

**Submission
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SKILL SHORTAGES IN NSW

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Committee on Economic Development
INQUIRY INTO SKILL SHORTAGES IN NSW**

From Migration Institute of Australia (MIA)

Introduction

The MIA is the peak body for migration advice professionals, representing more than 2200 Registered Migration Agents as well as qualified Education Agents across Australia and overseas. The MIA holds interests in all areas of migration policy development and would appreciate the opportunity to contribute to future consultations regarding this Inquiry.

The MIA, whose members are intimately involved in the processes and processing of many people's applications to migrate to Australia, has an ongoing interest in Australia's migration processes being conducted in the fairest and most efficient manner possible, as well as in the fair and helpful treatment of Australian citizens and permanent residents who seek others to migrate to meet skills shortages or family requirements.

Our comments are confined to specific issues relating to migration and migration policy and do not canvass the important role of education and training within NSW which should also be considered in addressing skill shortages.

The Value of Skilled Migration

Skilled migration is the key to a thriving and cohesive economy. Since the 1980's skilled migration has overtaken family migration to form the majority of Australia's Migration Program.

Australia's Migration Program has become market driven. It links skills to jobs. Criticisms and weaknesses should not be reasons to drastically change a mostly successful program that responds to market demands. Australia has turned over large and increasing amounts of its Migration Program to skilled migration and despite rhetoric surrounding foreign workers there is currently no interest from major political party's to reverse that trend.

The *NSW Strategy for Business Migration & Attracting International Students* published in March 2012 has effectively outlined the value and contribution of skilled migration to NSW. The strategy seeks to leverage NSW position as a preferred location for international students, to better utilise their value to support the state's economic development through improved post study work rights and an expanded NSW sponsored skilled migration program. This strategy will counteract the projected decline in workforce numbers due to demographic factors and the loss of Australian born skilled workers to overseas as the workforce becomes more global in nature. This strategy is supported by the Migration Institute of Australia (MIA).

There are economic and social benefits to rural and regional NSW in attracting skilled workers from overseas. Many temporary skilled workers go on to become permanent

residents and stay employed within the community they first arrived. This has a positive effect on population and employment within the region as well as attracting skilled people who are able to pass their knowledge on to younger workers.

It should be remembered that sponsoring employers are the only employers who are required to demonstrate their commitment to using a percentage of their payroll to training Australian workers. This is not a general requirement of all Australian companies. Attracting skilled workers to rural and regional areas contributes to the intellectual base of a community as well as providing much needed money for training and education.

Identifying Skills Shortages

According to the ANU Demographer Peter McDonald the skills shortage is expected to peak in 2020 when it is thought all baby boomers will have retired. Once this group leaves the labour force there is expected to be a huge gap left behind. The demand for skilled workers will increase as will the demand for labour overall. For the next twenty years at least the level of immigration will have to be higher than it is now in order to maintain economic activity and tax base.

There has not been proper research carried out as to what strategies could be explored to address the current and future skills shortage. We must be able to identify where the skills shortages are in order to address them and we must have the opportunity to look overseas as well as locally to address these concerns. Skills shortages constrain development. Skilled migrants are a valuable addition to the state and contribute to developing a more skilled and trained workforce. The Migration Program is about getting the balance right between our economic and social objectives.

Demand driven skilled migration is highly responsive to labour market needs. In 2011/12 the skill stream accounted for 68 percent of the Migration Program. Ours is now a skilled migration heavy program, and one that rewards the most capable of delivering the precise qualifications and credentials our market driven economy requires.

The Department of Education Employment and Workplace Relations (DEEWR) produces the most reliable and regular reports on skill shortages in NSW and across Australia¹. This is supplemented by various industry and workforce research conducted by the Australian Workforce and Productivity Agency (formerly known as Skills Australia)². Companies need skilled workers now and quite often can't wait four or five years to train people. Migrants provide a good short term solution to fill skills shortages in NSW. It is also a good long term solution in attracting permanent migrants to settle outside of capital cities. In 2010 almost nine in ten people granted a permanent employer sponsored visa were people who had originally entered Australia as temporary skilled workers. These people are already settled and employed and have chosen to stay in their community.

¹ See National & State/Territory Skill Shortage Information at <http://deewr.gov.au/national-state-and-territory-skill-shortage-information#new-south-wales-skill-shortage>

² Refer <http://www.awpa.gov.au/Pages/default.aspx>

It is understood that NSW TAFE conducts workforce analysis in NSW to project future requirements for particular qualifications which is shared with NSW Trade & Investment to develop the NSW sponsored skilled migration program.

The limitations of these reports in developing the NSW skilled migration program need to be recognised. These reports are often out of date, it is difficult to accurately predict future labour demand, it is expensive to conduct regular labour market surveys by state or by region and new and evolving occupations often have different labels.

The NSW Government could advocate ensuring Labour Market Testing is not re-introduced and suggest that research and analysis be conducted by either local or state government. Those reports should be accepted by DIAC as demonstrating a skills shortage exists in a particular occupation or region.

Skill Shortages in NSW

A review of these reports shows unsurprisingly that skill shortages in NSW are similar to skill shortages reported across Australia. However these reports provide little detail on skill shortages in regional NSW. The DEEWR reports sometimes refer to shortages being in “regional NSW” or sometimes more specifically “in inland towns”. But they provide no further details.

Further analysis of skill shortages in regional NSW appears to rely on anecdotal evidence and the expertise of staff in Regional Development Australia (RDA) offices in regional NSW. Some are active in sponsoring skilled migrants under the NSW sponsored skilled migration program. The most active RDA offices in skilled migration are in ‘inland’ regions which more regularly experience skill shortages based on DEEWR reports.

Based on discussions of MIA members with NSW RDA staff, it appears that coastal areas of regional NSW are driven by different labour market factors than inland regions. Broadly, some coastal regions have experienced higher levels of unemployment due to ‘sea changers’ moving from the city and are suffering pressure from strong population growth. However some ‘inland’ regions are experiencing decline in population numbers and have difficulty in attracting skilled migrants. These regions suffer from shortages in lower skilled occupations that may not be easily addressed through the skilled migration program eg. farm hands and labourers and meat processing workers. It appears that this need is not being addressed through existing migration programs.

The NSW Government could nominate a department like the RDA or DEEWR to assist regions in conducting regular labour market analysis and regional infrastructure scans showing the availability of rental housing, education and medical services.

The Government could also make sure DEEWR NSW Skill Shortage list is recognised by DIAC as labour market analysis.

Strategies to Address Skill Shortages

For a variety of reasons there is unwillingness by some Australians to relocate to places where there is a shortage of skilled workers. Temporary and Permanent migrants are able to fill that gap.

NSW Public Service

The NSW public sector has reported shortages of skilled engineers and other professional staff in the past³.

To be appointed to a permanent position in the NSW public service applicants currently must be an Australian citizen or permanent Australian resident⁴. This discourages a range of skilled migrants on provisional visas (which lead to permanent residence) and temporary visas from joining the NSW public service:

- overseas students graduating in NSW on post study work rights/Temporary Skilled Graduate visas
- provisional regional skilled migrant visas;
- 457 visas;
- provisional partner visas
- other temporary visas.

Some NSW public service graduate programs also require applicants to be permanent residents. This is not very welcoming and inconsistent with the objectives outlined in the *NSW Strategy for Business Migration & Attracting International Students*.

The NSW public service will employ these workers on a temporary basis however this restricts the benefits to them of public sector employment driving them away from public service towards the private sector.

The NSW public sector could review its employment policies.

Regional Visas

Australia's skilled migration program has for many years had a regional component which was intended to provide greater opportunities for employers in regional areas of Australia to meet their skills shortages. These "regional" visas were characterised by having less stringent requirements.

When the Regional Subclass 457 visas were abolished by DIAC several years ago, employers were required to apply for workers under the Regional Sponsored Migration Scheme (RSMS).

Regional concessions for the temporary subclass 457 visa were removed several years ago, and in more recent times the changes to Regional Sponsored Migration Scheme (RSMS)

³ Refer NSW Public Sector Industry Training Advisory Body <http://www.psitab.com.au/careers/industry-profile/>

⁴ NSW Public Sector Commission: Personnel Handbook: March 2013 Page 40

The many changes to employer sponsored visas have seen such a tightening of requirements for English language, salary rates and work experience that “regional” visas are becoming less-distinguishable from “non-regional” visas, and it is becoming increasingly difficult for regional employers to employ overseas workers to meet their skills needs. This leaves employers in these regions vulnerable, exposed and unsupported by government programmes to assist them with expanding businesses and in turn the growth of the local and national economies.

Regional Migration Agreements as currently constituted by the Commonwealth Government are too costly and cumbersome for local authorities to implement and are not responsive to community needs or flexible. To obtain an RMA local proponents are required to:

- undertake labour market studies to evidence shortages
- prepare a training plan to address the shortage
- undertake an infrastructure scan to show that they can accommodate an increased population
- required to provide extensive information to migrants
- obtain the agreement of all regional stakeholders.⁵

NSW ‘inland’ regions report suffering from shortages of semi skilled workers in industries including agribusiness and meat processing. Regional Migration Agreements (RMAs) were designed by the Commonwealth Government to address such a situation. The *NSW Strategy for Business Migration & Attracting International Students* states that:

“NSW will work with employers and local communities to ensure Regional Migration Agreements play an important role in addressing acute skill shortages in the regions.”

It should be noted there have been no Regional Migration Agreements completed to date even though the initiative was launched over 12 months ago. This is stifling the potential for future growth for what is an important part of the community. The State should push to continue negotiations with the Commonwealth to achieve credible RMAs for the States rural, regional and remote areas.

The Government could work towards a more streamlined and cost effective approach to negotiating Regional Migration Agreements to allow NSW RDA offices to address shortages on lower skilled workers in ‘inland’ regions of NSW. The State may also wish to have discussions with the Federal Government regarding the unrealistic and costly policy settings for this visa category resulting in this program area not meeting regional demands or needs.

⁵ Refer DIAC Fact Sheet 48C on Regional Migration Agreements <http://www.immi.gov.au/media/fact-sheets/48c-rma.htm>

The NSW State Government should provide the Federal Government with details of how the increasingly stringent requirements for “regional” visas are adversely affecting regional businesses and economies in NSW.

Extend Post Study Work Rights in Regional NSW

Overseas students completing an eligible Bachelors Degree, Masters and/or Doctoral qualification in Australia are currently entitled to a visa granting them post study work rights for at least two years through the Temporary Skilled Graduate visa.

NSW Trade & Investment has in the past sought to attract overseas students studying in Sydney to consider settling in regional NSW with limited success. Research indicates that prospective migrants from non-English speaking backgrounds are less likely to consider living in a regional area. It also appears to be that younger workers are less likely to be attracted to settle in a regional area.

The Commonwealth Government currently encourages Working Holiday Makers to spend more time working in regional Australia by offering a second Working Holiday Maker visa to applicants who have undertaken at least three months specified work in regional Australia. A similar arrangement for former overseas students could encourage them to consider opportunities in regional NSW as they seek a pathway to permanent residence in Australia.

The NSW Government should develop a proposal to the Commonwealth Government to extend post study work rights for a further 12 months for Temporary Skilled Graduate visa holders who have lived and worked in a designated area of regional Australia for at least 12 months.

Promote the Benefits of Living in Regional NSW to Overseas Students

Most overseas students know little of NSW except Sydney. They have never considered the option of settling anywhere else in NSW. The new NSW sponsored skilled migration program offers most applicants sponsorship for the Skilled Nominated 190 visa which offers them permanent residence immediately and allows them to live and work anywhere in the state.

In the absence of any regulatory requirement or incentive to consider living anywhere else in the state, NSW Trade & Investment needs to develop a program in cooperation with NSW RDA offices and regional employers to promote the benefits of living in regional NSW to domestic and overseas students on university campuses so that all students are: aware of the option; have access to relevant information that they can consider, and; have a contact point for more information if required.

NSW Trade & Investment should develop a program to promote the benefits of living in regional NSW to domestic and overseas students.