

Changes to Australia's skilled migration program

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Australian National University

I acknowledge the First Australians on whose land we meet, and whose cultures we celebrate as among the oldest continuing cultures in human history.

We often hear that previous micro-economic reforms have laid the foundation of our current prosperity. Rarely do we hear recognition of the role played by Australia's skilled migration program. It is the unsung achiever of our prosperity. You might expect me as Immigration Minister to say that, but consider the following.

Six of the top ten countries which make up our skilled migration intake are also among our top ten trading partners, including the UK, China, India and South Korea. Migrants bring with them their networks, new ideas and an entrepreneurial spirit, and these open up new trade channels. Skilled migrants are also good for the Budget bottom line, adding tens of millions more to tax revenue each year than they consume in government services.

It is in the labour market where skilled migrants have the greatest impact. Migrants make up a quarter of the Australian population, but they account for around half of our doctors, dentists, IT specialists and chefs, and more than a third of our pharmacists, geologists, mechanical engineers and painters and decorators. Just imagine where Australia would be without them.

Australia's skilled migration program is among the best in the world, and key features of it, like our points-test based assessment, have been copied in the United Kingdom and several other European countries.

The reason these countries are actively pursuing skilled immigration is, like Australia, they too face the prospects of a shrinking labour force having to support a growing population of aged dependents. The long term impact of that demographic shift was highlighted in the recently released Intergenerational Report.

The findings of that Report are consistent with the work done by Professor McDonald from the ANU which has informed the development of the Government's longer-term planning framework for skilled migration. With other countries catching-on and catching up, now is not the time for us to stand still.

Australia's skilled migration program has served Australia well for many decades. It has delivered us thousands of highly skilled migrants who have enhanced our economy and enriched our society.

It is the case, however, that aspects of the program are rusty and in need of reform. Under the previous government's policy settings, Australia's skilled migration program has been delivering too many self-nominated migrants from a narrow range of occupations with poor to moderate English language skills who struggle to find employment in their nominated occupation.

I am therefore announcing today a staged set of major reforms to re-position the skilled migration program so that it best serves the needs of industry and of regional Australia, as well as meeting our economic and demographic goals.

Last year, 170 000 people applied to come to live and work permanently in Australia as a skilled migrant.

It is our very great fortune that so many young and talented people want to call Australia home.

The reality, though, is there are far more applicants for skilled migration at present than places available – 108 100 in this current program year. How then do we sensibly choose from among them?

The old system served everyone in order, just like pulling a ticket number from the dispenser at the supermarket deli counter.

That's fine if you intend to serve everyone and people don't mind waiting. But it doesn't make sense

when there is a limit on places and when we have immediate needs in our economy. What do employers do when they recruit? What do universities do when admitting students? They work out ways of selecting the best from those putting themselves forward.

The hallmark of a quality skilled migration program is the ability to target those applicants who have skills in need.

The imperative to do so became a lot sharper just over one year ago as Australia got drawn into the whirlpool of the Global Financial Crisis.

The Government acted decisively, cutting the 2008–09 skilled migration program by 14 per cent in March last year and giving priority to applicants sponsored by employers and those with experience in occupations that were still in critical shortage, despite the downturn.

In order to ensure unsponsored skilled migrants have a level of English language and the skills needed to immediately fill skill shortages, the Government also increased English language requirements for trade applicants and introduced a new Job Ready Program for onshore trade applicants, to bring the skills assessment up to the same standard as that used for offshore applicants.

The program requires applicants to demonstrate their job readiness through a four step process developed by the Department of Education, Employment and Workplace Relations in consultation with industry and unions.

It consists of a provisional skills assessment, an employment component, and a workplace assessment leading up to a final assessment. Those who held a suitable skills assessment prior to January 2010 will not be required to go through the Job Ready Program.

These measures are to ensure that applicants have the English language ability and the skills needed to work in their nominated occupation.

The measures I am announcing today continue the Government's reforms to shift the skilled migration program from the 'supply' driven system it inherited to a 'demand' driven system. We need to ensure that the program delivers the skills that are actually in demand in the economy, not just the skills that applicants present with.

A number of commentators have criticised me for leaving people in limbo under the priority processing arrangements. I say to them it is my duty in the national interest to give priority to those applicants who offer Australia the most.

If hospitals are crying out for and willing to sponsor nurses then of course they should have priority over the 12 000 unsponsored cooks who have applied and who, if all were granted visas, would flood the domestic market. In recent years, the skilled migration program has been skewed as the pool of applicants has become dominated by a handful of occupations.

The 'supply' driven system saw over 40 000 unsponsored visas issued to accountants over the last five years, yet a shortage of accountants persists, because many of these skilled migrants did not find work in their profession.

Since the introduction of the Critical Skills List, we have increased by over 50 per cent the number of registered nurses, GPs, mechanical engineers and secondary school teachers who migrated in 2009 compared with one year earlier, while at the same time cutting the number of accountants, cooks and hairdressers.

The result is a better balanced program, and one more attuned to labour market needs.

I recognise that many applicants want certainty around their status. We need a system that first and foremost responds to Australia's skills needs, and which balances flexibility with certainty. And we are taking steps to make that happen.

First, for persons who applied from overseas before September 2007, the Government has determined to end their uncertainty by withdrawing these applications. About 20 000 people fall into this category. The unfortunate situation was that these people applied when English language and work experience requirements were easier than they now are, and their backgrounds placed them low down the queue under priority processing arrangements.

As a result, they are unlikely to have ever been granted a visa. The Government will refund their visa application charge.

Second, I intend to bring amendments to the Migration Act for consideration by Parliament later this year to give me the power to set the maximum number of visas that may be granted to applicants in any one occupation.

That will prevent the situation we have at present where we have tens of thousands of people applying across a handful of occupations, all expecting a visa.

Third, I have asked my Department to explore the feasibility of introducing a new system where applicants initially put forward their claim for skilled migration, and are then selected as candidates by employers, by State and Territory governments, or by the Commonwealth.

That way we marry demand with supply, the best outcome for all concerned. That is what I mean by immigration being the job matching agency for the nation, connecting employers to the global labour market where skills cannot be sourced locally.

The Government's goal is to provide job and education and training opportunities to all working age Australians. We also need and support a strong skilled migration program, one which is primarily geared to meet the needs of industry.

That is why top priority in the program will continue to be given to employers who want to sponsor individual migrants. This "demand-driven" migration directs skills exactly when and where they are needed if they cannot be supplied by domestic labour. I am pleased to say that the sponsored numbers have grown from 29 per cent in 2007-08 to 53 per cent in the current year.

Employer sponsored migration sits within the overall number of places allocated each year by the Government for permanent skilled migration.

It follows that the more employers take up the opportunity to sponsor migrants, the fewer places are available for independent skilled migrants.

There will always be a place in the skilled migration program for highly skilled individuals who wish to migrate without an employer sponsor.

We need to re-set the bar for independent skilled migration, to target those of the highest calibre. The Government has decided to make a series of changes to re-set the bar.

First, as many of you would know, a review of the Migration Occupations in Demand List (or MODL as it is commonly known) was undertaken last year by my Department and the Department of Education, Employment and Workplace Relations.

After careful consideration the Government has decided to abolish the MODL and to limit eligibility for independent skilled migration to a more targeted set of occupations, those that meet our future skill needs.

The MODL is being scrapped because it had stopped meeting its purpose. It was backward looking when we need to be forward looking. It encouraged overseas students to train in particular occupations to make it easier to acquire permanent residence, in the process skewing the skilled migration program to a narrow set of occupations.

A 2006 survey of new migrants found that 18 months after acquiring permanent residence, half of those who came in via the MODL were employed in that occupation, but a third of them were either unemployed or working in an unskilled job.

In contrast, 80 per cent of migrants sponsored by an employer were working in a skilled job 18 months

later, plus they were earning \$16 000 more per year, on average, than those who had come in via the MODL.

We want to see migrants put their skills to good effect. Skilled migration counts for nought if migrants end up unemployed or not in a skilled job. It is as bad for Australia as it is for the migrant.

The scrapping of the MODL takes immediate effect. A new, more targeted, Skilled Occupations List, to be drawn up by Skills Australia, will be introduced from the middle of this year.

The Critical Skills List, which was always intended to be an interim measure, will also be phased out at this time.

Let me explain the Government's approach here.

These new arrangements bring the skilled migration program into the fold of national skills planning.

There are plenty of occupations where there is an adequate supply of young Australians coming through our schools, TAFEs and universities to take up new job opportunities. They must be given priority to fill these vacancies.

There are some occupations, though, where we can't afford to risk them being in short supply. Country towns can't do without a local GP or mechanic. The Government's infrastructure program is going to require plenty of professional and trade skills.

The Government established Skills Australia for the express purpose of thinking through the skills we need as a nation.

As part of its national workforce development strategy, Skills Australia has identified the specialist skills we need to plan for.

These are occupations where the skills take considerable time and diligence to acquire, where there is every likelihood that the skills will be deployed as intended, and where the cost to the economy and local communities of the skill being in short supply is great.

Skills Australia will draw up the new Skilled Occupations List, based on their detailed assessment of these specialist skills and on the basis of evidence provided to it by my Department and the Department of Education, Employment and Workplace Relations on the labour market prospects for those occupations.

The list will be reviewed on an annual basis, but I expect the changes from one year to the next to be slight. This will avoid the volatility experienced under the MODL, when occupations were frequently added and removed.

The new direction will give greater certainty to all concerned. The new list will be published by the end of April so prospective migrants have a couple of months forewarning before it takes effect.

With occupational bonus points no longer available via the MODL, I expect to see a wider mix of professions and trades coming through as independent skilled migrants to supplement the national skills base.

The second change to target high calibre independent skilled migrants is through the points test used to assess applicants. The current points test, like the MODL, was designed in an earlier era, before we had the suite of sponsorship options now open to employers and State and Territory governments.

As independent skilled migrants, by definition, do not have a job to come to, we need to be supremely confident of their chances of success.

Evidence shows that the best way of doing that it is to select those most likely to quickly secure skilled work: on the basis of their knowledge and experience and proficiency in English.

I am not confident that the current test is selecting the best. For example, a Rhodes Scholar would not pass the points test if he or she took a degree in chemistry or mathematics or economics. On the other hand there are several occupations – cooks and hairdressers come to mind – where international students can study in Australia, acquire qualifications in the space of 92 weeks, and be on the road to

permanent residence shortly thereafter.

I am therefore instituting a review of the points test with the following considerations in mind:

should some occupations warrant more points than others?

are the points for age properly calibrated?

should points be awarded for qualifications acquired overseas from prestigious universities?

are sufficient points awarded for experience?

should more points be awarded for excellence in English?

A discussion paper will shortly be released by my Department and consultations will be held with key stakeholders.

The review will report to Government later this year, with changes to be given effect as soon as possible thereafter.

I have spoken so far at the national level. Below the national level there are a great many regional differences across the patchwork of Australia.

The reality is the Australian labour market is made up of hundreds of local, State, national, industry and occupational labour markets that intersect across all of these levels.

National skills planning cannot accommodate all of these variables. But we need migration mechanisms that allow local needs to be met.

Employer sponsored migration is one such way. Another is nomination by a State or Territory government.

In 2008–09 State and Territory governments nominated 14 000 skilled migrants to meet particular needs, including those of regional Australia.

I recognise also that the states and territories play an enormously important facilitative role in helping to settle and integrate new migrants, including assisting migrants with job search and information on job prospects.

The Government's view is that the State and Territory governments should, within overall parameters set by the Commonwealth, have an ability to select skilled migrants that meet the skills needs of their jurisdiction.

I announce today that I have invited each of the State and Territory governments to draw up State Migration Plans. These plans will form bi-lateral compacts to frame the level and type of skilled migration sought over a rolling four-year period. The best plans are likely to be those that are framed within an economic development perspective.

Where they have labour market evidence to support it, the states and territories will be able to nominate occupations that do not feature on the new, more targeted Skilled Occupations List.

Under new priority processing arrangements that take effect from today, migrants nominated by a State and Territory government under their State Migration Plan will be processed ahead of applications for independent skilled migration.

The changes announced today will apply prospectively. All persons who applied for independent skilled migration since September 2007, as well as holders and applicants of skilled graduate visas will be treated under existing arrangements.

That means, for example, they can still get MODL points and still be eligible for a visa under the existing Skilled Occupations List even if their nominated occupation does not feature on the new list from the middle of this year.

I reiterate though that priority processing arrangements which favour employer sponsored migrants and those nominated by State and Territory governments will remain in place.

The Government recognises that scrapping the MODL and introducing a more targeted Skilled Occupations List will affect some overseas students currently in Australia intending to apply for permanent residence.

It is worth noting that the changes will in no way impact on the many international students coming to Australia to gain a qualification and then return home.

Where their course qualifies them for an occupation that will remain on the Skilled Occupation List from mid- 2010, as determined by Skills Australia, they will continue to be able to apply for an unsponsored skilled visa as is currently the case.

Where their course qualifies them for an occupation that will be removed from the Skilled Occupation List, as determined by Skills Australia, they will no longer be able to apply for an unsponsored skilled visa. These international students will have a pathway to permanent residence but will now have to focus on gaining skills and work experience and then finding an employer willing to sponsor them into a job using those skills.

The same applies to those offshore who have an occupation that is removed from the Skilled Occupation List. A pathway remains for these occupations, but it is targeted on skills in demand by employers.

In recognition of the impact of this change, those international students who currently hold a vocational, higher education or postgraduate student visa will still be able to apply under existing arrangements for a temporary skilled graduate visa on completion of their studies.

A skilled graduate visa allows former students to spend 18 months in Australia to acquire work experience. This period will provide them with an opportunity to seek sponsorship from an employer under the Employer Nomination Scheme. This transition arrangement will run through to the end of 2012.

These measures follow the changes made in 2001 and 2005 by the Howard Government, which gave international students the right to stay onshore after lodging a permanent visa application and also gave them bonus points for permanent residence regardless of whether or not they have the qualifications and skills needed by employers.

The situation has been made worse by unscrupulous migration agents misleading many international students into believing that completion of a course in Australia gave them an automatic entitlement to permanent residence. It does not and it will not. A student visa is just that: a visa to study.

Those earlier changes resulted in a significant increase in Australia's net migration levels, with international students being the single largest contributor to Australia's NOM for the last three to four years.

I appreciate that the changes announced today will affect some education providers. My view is that quality providers will continue to prosper if they focus on their core business of delivering high quality courses to both Australian and overseas students.

Let me close by saying I am extremely proud of our skilled migration program. It has delivered great benefit to Australia over more than three decades.

Australia continues to want skilled migrants be they from India, the United Kingdom or China – our three largest source countries – or elsewhere. Without migrants, our workforce would begin to shrink from the second half of this decade, as the cohort of baby boomers retires from work.

The Intergenerational Report 2010 shows the economic impact that this ageing of the population will have into the future and the potential role for migration.

The announcements I have made today – a set of reforms to occupational targeting, to be followed by a second set later this year around the points test – will deliver Australia the skills it needs.

It will direct skilled migrants to places when and where they are needed through employer sponsorship and nomination by State and Territory governments.

They will be supplemented by high calibre independent skilled migrants, chosen through a recalibrated points test, and in line with the nation's future skill needs as determined by Skills

Australia.

We want skilled migrants on terms that work both for Australia and for the migrants themselves. We need a program with integrity and direction.

Thank you.