskilled Australians get more opportunity to become skilled.

At any one time in the 457 program there are something like 105,000 visa holders in Australia and the Australian workforce is 11,588,700. Government should not leave all national training ethics to the 457 sponsors to lead the way. All Australian companies employing staff should be pulling their weight. Choking off a supply of some of the needed skilled labour using a contraction of the 457 program is not the answer. It is not going to affect those who are not 457 sponsors or address what skill shortages there in fact may be generally in commerce. Training is a national issue to be addressed by all in industry and commerce. Not just 457 sponsors.

Comment on certain 457 Policy Settings:

- a) It is a mistake that TSMIT is being regarded as one size fits all for the full breadth of Australian economy...it is too high and does not reflect regional variations. (In Sydney the award wages of electricians and carpenters has been below TSMIT.)
- b) There should be criticism of the failure of the 457 policy makers in Canberra to recognise employer efforts at training in on-the-job situations. The present legislative instrument is suspicious of on-the-job training and shifted to discount it, no longer allowing the cost of the time involved as a training cost. Sponsors need recognition for reskilling of older, time poor, workers in the workplace for their careers and future company needs as well. A lot of company training can and should be on-the-job, to transform skills in level or even new ANZSCO classifications. The current instrument does however reward or recognise 457 sponsors who employ trainees, apprentices and new graduates by counting their salaries as training.
- c) Prepayment by a company to a 3<sup>rd</sup> party for training courses not yet delivered (or perhaps never delivered) should not count as eligible training expenditure. Only that training that has been delivered should register as training for sponsorship purposes.
- d) It is very difficult to understand why cooks and hairdressers are still on any of the DIAC skill lists.

Please advise if any further information or clarification is required for this submission. Again thank you for the opportunity to comment.

Sincerely

Ron Dick  
Principal