

SKILLED MIGRATION POLICY UNDER THE COALITION

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All of the major permanent skilled migration categories have been or are currently under review by the Coalition Government. An analysis of the review processes and outcomes (where complete) indicate that the Coalition has mostly left these programs intact. However, in the case of the Independent and Skilled – Australia Linked categories, an important new element of skills targeting is about to be introduced which indicates that the Coalition has taken account of some criticism of past selection policies in regard to these categories.

The purpose of this paper is to analyse the Coalition Government’s management of the various skilled migration categories it inherited after thirteen years of Labor Government rule. The focus is limited to those categories providing permanent entry and includes the Employment Nomination, Business Migration, Independent and Skilled – Australia linked (SAL) categories. (In 1997-98 the SAL category replaced the Concessional Family category).

It is well known that the Coalition has taken tough action in regard to rights of family reunion and the initial access of new migrants to welfare benefits. I have suggested that in this regard Australia’s rules have more in common with the restrictive regimes evident in Europe than those in place in our fellow settler societies, the USA and Canada.¹ Since there are few opportunities for skilled migrants wishing to enter Western Europe on a permanent basis, perhaps the Coalition will move Australia down this pathway as well.

Table 1: Program outcomes, 1995-96 to 1997-98 and planning level 1998-99

	Outcomes			Planning level
	1995-96	1996-97	1997-98	1998-99
Family stream	48,720	37,240	31,310	30,500
Humanitarian	15,050	11,910	12,000	12,000
Skill stream				
Independents	10,600	15,000	13,270	14,700
Skilled – Australian linked ^a	8,000	7,340	9,540	8,200
ENS/LA/RSMS ^b	4,640	5,560	5,950	5,600
Business Skills	4,900	5,820	5,360	5,000
Other ^c	4,000	1,170	550	1,300
Total Skill	32,140	34,890	34,670	35,000
Special eligibility	1,700	1,730	1,109	2,500
Total	97,610	85,770	79,100	80,000

a Until 1997-98 known as Concessional Family

b Includes Employer Nomination Scheme, Labour-market Agreements and Regional Sponsored Migration Scheme.

c Includes 1 November onshore and ‘distinguished talents’.

Source: Department of Immigration and Multicultural Affairs

It is obvious from the reduction in the overall immigration program since the Coalition came to office in March 1996 (Table 1) that it does not see population growth via immigration as central to its overall economic strategy. However, within the constraints of an overall reduction in the settler program, there has been a small increase in the numbers visaed under the skilled categories. Perhaps this increase presages further opening up of these categories, especially given the recent active lobbying by business interests for such action. The only way to make any judgement on the matter is to look in detail at the Government's responses to the various inquiries into the skilled categories initiated since March 1996.

FRAMING THE DEBATE ABOUT SKILLED MIGRATION

In order to comprehend the detail about the various categories to follow, it may be helpful if we begin with an interpretative framework. Attitudes towards the recruitment of skilled migrants tend to oscillate between two poles. On the one hand, there is the restrictionist trade-union view, which sees skilled migrants as competitors for scarce jobs. Educators often take a similar, if more altruistic view, in that they think recourse to skilled migration undermines training initiatives designed to maximise local opportunity. Diverse other Australians, who for whatever reason are opposed to high migration, also tend to support this position. Such persons invariably favour a tightly targeted recruitment regime, carefully linked to skill shortages in Australia. When Labor took office in 1983, its leaders were located close to this pole. The first Hawke Government made no provision for independent skilled entry. Instead, in 1984, it put in place an Occupational Share System which restricted the recruitment of skilled workers to occupations judged by the then Department of Employment and Industrial Relations to be in short supply. The Ministers responsible for the scheme (Stuart West and Ralph Willis) stated that 'We want to ensure that Australians have the opportunity to take up an increasing share of skilled jobs and that our need for overseas workers can be reduced as a result'.²

At the other extreme we have expansionists who are opposed to any form of tightly targeted recruitment. Their position derives from an overall confidence in the positive effects of migration for the economy, which they believe all Australians benefit from. Any acknowledgment of a need for targeting would imply that there might be losers amongst residents and thus legitimate the restrictionist cause. Expansionists typically assert that Government's have no business trying to predict occupational 'winners' anyway. Market forces and the alleged flexibility of migrants to adjust to these forces are seen as taking care of any imbalances.

During the mid to late 1980s the expansionist position was widely articulated. Skilled migrants were seen as promoting the expansion of the domestic market and adding to the skill foundation and enterprise required for Australia's entry into the booming Asian marketplace for sophisticated goods and services. One such advocate was the economist Helen Hughes, who made this case in the course of her 1985 Boyer Lectures. She was especially keen on Asian migrants as agents of economic dynamism because 'they work hard to save for houses and cars, increasing average productivity in the economy'.³ Her views were important because she was subsequently appointed by the Hawke Government to the Committee to Advise on Australia's Immigration Policies (CAAIP) which reported in 1988. The CAAIP Report embraced an extreme expansionist position. It recommended an annual migration target of 150,000 over a ten year period. There was to be no occupational targeting. Instead, migrants were to be drawn from a new 'open' category based on generic skills, weighted in order of priority as follows: labour market skills, entrepreneurial and special talents, age and language capacity.⁴

By the end of the 1980s the Hawke Government had embraced this expansionist position. Though the migration program did not reach the heights recommended by CAAIP, the

Government abolished the targeted Occupational Share System at the end of the 1988-89 program year and expanded both the business migration and Independent migration categories. A new selection system covering the Independent and Concessional categories was introduced in mid-1989 in the wake of the CAAIP Report. It made selection dependent on skills (emphasising professional and trade credentials recognised in Australia), age and English-language fluency. The only concession to the restrictionist legacy was the establishment of a Priority Occupation List (POL) which gave extra points for occupations considered by the Department of Employment to be in short supply in Australia. Otherwise there was no attempt to link migration selection to the state of the labour market for particular occupations. The decisions on this question were left to the migrants themselves. The system was supply driven and thus tended to reflect conditions in the country of origin rather than in the Australian labour market.

The mood changed with the deepening of the early 1990s recession and the departure of Bob Hawke as Prime Minister in December 1991. In the 1992-93 program year the Labor Government slashed the Independent and Concessional programs. It also virtually abolished the business migration program in the aftermath of a critical inquiry by the Joint Committee of Public Accounts, which reported in July 1991.⁵ A new and much truncated Business Skills category was introduced in February 1992.

In the case of the Independent and Concessional categories, though the Labor Government kept the program numbers at relatively low levels right up to March 1996, it did not introduce any element of skills targeting. Critics produced a number of studies in the aftermath of the recession which argued that the absence of such a measure had exacerbated the migrant employment crisis.⁶ For instance, the largest single occupation group selected in the late 1980s and early 1990s was engineers. This reflected various factors unrelated to the Australian labour market, including an oversupply in the Indian sub-continent and an anxiety on the part of Hong Kong residents to leave before the impending Chinese Communist takeover. Once here they found a flat engineering job market which deteriorated sharply with the recession. Most went to the back of the employment queue behind locally trained graduates. Yet, within the lower overall program from 1992-93, engineers were still permitted to qualify for selection without restriction.

The Labor Government kept the overall program numbers for Independents and Concessionals at a low level partly by raising the pass mark and partly by toughening the English language requirements. Otherwise the selection system remained intact. The only element of targeting, the POL list, became inoperative because after September 1992 the Department of Employment, Education and Training determined that not one occupation in Australia was in short supply across the land. Perhaps one reason the Department of Immigration and Multicultural Affairs (DIMA) did not embrace targeting in this context was that to do so might have undermined the legitimacy of the entire Independent and Concessional program.

Views about migrant selection in the Coalition era

By the time the Coalition won office in March 1996 the Australian economy was on the road to recovery. There was more scope for advocacy of high migration, and indeed over the past three years we have seen a mounting crescendo of business lobbying to this end. Advocates driving this cause tend to offer little by way of specifics as to the source of the migrants. But such is the optimism with which they promote migration that we can be sure that they would be hostile to any restrictive targeting other than that needed to keep out those likely to need state welfare support.

Meanwhile debate has been polarised by the advent of the One Nation party. One Nation has taken a tightly targeted stance on skilled migration, entirely consistent with its defensive

nationalist position on other issues. The Party's electoral statement on migration declares that 'any skill entering Australia will be matched with a position that cannot be filled from within Australia. Skilled migration will not be used instead of training our own.'⁷ It is interesting that the Labor party incorporated a similar policy in the 1997 redraft of its electoral platform. This now calls for an explicit linkage between skilled migration and the local labour market situation. It states that 'the identification of emerging skill shortages is crucial to ensure that as far as possible skilled vacancies are filled by unemployed Australians who have gained qualifications from training programs in Australia'.⁸

COALITION POLICY ON SKILLED MIGRATION

We begin with the Employer Nomination visa category because it was the first of the permanent-resident skilled programs to be reviewed. Since it is the most explicitly targeted, and thus the most restrictionist in form, it is a little peripheral to the themes introduced above. Nevertheless the outcomes tell us something about the Coalition's response to its various constituencies.

Employer Nomination and Labour Market Agreements

The Employer Nomination category allows employers to sponsor selected persons for a permanent-residence visa on the basis of skills relevant to a particular job, but only after the employer establishes through testing of the local labour market that an appropriate resident worker is not available. Labor Market Agreements are usually tripartite agreements between employers, the Immigration Department and employee interests which allow a recruiting agent to sponsor a group of workers in a particular occupation. Until the recent Lin Inquiry (discussed below) employers sponsoring a migrant under the Employer Nomination category had to provide a permanent job offer.

The Employer Nomination category emerged in roughly its present form in the early 1980s⁹ when employers could seriously contemplate appointing persons on a permanent basis. These days it is a rare employer who would be prepared to offer such a job. For the shorter term appointments which now prevail, employers can virtually sponsor who they please on a temporary-entry basis (up to four years) under visa category 457. There is no requirement to 'test' the local labour market, as long as the non-resident is skilled and is appointed to a position defined a 'key activity' within the organisation. Moreover, non-residents appointed to such positions cannot leave the job in question without jeopardising their rights to remain in Australia. By contrast, a non-resident sponsored for permanent entry via the Employer Nomination category is free to leave the position without any threat to his or her permanent residence status.

Most employers interested in recruiting specific non-residents now use the temporary entry option. The number of 457 visas issued increased from 22,812 in 1995-96 to 27,706 in 1996-97 and 33,516 in 1997-98, compared with 5,950 Employer Nomination and Labour Market Agreement visas in 1997-98 (see Table 1). Almost all the Labour Market Agreements currently in place are also for temporary entrants. In the computing field, where there are genuine local shortages, temporary entry recruitment now dominates. According to data supplied by DIMA's business skills branch, over 4,000 persons in the computing area were sponsored on 457 visas in 1997-98 (some were recruited directly from overseas, others from people already on temporary entry visas in Australia — such as visitors, students or working holiday makers.) By comparison, just 20 principal applicants who identified as computing professionals arrived in Australia from overseas in 1997-98 via the Employer Nomination category.

It seems that the Employer Nomination category no longer has a significant role in filling skill shortages likely to count in firms at the front line of international economic competition.

The major occupations being sponsored over recent years are specialist managers, ministers of religion, university teachers and cooks and pastry cooks. Yet the Employer Nomination system survives, with a substantial program target of 5,600 visas for 1998-99.

The Lin Inquiry into the Employer Nomination category.

The Coalition appointed Dr Ian Lin, a Chinese-Australian business consultant to head a committee of review into the Employer Nomination Scheme. The Committee reported on 20 March 1997. Dr Lin approached the issue as an enthusiast with a strong belief in the linkage between employer access to overseas talent and Australia's international competitive position. Perhaps as a result, the Committee did not look critically at the issues raised above. There was only one major change to the system resulting from the Committee's report.¹⁰ This was that the requirement that sponsorship for permanent employment be abolished. Three year contracts are now all that are required.

The Committee did not explore the incongruity between the 'global competitiveness' objective and the pattern of sponsorships noted above.¹¹ In the case of university teachers, the high number of employer sponsorships (74 principal applicants arriving from overseas in 1997-98, 102 in 1996-97 and 107 in 1995-96 as well as an unknown number sponsored on-shore) is partly due to the unique exemption universities enjoy from the requirement to labour-market test for positions down to the Lecturer and Research Fellow level. This exemption is anomalous given that it exists at a time when there is a massive oversupply of domestic applicants for scarce advertised positions, an oversupply which is a consequence of the rapid increase in PhD output from Australian universities. By filling so many of their positions from overseas, the universities are cutting out a major career pathway for the very persons they have encouraged to aspire to such positions. An indication of the scale of non-resident recruitment is that at the time of the 1996 Census, 2,365 or 7.3 per cent of the 32,196 university lecturers employed in Australia had arrived in Australia over the years 1991-1996.

The Committee also had nothing to say about the fact that well over half those sponsored under the Employer Nomination system are on-shore applicants. The concern here is that the category may be being used as a last resort by temporary residents who are already in Australia and anxious to gain permanent residence. All employer nominations, except lecturers, have to be labour-market tested and sponsors have to satisfy (currently) the new Department of Employment, Workplace Relations and Small Business that the skills of the nominated person fit the job in question and that they are not neglecting their training obligations. Nevertheless, there is a suspicion that employers may sometimes be acting on behalf of applicants wishing to stay in Australia.

There is a legitimate need for a skills-based pathway to permanent residence for temporary residents already in Australia. Some 457 visa holders, for example, hold skills which Australian enterprises need on a continuing basis. But, if these applicants are genuine, they can be accommodated under the Independent category which, as shown below, is about to be changed so as to advantage some applicants with Australian experience and a firm job offer. Given this new context, the case for maintaining the Employer Nomination system at all seems thin.

The Business Skills Category (BSC)

The BSC program is important in the context of the larger debate between restrictionists and expansionists because the latter usually put great store on the alleged economic benefits flowing from the influx of business talent. Thus the outcome of the current review of the BSC (described below) is significant.

Since business migration was refloated in 1992 the BSC has expanded from 1,280 visas in 1993-94 to a program target of 5,000 in 1998-99 (see Table 1) The new selection system is more credible than its predecessor because it assesses each applicant on a range of characteristics considered relevant to running a business in Australia, including turnover in the business the applicant runs in the home country, age, knowledge of English and net assets. The outcome of the application no longer depends on the preparation of a business plan and a commitment to transfer thousands of dollars to Australia, as in the pre-1992 scheme. Only with the numerically small Investment-linked sub-class within the BSC is funds transfer now a factor. There is also an important element of accountability (previously missing) in that, for the main Business Owners and Senior Executives sub-categories, a successful applicant must, after arrival in Australia 'obtain a substantial ownership interest in an eligible business in Australia and participate at a senior level in the day-to-day management of this business'.¹² This business, at a minimum, must meet one or more of the following criteria:

- develop links with international markets
- create or maintain employment
- export Australia's goods and/or services
- substitute for goods and services currently imported into Australia
- introduce new or improved technology
- add to commercial activity and competitiveness in sectors of the Australian economy.

While it would be hard to think of a business activity which did not meet one of these criteria, the sting is that if the business migrant does not make a 'genuine' effort to establish a business within the first two years after arrival, DIMA will begin proceedings which could lead to the cancellation of the visa. A few business migrants have already lost their visas. Furthermore, in order to establish whether the new requirements are being met, BSC migrants are now required to supply a range of information about their activities at two and three year intervals after arrival in Australia.

In March 1998 the Coalition Government decided to review all its business migration related programs, including the BSC program. It has given the task to its Business Advisory Panel (BAP). The BAP membership is, without exception, drawn from private enterprise or representatives thereof. The terms of reference for the Inquiry state that:

In the light of likely continued softening in business entry grant outcomes and the dynamic nature of the global business environment, the Business Advisory Panel (BAP) is to examine the scope for adjusting current policy settings to achieve better outcomes, without compromising integrity of the process.¹³

If the BAP interprets these terms of reference as a cue to avoid a careful and critical review of the BSC program it would be a matter of concern. Data have only recently become available on the business performance of recent BSC arrivals. As a consequence there is now scope for an objective inquiry into the merits of the category.

The Canadian experience with business migration

There are some legitimate grounds for concern about the current BSC program. At various times both the Australian and Canadian Governments have expressed great faith in the performance of business migrants, especially those coming from Asia. But the evidence on outcomes is equivocal. Most business migrants to Australia have come from politically insecure societies, notably Hong Kong before the 1997 transfer to Communist China, and more recently from Indonesia and South Africa. Their motive for moving is political rather than commercial. It is therefore a moot point whether once in Australia they will behave as the aggressive entrepreneurs portrayed by some expansionists. Most of these business

migrants are used to the relatively unregulated (and untaxed) Asian setting, and have little knowledge of Australian business practices or labour-market regulations. It is asking a lot to imagine that they will rapidly achieve commercial success in Australia, or even that they will seriously try, given the difficulties. Also, though English is a factor in the new BSC selection system, according to the results of the formal test now applied to all principal applicants, a third of those visaed under the program since 1992 have not possessed functional English. Their task in setting up an Australian business must be especially onerous.

A recent important study by University of British Columbia geographer, David Ley, illuminates these issues and confirms some of the doubts expressed in earlier studies¹⁴ about the outcomes of Canada's relatively large business migration program. Ley has studied the business-migration community settled in Vancouver (one of the major points of settlement), most of whom came from Hong Kong in the 1980s and 1990s. The Canadian Government, throughout this period, has required business migrants to establish a business in Canada as a condition of the visa. But, in his focus group discussions with Hong Kong business migrants, Ley found that 'They were unanimous about the difficulty of doing business in Canada'.¹⁵ Many lacked good English, others found great difficulty coping with the differences in doing business between the Hong Kong and Canada. Many had brought substantial assets with them, and they often lived in salubrious neighbourhoods in 'prestige' houses. But most of Ley's interviewees indicated that they had been unable to establish a profitable business and, in many cases, were living off their investments or their capital.

These findings were confirmed through an examination of Canadian tax data. Ley had access to aggregate tax data showing the level and source of income reported by business migrants by time of arrival in Canada. On the basis of these data, Ley concludes that less than 50 per cent of the business class Principal Applicants landing between 1980 and 1995 reported *any* employment earnings whatever in 1995, with the median income from those who did being \$20,300. In addition, a small minority, though less than a quarter of those arriving after 1988, reported earnings from self-employment. But again, the amounts involved were very small. For those arriving after 1986 'at least one-third of PAs in business-class households have reported no earnings at all from either employment or self-employment'.¹⁶

The economic performance of business migrants in Australia

In Australia, performance data are now available from the mandated surveys of BSC migrants arriving since 1992. Though these data are for the most part un-audited accounts provided by business migrants themselves, they are a welcome source of information. The Coalition recently commissioned Access Economics, the Canberra-based economic consultancy, to review the program using the survey data. Its Report concludes as follows:

The BSC immigrants have performed very well in terms of the program objectives: they have strong international links, have created employment and generally added to the level of commercial activity in Australia. The fact that many are surviving in competitive international markets indicates that they operate competitive businesses. The BSC immigrants are actively engaged in the application of new technology and the introduction of new processes and/or products, especially in the manufacturing sector.¹⁷

This sunny account fails to mention any of the doubts deriving from the Canadian experience or the concerns outlined earlier. Nor does the account view the figures supplied to it with a sceptical eye. The following comments are largely based on the cohort of 472 BSC migrants who arriving in Australia in 1994-95. This is by the largest group for whom performance data are available after two years residence in Australia.¹⁸ Access Economics were also given some initial data on 1995-96 arrivals collected after two years in Australia. DIMA will

be releasing the full 1995-96 data set in January 1999.

In the case of the 472 BSC migrants arriving in 1994-95, at the end of two years, some 349 or 74 per cent reported that they were in business. Of these, the great majority had started 'new businesses' (which according to DIMA requirements must mean registered businesses) rather than purchasing established enterprises. Since most reported that their activities were in the wholesale or retail trade area, this could mean anything from major trading activities to local retailing.

The Access Economics report implies that these business activities are much more than small scale trading. Its evidence is presented in the form of average turnover and investment data. Thus, for turnover, it indicates that even for small scale firms employing staff of one to four (the great majority of firms established by BSC migrants during their first three years of residence), the average annual turnover was \$545,000.¹⁹ This is a substantial figure. But this average figure hides great diversity (and ignores the significant minority of BSC migrants not in any business). For the 1994-95 arrivals, 42 per cent of those in business reported a turnover level of \$100,000 or less, 16 per cent \$100,000 to \$250,000, 12 per cent \$250,000 to \$500,000 and the remaining 31 per cent \$500,000 plus (including three per cent with turnover levels of \$10 million plus).

It seems that the majority of BSC migrants were running tiny businesses, smaller than the proverbial corner retail store. A few, however, were running substantial businesses (assuming that their reports are correct), which helps explain the impressive average figure reported by Access Economics. The low turnover figures reported by the majority of BSC migrants are not surprising given that 45 per cent of 1994-95 BSC arrivals with an Australian business also reported that they spent six months or more overseas on their home business during their second year of Australian 'residence'. The low turnover data are also consistent with the investment levels reported. The median business investment on the part of the BSC migrants who had established a business after arrival in 1994-95 was just \$90,000.²⁰

It may be that, with further time in Australia, these BSC migrants will intensify their business activities. But, on the other hand, if a major motive for their visa application is to find a politically secure haven, they might be happier in semi-retirement or, as seems to be the case with many Canadian business migrants, be relatively unhappy in semi-enforced retirement. The question can probably only be resolved with more in-depth interviews such as those cited earlier in regard to the Canadian studies, or via access to taxation data similar to that now available in Canada.

Does it matter if the BSC program falls somewhat short of its proponents' expectations? Perhaps in order to pick up the minority of genuine successes we have to take in large numbers who add little to economic activity here. Alternatively a more tightly targeted scheme (including a requirement of functional English) might pick up the successes without the baggage of the semi-retired. The evidence available on BSC outcomes suggests that even the relatively modest (in numbers) scheme is recruiting a significant proportion of low performers. Our analysis, therefore, does not support the implication contained in the terms of reference to the current Inquiry that with the recent downturn in BSC applications the appropriate course is to soften the selection criteria.

Independent and Skilled – Australian Linked categories

From a narrow business perspective it might seem that the employer nomination and temporary entry programs would suffice, since at least in the latter case employers can hire skilled workers of their choice from overseas virtually without limit. Yet clearly business wants much more. It wants the overall stimulus which immigration provides. To this end, some form of relatively open Independent program is crucial. Restrictionists take the

opposite position. This is why outcomes for the Independent and SAL categories are so important in the immigration debate. The Coalition addressed the issue by initiating the first major inquiry into these categories since 1988.

The Inquiry into the Independent and SAL program

The Inquiry was initiated in 1997. By the time it began the Concessional program had been renamed (beginning mid-1997) as the Skilled – Australian Linked (SAL) program. The common element was a points concession given to applicants sponsored by relatives in Australia, mainly brothers and sisters. The main difference, is that under SAL, English was included as one of the criterion in the points test. The terms of reference for the Inquiry did not include issues about the scale of the programs, only their effectiveness in ‘selecting migrants who can quickly make a positive contribution to the Australian economy, labor market and budget’.

The Inquiry was run primarily from within DIMA, though with the assistance of an external reference group of five members. By the standards of the BAP the reference group was reasonably balanced, since it included a trade union representative and its head was the former Liberal MP Roger Shipton. Shipton died in January this year and his place was taken by John Hodges a former Liberal Minister for immigration. A Discussion Paper was issued by DIMA in December 1997 which canvassed the issues.²¹ Two pieces of research were commissioned, one an econometric study of the impact of immigration under different skill level scenarios,²² the other a study of migrant employment outcomes based on the 1996 Census.²³

Views on targeting

On the basis of its review of the economic literature, the Discussion Paper concludes that immigrants recruited under the Independent and SAL categories provide a beneficial boost to the economy. It cites approvingly a 1994 analysis commissioned by Bureau of Immigration Research prepared by Judith Sloan and her colleagues. This concluded that the main focus of these categories should be ‘general skill supplementation rather than some half-way attempt at specific skills targeting’.²⁴ Sloan et al approached the issue as expansionists convinced that such a policy would deliver major economic benefits. However the Discussion Paper notes that they did canvas the possibility of applying points penalties to occupations manifestly in oversupply.

In regard to the targeting issue, the Discussion Paper acknowledged the lack of a mechanism in the selection system to reject applicants with skills which are oversupplied in Australia.²⁵ The subsequent discussion, however, implied that the careful assessment of skills, English and age, progressively put in place since 1992 (along with a high pass mark) has meant that few successful applicants fail to find employment. It cited recent data from the Longitudinal Survey of Immigrants to Australia (LSIA) which supports this contention, particularly for Independent migrants. In the case of the SAL program there has been a sharp improvement in English skills. In 1994-95 some 65 per cent of Concessional category principal applicants (PAs) were assessed as not possessing vocational English. In 1997-98, the equivalent figure for the SAL category was 27 per cent. This figure will improve as new applicants are processed, partly because English is now included in the points test but also because almost all occupations eligible for selection, have, since mid-1997, been defined as Occupations Requiring English. For such occupations, English is a mandatory requirement. However, the issue of what to do about the continued selection of principal applicants in fields like school teaching, civil engineering, agricultural science, public relations, economics and university teaching where demand for the skills in question has been low, was left unexplored.

The research paper on employment outcomes for skilled migrants arriving in Australia between 1991 and 1996 was (unlike the LSIA sample survey) able to explore outcomes by qualification field (though not by immigration category within these fields). It showed relatively good outcomes for migrants with qualifications in fields like computing, nursing, accounting and most trades, that is, fields where the credentials in question are crucial to professional or managerial level appointments. There were some exceptions, including engineering and architecture, where demand for the skills has been low. On the other hand, employment outcomes were not nearly as good for migrants in fields like business management, the humanities or economics where credentials are only one of a number of qualities employers take account of in their recruitment decisions.²⁶ The research paper also showed that outcomes for Australian trained graduates, regardless of whether the graduate was born overseas or in Australia, were far better than for people trained overseas. This conclusion applied across all qualification fields.

The Review outcome

At the time of writing the final report of the Inquiry was still in press. However the Executive Summary and Recommendations were released on 27 August 1998. These Recommendations have been accepted as Government policy. A few have already been implemented and others are to be put before the Parliament shortly.

The Recommendations strengthen the role of certain threshold qualities which are believed to be indispensable to successful employment in Australia. These are English language skills, age and occupational skills. The latter term refers to professional or trade credentials acceptable in Australia along with certain experience requirements (noted below). Applicants who do not reach these thresholds will not be considered further. The language and age factors are relatively unchanged, though in the case of the language factor, applicants must meet a threshold standard in all four aspects of English skills tested. These are reading, writing, listening and oral communication skills. Previously candidates could have possessed poor skills on one of these aspects, (often oral skills which are crucial in the job market context) yet have still passed the language test.

For the skills component, however, a significant new points ranking is proposed. Instead of treating all professional and trade occupational skills as though they were of similar value in the labour market, the Inquiry recommends utilising the distinction between occupations tied closely to particular credentials and those which are not to create two skill tiers. Those in the first category (tier one) are to be allocated 60 points, while those in the second (tier two), are to be allocated 50 points. There is to be a third tier of occupations which only require Diploma qualifications and which are to be allocated 40 points. Those in tier one are required to have at least one year's relevant experience in the two years before application and those in tiers two and three are required to have two years experience in the three years before application. All other occupations receive no points. Since tier two occupations are likely to include economists, university lecturers, journalists, public relations officials and various other managers, all of whom have been selected in respectable numbers in recent years, the new system implies a significant new element of targeting. As an illustration of the way the classification will work, applicants who are university lecturers will be included in tier two because there is no professional body which accredits lecturers and because of the great diversity of knowledge (and other factors) relevant to such appointments.

Applicants will be required to take possession of an information package containing a list of gazetted occupations which will cover almost all professional and trade occupations. If their occupation is included they are required to check with the relevant accrediting agency in Australia to ensure that their credentials are acceptable (for example, with the Institution of Engineers in the case of engineering, and NOOSR where there is no designated professional or trade body). For occupations in the second tier, the assessment will be made largely on the

quality of the education involved. If their credentials are accepted, the applicants may then apply for selection at a DIMA post overseas. Since the Government will have the capacity to enter or remove occupations from the gazetted list, it can engage in a form of targeting by not gazetting occupations it considers are oversupplied in Australia, or for other reasons inappropriately dealt with in the Independent and SAL categories. Doctors will be excluded as will musicians and artists, (covered by the 'distinguished talents' category).

Which skills will get selected?

Assuming that the size of the Independent and SAL categories remain at present levels, most of those selected will be drawn from applicants with occupations classified in the 60 point first tier. This is because there is already a substantial application rate from persons holding such occupations. In addition, the proposed system adds an important new source of full-fee overseas students who will be able to apply on completion of their qualifications in Australia. Overseas students previously did not have this option because of a regulation stipulating that they must have first gain post-qualification work experience before applying for a visa.

The one-year work-experience requirement for applicants with tier one occupations is to be waived for those who apply within six months of completing their Australian qualification. Overseas students are likely to be youthful and proficient in English and therefore will be amongst the highest scorers. Since some 17,250 overseas students completed university courses alone in 1996, half in the business field (particularly accounting — a tier one occupation) and many others in computing and engineering (also tier one), the field of eligibles will be high.²⁷ Students from the 'newer' low-income country markets the universities are cultivating, like India and China, are very likely to apply. Also universities are certain to use the new migration privilege in their future marketing of Australian education.

The ramifications of these new rules concerning overseas students will be significant. If overseas students and universities respond as predicted, we could see an sharp increase in the range of courses aimed at capitalising on this new entry point for permanent residence in Australia. Overseas students with this intent will choose courses like accounting and computing with tier one status which offer good employment prospects in Australia. Australia gains the skills at foreigners' expense and, in the process, a better targeted Independent and SAL selection system, since these overseas students will replace migrants who can only offer overseas qualifications. As noted above, the commissioned research showed that employment outcomes have been far better for the former than the latter.

Nevertheless, there remain questions about whether the resulting inflow could crowd out local opportunity in the fields in question. It is now possible for residents to take full-fee courses in accounting, computing and so on. But given the limited capacity of locals to afford such courses there may be an incentive for universities (and the Australian Government) to expand their offerings in fields like accounting for overseas full-fee students rather than expand the number of Government-financed local places.

The outlook for applicants with skills classified in the 50 or 40 point tiers will depend on how they score on a series of new factors which DIMA proposes to add to the existing points test. These factors are as follows:

Five points for those who meet a redeveloped POL list — to be called the Migrant Occupations in Demand List (MODL). All such occupations will be drawn from tier one, however the criteria will not be as severe as for the POL. Present indications from staff of the new Department of Employment, Workplace and Small Business who will prepare the list, are that some 10-20 occupations may be included in the initial list.

- Five points for those with a firm job offer in an occupation on the MODL list from an Australian employer.
- Five points where the principal applicant's spouse meets the threshold criteria outlined above.
- For tier one occupations, ten points where the principal applicant has experience in the designated occupation for three out of the last four years. For other tiers five points for three years experience in a skilled occupation.
- Five points where the applicant has studied in Australia for at least 12 months and, as a result, has obtained a degree, diploma or trade qualifications. (This measure was implemented from 1 July 1998.) This factor virtually ensures that full-fee overseas students will be amongst the highest points scorers and thus are considered top priority in the new system.
- Five points where the applicant has work experience in Australia for six months or 'is fluent in any of Australia's major community languages as nominated by the Minister' or will bring a high level of capital with them to Australia. These criteria are not cumulative. That is, the total possible score for this factor is five points.

The points gained from these additional criteria will make it possible for some applicants holding second tier occupations to be selected, perhaps at the expense of some in the first tier. However this will not be because of any greater emphasis on targeting occupations in short supply or penalising those oversupplied. Relatively little weight is to be given to the new MODL list of occupation where shortages are evident. Within tier one occupations, location on this list gives a five point bonus. But this is less than the 10 points for those with three years experience in the designated occupation over the past four years. The only mechanism in place to disqualify the selection of migrants with occupations which are manifestly oversupplied in Australia is the gazetting power noted above. However it seems the intention is to use this power sparingly.

On the other hand, because the additional factors are unlikely to affect the dominance of first tier occupations in the selection process, the tiering innovation effectively adds a major new targeting dimension to the selection system. It means the effective exclusion of a number of second tier occupations like economists, university lecturers and 'managers' which are of dubious value in the context of Australia's overall skill priorities.

CONCLUSION

In terms of the debate about targeting, the Government has made some concessions to the restrictionist case for better targeting in the Independent and SAL categories, though not on the grounds that skilled migrants may diminish the career options for residents. In the case of the Employer Nomination and Business Skills categories, the Coalition has not applied the same hard-nosed reforming zeal to these categories that it has applied to the family categories.

The new priority given within the Independent and SAL categories to overseas students will have major ramifications for Australia's international education industry. As it responds to the new marketing opportunities opened up, we are likely to see further expansion in the number of overseas students here and a substantial flow thereafter into Australian employment. The universities gain and so too does the Australian economy through better targeted additions from migration to the labour market. The outcome for aspiring resident competitors in the fields migrants are likely to concentrate in, like accounting, is more problematic.

There is an implicit message to expansionists. It is that any big increase in the Independent and SAL categories will mean recruiting from the ranks of second and third tier occupations

where the job outcomes are not as good or as relevant to Australian needs. In other words, the benefits from skilled migration diminish as the scale of the program grows. The same point applies to the Business Skills Category. Even the relatively modest existing program appears to be delivering a high proportion of passengers unlikely to add much to Australia's economic dynamism.

The Government has also acknowledged what employers have been saying through their recruitment decisions, that is, the most valuable additions to the skilled workforce are Australian-trained. Thus there is an economic as well as a moral case to emphasise resident opportunity in labour market policies.

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