



SUBMISSION ON THE MIGRATION REVIEW

A MIGRATION SYSTEM FOR AUSTRALIA'S FUTURE

15 DECEMBER 2022

Prepared for the Independent Strategy Leads
by VETASSESS

FOREWORD

In the post World War II era, “populate or perish” was the rallying call of Australia’s first Minister of Immigration, Arthur Calwell. He viewed migrants as central to expanding the productive capacity of the nation and creating jobs for all.¹ His comments were prescient, as the economic boom that followed was sustained into the early 1970s.

While “perish” is perhaps too harsh a word to describe the situation facing Australia today, there is a very real risk of an economic downturn, as failure to expand the nation’s productive capacity leaves all the heavy lifting to the alternative of slowing demand and reining in inflation through monetary policy measures. This is the imminent risk.

The consequences of inaction in the longer term are much greater. If nothing is done, today’s problems will seem tiny in the future as Australia’s population ages and productivity growth continues to be slow, to say nothing of the many other developments challenging the state of affairs that are left behind for future generations.

As Australia competes for talent with countries such as Canada and the United Kingdom, we have a unique opportunity to build on our strong foundations and history of migration by making the right choices. It is VETASSESS’ view that while many refer to Canada, important elements of their approach have created poor outcomes as highly skilled migrants wind up in jobs mismatched to their skill levels, and their earnings relative to locals are far lower in Canada than in Australia.

To rise to the challenges and take greater advantage of the opportunities, it is imperative that Australia both develops its local talent *and* attracts and retains global talent. VETASSESS’ recent submission on the Commonwealth Treasury’s Employment White Paper traverses both. This submission complements and expands on the points raised there on migration system reforms. I commend the wisdom of Government in recognising that a system of migration that has served Australia well in the past does not mean that it is fit for the future.

VETASSESS is Australia’s largest skills assessment provider, authorised by the Commonwealth Government. We are recognised for our expertise in assessments built up over two decades of assessing the credentials and work experience of prospective migrants, and supporting individuals’ applications for employment, course entry and industry membership. We assess more than 350 professional occupations and 28 trade occupations from a cross-section of industries. We are, therefore, uniquely positioned to share deep insights into how to co-design a migration system that can attract and retain skills Australia needs for a brighter future.

¹ Caldwell, A (1946) Immigration means more – not less- work, Information for the Sydney Standard.

This submission is structured around the questions posed in the Discussion Paper shared on the Department of Home Affairs' (DoHA) website.

The recommendations reached in the final section, which are brought together in one place on the following page, speak to many of the elements the Discussion Paper identifies on page 3 as core to a future-focussed and transformative strategy.

Selective elements of a future focussed and transformative strategy	Recommendations
improve economic growth, particularly through increased productivity, innovation and entrepreneurship	1, 3, 7, 8, 9, 10
complement domestic education and training efforts, including through better utilisation of migrant skills	5, 6, 11, 12, 13, 21, 22
strengthen Australia's international partnerships and regional interests	8, 9, 13, 19
ensure the integrity of the Australian labour market through strengthened compliance with labour standards and minimising the potential for migrant exploitation	7, 17, 20
take social licence into account	4

Please contact me directly if this submission raises any matters that you wish to clarify or discuss. I invite the Independent Strategy Leads to include VETASSESS in their targeted direct consultations planned for January-February 2023.

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Recommendations

VETASSESS advises that the Independent Strategy Leads recommend to the Government that it:

Embed positive recent developments

1. **maintain** a large skilled migration planning level;
2. **maintain** the increased level of resourcing for visa processing;
3. **implement** extended post-study work rights;

Start doing

4. **reinforce** public awareness of the labour market and broader benefits of skilled migration;
5. **transition** to a single skilled migration occupation list, populated by occupations that either target areas of skill shortages and/or enhance the nation's human capital, based on an Australia and New Zealand Standard Classification of Occupations (ANZSCO) that is reviewed and updated on a regular cycle;
6. **alter** that list on a case-by-case basis if triggered by substantive change;
7. **require** that all prospective migrants seeking residency through skilled pathways are subject to a skills assessment and a minimum migration points threshold;
8. **review** the criteria used for merit-based assessment;
9. **analyse** the options for streamlined intracompany transfers;
10. **end** the fallacy that all international students are 'genuine temporary migrants';
11. **enable** the independent verification of the skills of refugees;
12. **provide** settlement services that include and extend beyond assisting migrants find roles suited to their interests and talents;
13. **do more** to assist and promote prospective migrants in key source countries to meet Australia's skills expectations;
14. **invest** in digital solutions to automate those parts of visa processing that lend themselves to automation;
15. **deploy** Department of Home Affairs' (DoHA) resources to provide feedback on the status of visa applications;
16. **remove** the requirement to test again the English proficiency of applicants already in Australia, particularly if their initial test has lapsed through no fault of their own;
17. **extend** entitlements to welfare support and disaster relief to temporary residents;
18. **increase its investment** in repairing brand Australia;
19. **create** a program for people displaced by climate change and a visa of last resort;
20. **require** that assessment is outsourced only to bodies with a demonstrable track record in providing migrant assessment processes that are robust, coherent, transparent, reliable, fair, and non-discriminatory;

Don't do

21. **not introduce** an income threshold; and
22. **not make** a jobs matching platform a central feature of Australia's reformed migration system (but could situate it outside of, and as a complement to, the system).

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1. WHAT CHALLENGES AND OPPORTUNITIES DOES AUSTRALIA FACE IN THE COMING DECADE?

These are unprecedented times. Skill shortages are at an historical high. Population ageing and slow productivity growth mean that, in the absence of action, this situation will go from bad to worse. Jobs are changing at rates never seen before and that we are unlikely to ever see again. Government debt, if not paid off, will create a burden for future generations. And, it may not be 'just' Government finances that are left in disarray, but potentially the planet. Climate disasters are already displacing people in our regional neighbourhood. The economic growth potential of some of Australia's other regional neighbours is large, challenging Australia to think geostrategically about how it can share in their prosperity. This Section walks through these challenges and opportunities in turn. The next identifies the roles migration can play in taking them on.

The imminent challenge is skill shortages

If there was ever any thought that the media and employers are overplaying the skills shortage, Figure 1 can leave you in no doubt. Captured is the number of persons unemployed per job vacancy. Over the period of more than 40 years shown, this ratio has never been as low as it is currently: there is a mere one person unemployed per vacancy. And the trend is down. This is obviously problematic if persons unemployed do not have the skills that match what employers are looking for.

Figure 1 Skills shortage hits an historical high

Number of unemployed per job vacancy



Sources: Derived using Australian Bureau of Statistics (ABS) (2022) Labour Force, Australia, October and ABS (2022) Job Vacancies, Australia, September.

Note: The break in the chart reflects a suspension on the ABS's job vacancy survey between May 2008 and November 2009.

It is not just one or two states or a handful of occupations that are impacted. The shortages are nationwide and affecting a growing number of occupations. The latest Skills Priority List² reveals that the number of occupations in shortage has jumped from 153 in 2021 to 286 in 2022. That means that nearly a third of the 914 occupations listed are experiencing shortages. Of the top twenty occupations assessed to be in demand, VETASSESS is familiar with the struggles of more than half, as applications for assessment either come to it directly or, for the trades, are outsourced to it from Trades Recognition Australia (TRA). As the biggest, longest serving and sometimes exclusive outsourced provider of assessments to TRA, VETASSESS has built a significant body of knowledge on and insights into the current state, challenges and opportunities within the VET sector.

Table 1 VETASSESS understands the struggles of over half of the top occupations in shortage

Top 20 occupations in demand ¹	Vacancies ²	Assessment Provider ³
Registered Nurses	9,184	ANMAC
Software and Applications Programmers	7,563	ACS
Aged and Disabled Carers	5,283	VETASSESS for DAMA programs
Construction Managers	5,030	VETASSESS
Child Carers	4,722	ACECQA
Motor Mechanics	4,355	VETASSESS via TRA
Retail Managers	4,300	VETASSESS
Chefs	4,396	VETASSESS via TRA
ICT Business and Systems Analysts	3,650	ACS
Metal Fitters and Machinists	3,552	VETASSESS via TRA
Cooks	3,168	VETASSESS via TRA
Electricians	3,333	VETASSESS via TRA
Civil Engineering Professionals	3,200	EA
Contract, Program and Project Administrators	2,802	VETASSESS
General Practitioners and Resident Medical Officers	3,359	MedBA
Early Childhood (Pre-primary School) Teachers	2,470	AITSL
Physiotherapists	1,455	APC
Mining Engineers	1,027	EA
Gardeners	1,052	VETASSESS via TRA
Internal Auditors and Company Secretaries	909	VETASSESS
External Auditors and Corporate Treasurers		CAANZ, CPAA, IPA

Sources: 1. National Skills Commission (NSC) (2022) Skills Priority List, October; 2. NSC (2022) IMI DATA Detailed Occupation March 2006 Onwards, November; 3. DoHA website.

Notes: 1. Based on a combination of skills shortages, current job vacancies and projected employment growth over the next five years; 2. Three month average to October 2022 of jobs advertised; 3. Revised.

² National Skills Commission (NSC) (2022) Skills Priority List.

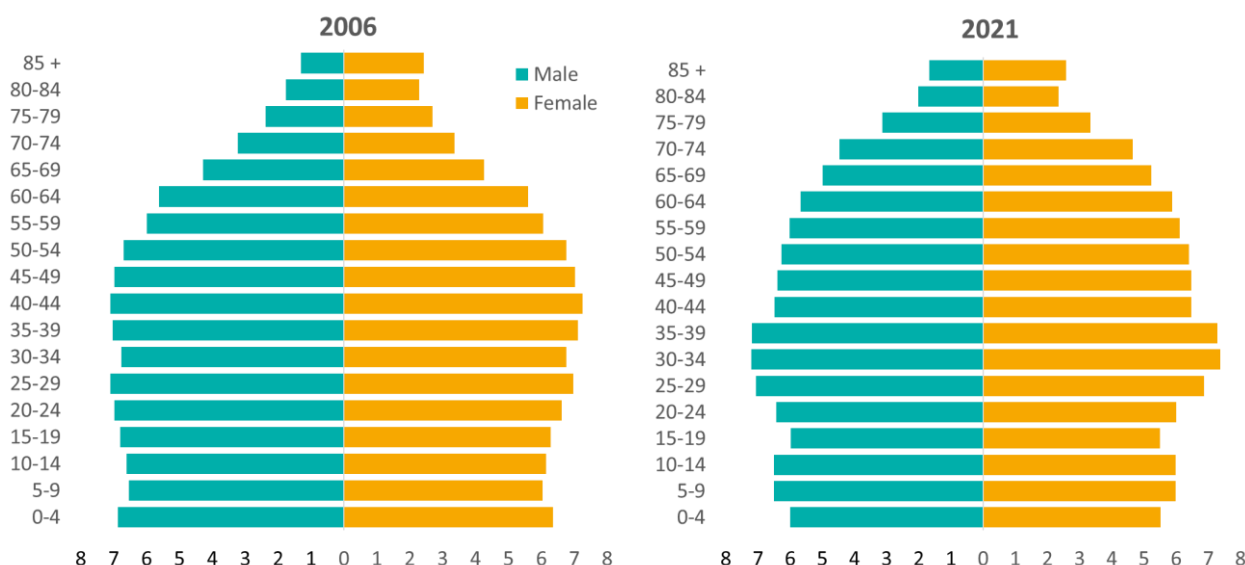
Failure to act now to quickly build Australia's productive capacity means that Australia is facing the risk of recession. This is because other means of building capacity, such as supporting greater labour force participation of important cohorts, such as women, developing local talent, or otherwise lifting productivity through technology and other innovations, while vital, take time. They are not quick fixes. The only remaining policy lever that can be quickly pulled is monetary policy. By slowing the economy monetary policy measures can rein in inflation as there would no longer be too much money chasing too few goods. But overcook it, then a slowdown can turn into a downturn.

Left unchecked, population ageing will exacerbate capacity constraints

Australia's greatest demographic challenge is its ageing population caused by increasing life expectancy and falling fertility rates.³ The reason why is because as the population ages, there will be fewer people of working age relative to the number of older Australians.

This is already happening. Figure 2 compares the population pyramid derived from the latest 2021 Census data with a pyramid derived from equivalent data for 2006. In the space of 15 years, Australia has lost weight around the middle. This is one of the few circumstances where weight loss is not a good thing.

Figure 2 Australia's loss of weight around the midriff is not good
 Share of population by age bracket, percent



Source: Derived from Census data for 2006 and 2021 using ABS's TableBulider Pro.

³ Commonwealth of Australia (2021) 2021 Intergenerational Report, p 13.

In 2006, 67 percent of the population was working aged. That is, aged between 15 and 64 years old. Thirteen percent were aged 65 years or older. By 2021, the working aged population had shrunk by two percentage points to 65 percent. And the share aged 65 years or older had climbed by four percentage points to 17 percent. That means proportionately less people to work, earn money and pay taxes and, thereby, support a dependent and growing population of retirees.

In the next Section we return to this topic and consider alternative futures with and without net migration and how that causes a weight gain or loss.

Slow productivity growth is expected to be the norm

Following the 1990s recession, productivity was an early force behind Australia's return to growth. Multifactor productivity averaged 1.4 percent between 1994-95 and 2004-05. However, since then it has been in the doldrums. It has averaged around only 1.2 percent over the past two decades. The slowdown is broad-based across all industries. The October 2022-23 Budget is premised on the assumption that low growth will continue as structural change towards service industries provides less room for productivity gains, and due to the costs of a changing climate and diminishing returns from past reforms.⁴ But, as becomes apparent in the next Section, this does not have to be a fait de accompli.

There is a multiverse of different futures of jobs

Jobs are not a constant. They come, they change and they go as global engagement shifts, consumer preferences evolve, technology advances, employers adopt new and innovative ways of doing business, and employees alter their work habits. Switchboard operators, milkmen and typists are jobs that no longer exist, but will be in the living memory of many. Bank tellers and travel agents continue to exist but in much fewer numbers as we can cater to our own needs online. So called 'stable' jobs are generally anything but. While job titles may be unchanged, job expectations rarely are. Being digitally literate, for instance, is now a baseline expectation of most jobs. Further, new jobs have emerged that did not exist in the past, such as data visualisation experts and AI and machine learning specialists.

The future of work is not now, it has not arrived, as some have argued,⁵ and it never will. Certainly, a state that is different from the past has. However, the contention here is that the future of work is not a fixed point in time. It is always ahead of us. And, if COVID-19 has taught us anything, there is a multiverse of alternative futures where a disruption, like a pandemic, may have the power to change or accelerate trajectories.

The challenge is to grow locally and access globally the skills that Australia needs for this rapidly changing and uncertain future of work.

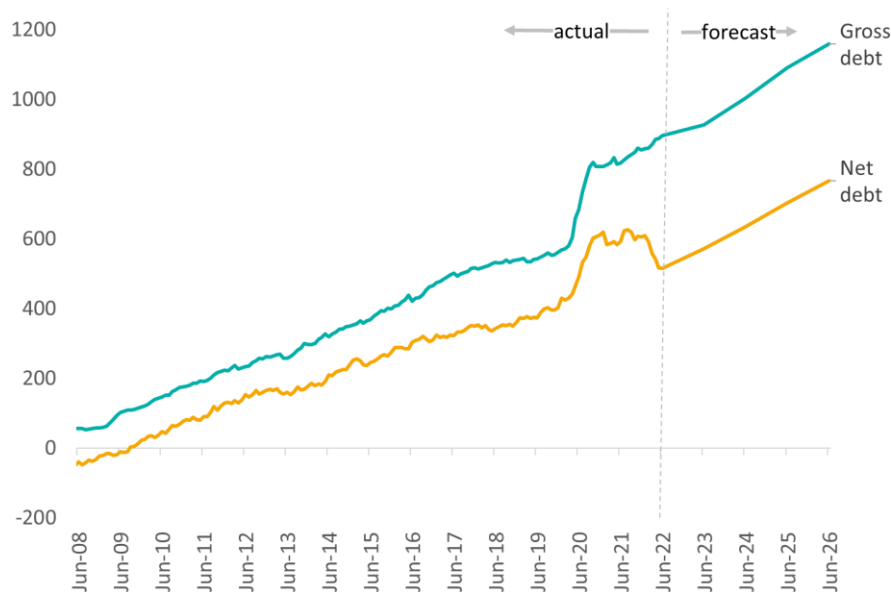
⁴ Commonwealth of Australia (2022)) Budget Strategy and Outlook, Budget Paper No 1, Budget October 2022-23, Box 3.3.

⁵ EY (2019) Stop talking about the future of work, and more recently, National Skills Commission (2021) State of Australia's Skills 2021: now and into the future.

Australia's indebtedness risks impacting our children's futures

Net debt, which takes account of the Government's financial assets and liabilities, provides a broad measure of its financial obligations. The Government has never been more indebted than what its own Budget night forecasts suggest it will soon be: net debt is forecast to grow from \$515.7 billion in the 2021-22 fiscal year to be almost half as big again at \$766.8 billion by 2025-26. Figure 3 illustrates the Government's increasing indebtedness.

Figure 3 The Government has become increasingly indebted
 Billions of dollars



Sources: Actual gross debt: Australian Office of Financial Management; actual net debt: Department of Finance monthly statements; forecast gross and net debt: Commonwealth of Australia (2022) Budget Strategy and Outlook, Budget Paper No 1, Budget October 2022-23.

Government debt matters. There are at least three reasons why.⁶ The first is because it imposes significant costs on taxpayers both now and in the future. Debt cannot endure indefinitely. It must be paid off at some point in the future. This requires either higher levels of taxation, reducing wealth and income, or lower levels of Government spending. By increasing debt today, the Government is effectively borrowing from the wealth of future generations to pay for current expenditure. This is not intergenerationally equitable.

The second is because interest payments impose an ongoing cost on taxpayers until the total debt is paid off. The interest bill is now the fastest growing expense in the Budget, with annual payments tipped to hit \$70.5 billion in the next decade.⁷

⁶ Refer Hussey, C and Wallace, K (2021) Selling Australia's Future: Why Government Debt Matters and How to Return to Surplus, Institute of Public Affairs, for an expanded discussion on these and other reasons why Government debt matters.

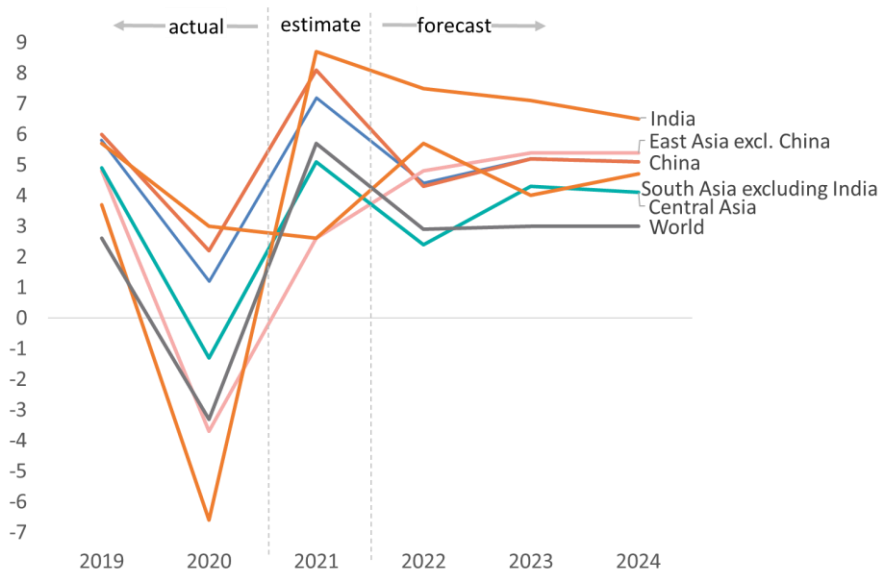
⁷ Mizen, R (2022) The fastest growing 'cost bomb' in the budget, Australian Financial Review, 25 October.

And the third is because the issuance of government debt puts upward pressure on interest rates that can crowd out private investment and, in turn, negatively affect economic growth.

Growth is happening in our regional neighbourhood

Although the COVID-19 pandemic caused hardship for all countries, Asian countries have proven to be resilient. As Figure 4 suggests, they are forecast to rebound over coming years, growing at rates that outpace the rest of the world.

Figure 4 Growth in Asian countries expected to outpace the world
Real GDP, percent change from previous year



Source: World Bank (2022) Global Economic Prospects, June.

While Australia is fortunate that this growth is occurring in its region, fortune alone is insufficient for Australia to share in the growth. It needs to maintain positive and strong relations with its regional neighbours. This is where its system of migration has a part to play.

Climate-related disasters are displacing our regional neighbours

Nations across the globe have historically pursued unconstrained economic production enabled by unconstrained greenhouse gas emissions, including Australia and our regional neighbours. This is no longer tenable as it is generating physical changes in the climate that negatively affect the environment and place at risk economic growth and quality of life.

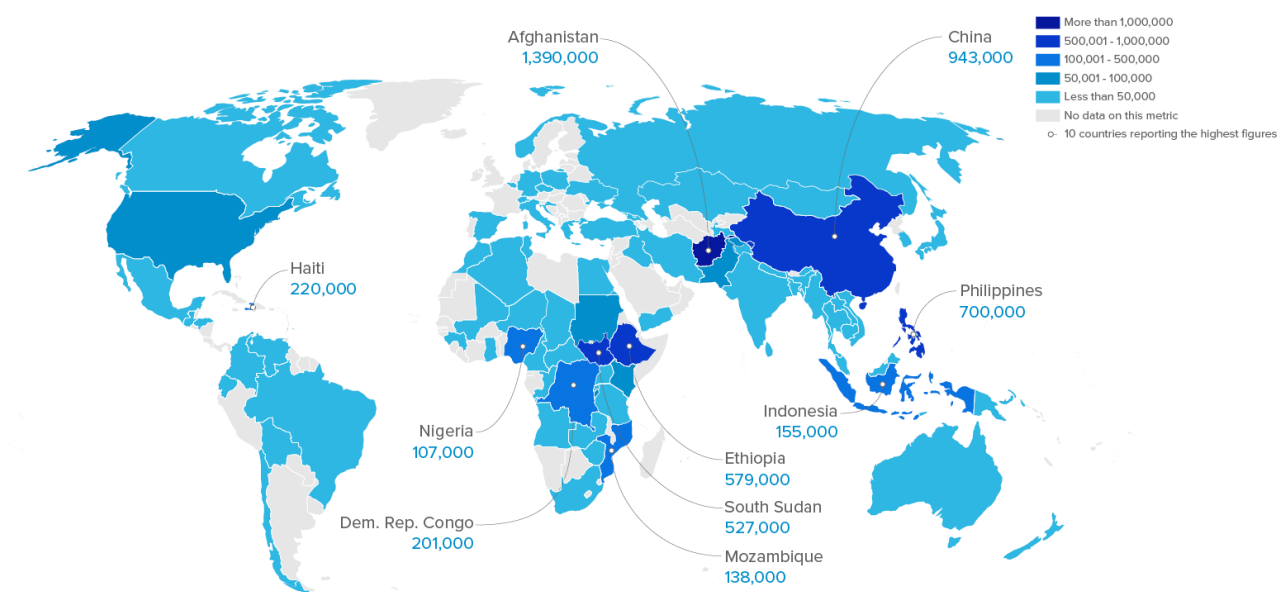
Australia, along with other nations across the globe, is changing its ways. Australia's emissions reduction target of 43 percent and net zero emissions by 2050 are embedded in legislation.

But for many nations, change has not been happening fast enough. Disaster has not been avoided. Major climate-related disasters almost doubled in the last twenty years as greenhouse

gas emissions have climbed.⁸ Disasters accounted for more than half of internal displacements worldwide in 2021: 23.7 million people across the globe were displaced because of disasters.⁹ Weather-related disasters accounted for the majority of these, with floods and storms jointly causing 21.6 million displacements. Figure 5 shares a heat map on the magnitude of global impact. Many of those who are affected are in Australia's regional neighbourhood. Inhabitants of developing island states in the Pacific are amongst those most at risk of being displaced by disasters.¹⁰ As extreme weather events become more common in a changing climate, ever more people are at risk.

Figure 5 Large numbers have been displaced due to disasters

Internal displacements by disasters as at 31 December 2021



Source: IDMC (2022) [Displacement, Disasters and Climate Change](#).

Beyond displacements caused by the sudden onset of hazards, there are increasing numbers of new displacements associated with the slow onset of climate hazards. Pacific Islands, such as Kiribati, are slowly being swallowed up by rising seas.¹¹

When the impacts of climate change, slow-onset environmental change or unsustainable land use make an area uninhabitable, sometimes returning home is not an option. Australia has a moral obligation to assist those impacted in its regional neighbourhood.

⁸ Internal Displacement Monitoring Centre (IDMC) (2021) GRID 2021: Internal displacement in a changing climate.

⁹ IDMC (2022) Displacement, Disasters and Climate Change.

¹⁰ *Ibid.*

¹¹ Lee, J (2018) New Zealand Creates First Climate Change Refugee Visa Program, Triple Pundit, 31 January.

2. HOW CAN MIGRATION CONTRIBUTE TO THESE CHALLENGES AND OPPORTUNITIES?

A well-functioning migration system can contribute to these challenges and opportunities by attracting and retaining migrants to:

- ease skill shortages over the short, medium and longer terms;
- counter population ageing;
- provide a productivity uplift;
- help improve Australia's fiscal situation;
- foster positive regional relations; and
- offer, as a last resort, refuge from their climate impacted origins.

This Section expands on each of these points in turn.

Migrants can ease skill shortages over the short, medium and longer terms

The previous Section left little doubt that skill shortages are very real, nationwide and impacting a growing number of occupations. A well-functioning migration system brings in people with skills that employers are unable to source locally.

It also anticipates and is part of the solution to providing skills that are expected to be in shortage over the medium to longer term. It is attuned to where there are new and growing skill needs, such as digital marketing specialists and biotechnicians, as technology evolves and other disruptions transform the future of work.

For these claims to hold requires a system of migration that can assess where these skills shortages are, forecast where they are emerging, and which has the agility to accommodate both. In the next Section we discuss how the current approach to skilled migration occupation lists assists these ends. In the final Section we propose changes that would improve their operation.

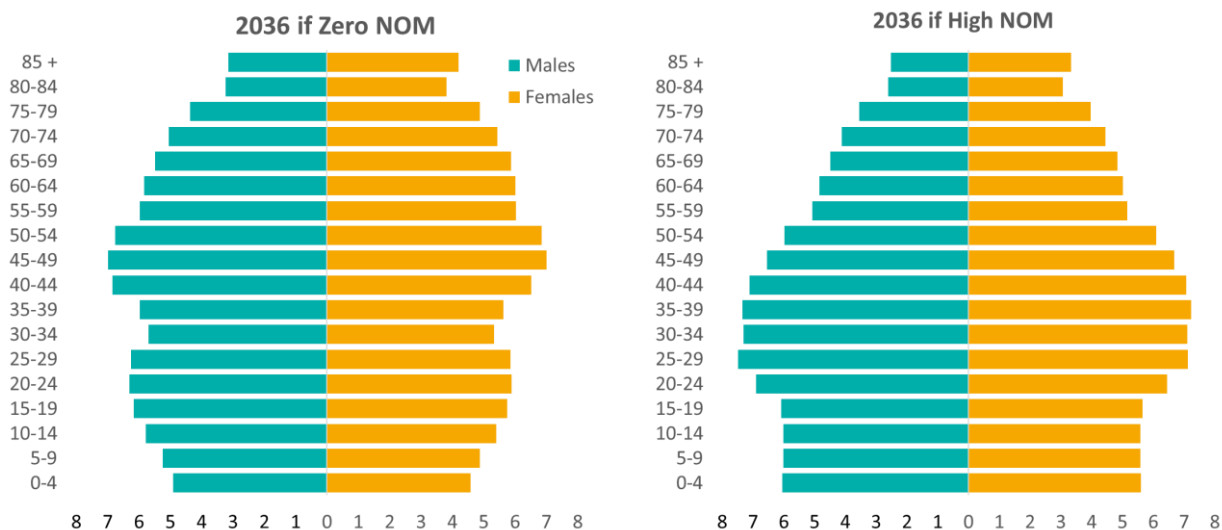
Migrants can counter population ageing

The previous Section explained how Australia's weight loss over 15 years around the working-aged middle of its population pyramid bodes ill for the future. Australia faces a choice. It can either suffer the impacts of continued weight loss on the health of the economy, or it can try and put that weight back on again.

Having looked back 15 years in the previous Section, in this Section we look forward 15 years. The charts shared in Figure 6 over the page project the situation in 2036 under two scenarios. Both assume low rates of fertility, as this assumption most closely mimics the current situation. The chart on the left assumes zero net overseas migration (NOM). The chart on the right assumes a high NOM of 275,000 per year– 40,000 more than the pre-pandemic trend of 235,000.¹²

¹² Commonwealth of Australia (2022) *op cit*, p.47.

Figure 6 Australia can either choose to lose more weight around its middle or put it back on
 Share of population by age bracket, percent



Source: Derived from ABS (2018) Population Projections, Australia.

Notes: Both charts are based on a low fertility assumption that Australia's fertility rate will decline to 1.65 babies per woman by 2031 and remain constant thereafter. The chart on the left assumes zero NOM. The chart on the right assumes an annual NOM of 275,000.

Under the zero NOM scenario, Australia's working aged population continues to shrink from 65 percent of the total at the time of the 2021 Census to 62 percent by 2036, while the population aged 65 years and older climbs from 17 percent to 23 percent. Under the high NOM scenario, the equivalent 2036 population shares are 64 percent and 18.5 percent. In other words, Australia has to aspire to a higher than pre-pandemic NOM if it is to have any hope of getting close to the population shares we have currently.

Migrants can provide a productivity uplift

The pessimism shared in the previous Section is that productivity is slow and official projections expect that it will remain slow. The challenge is to prove this pessimism wrong. An interim finding of the Productivity Commission's second five yearly Productivity Inquiry is that migration into Australia can promote productivity growth, particularly where it contributes to the supply of valued skills.¹³

There are at least four transmission mechanisms through which skilled migrants provide a productivity uplift: education, entrepreneurship, innovation and diffusion, and networks. The discussion here picks up on the first three. The discussion below on regional relations picks up on the fourth.

¹³ Productivity Commission (2022) 5 year Productivity Inquiry: A more productive labour market, Interim Report, Canberra, October.

Australia's overseas born population is well educated. Analysis of the 2021 Census finds that 46 percent of Australia's overseas born working aged population hold a bachelor or higher qualification, well above the equivalent share of 26 percent for the local born population.¹⁴ Data from the 2016 Census finds that the equivalent share for *skilled* migrants is closer to 70 percent.¹⁵ This outcome is unsurprising given that Australia's approach to skilled migration preferences qualified applicants. But that does not make it any less important.

Second is entrepreneurialism. Entrepreneurial migrants create jobs and grow the economy by starting their own businesses. Migrants own one in three of Australia's small businesses. This equates to 620,000 migrant-owned businesses across the country, employing 1.41 million people.¹⁶

Third is innovation. In another interim report of the Productivity Commission released in connection with its Productivity Inquiry, Australia's system of migration was identified amongst the policies and settings of governments impacting innovation and its diffusion.¹⁷ An interim finding is that skilled migrants transmit knowledge and the know how to practically implement it from all over the world.

To maximise the productivity gains from skilled migrants requires that the migration system is inviting to people with the skills and experiences that provide the greatest uplift, and that migrants are engaged in roles that make best use of their talents. In the next Section we discuss the barriers that cause the reality to fall short of these ideals.

Migrants can help improve Australia's fiscal situation

Migration can help improve Australia's fiscal situation and thereby ease the future debt burden.

Migration typically results in a period of net fiscal benefit while migrants are of working age, followed by a period of net fiscal cost after migrants retire. The relevant question is: what is their combined fiscal impact over time? Modelling by the Commonwealth Treasury considered the net, revenue less expenditure, combined Commonwealth and State governments fiscal impact of the 2018-19 migrant intake over their remaining lifetimes in Australia. Figure 7 on the next page compares its estimates for the different – Skill, Family and Humanitarian – streams of migrants against each other and equivalent estimates for the Australian population.

Key messages to take away are that, on average, migrants have a net positive impact of \$41,000 per person over their lifetimes. This is a large \$127,000 per person more than that of the population overall, which is estimated to have a net negative impact of \$85,000, providing strong evidence that the permanent migration program generates significant fiscal benefits, in aggregate, to Australia.

¹⁴ Derived using ABS's Table Builder Pro.

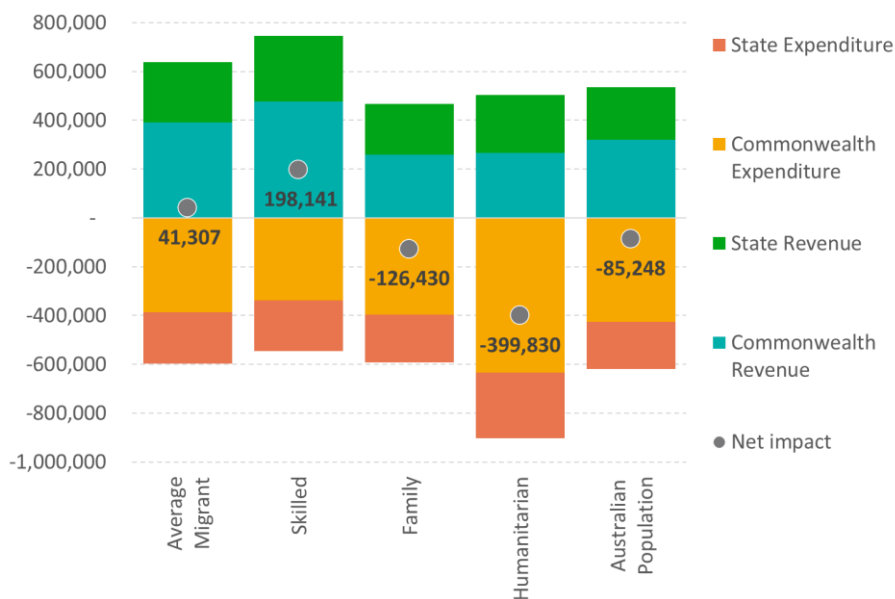
¹⁵ Derived using ABS's Australian Census and Migrants Integrated Database 2016. Counts primary applicants only.

¹⁶ CGU (2018) Migrant Small Business Report.

¹⁷ Productivity Commission (2022) 5 year Productivity Inquiry: Innovation for the 98%, Interim Report, Canberra, September.

Figure 7 Skilled migrants are a fiscal boon

Estimated lifetime fiscal impact of the 2018–19 permanent migrants, net present value per person



Source: Varela *et al* (2021) The Lifetime Fiscal Impact of the Australian Permanent Migration Program, Treasury Paper. December.

Driving the net positive fiscal impact for all migrants on average is skilled migrants. They are estimated to have a large \$198,000 net positive fiscal impact per migrant, compared to the net negative fiscal impact of migrants from the other streams. This suggests the greater the weighting of the Skill stream in the Migration Program, the larger the net positive fiscal impact. It also suggests the opportunity to better develop and tap the skills of migrants from the other streams.

Migration can foster positive regional relations

Australia has one of the most multicultural populations in the world, with 29 percent of the population being born overseas. If you add to that the count of Australians who have at least one parent born overseas then, based on Census 2021 data, the population share becomes more than half.

The same data tells us that while England has held on to the top spot as the most common birthplace of Australia's migrant community, India has raced ahead to claim second place. Taking out third, fourth and fifth place are migrants from China, the Philippines and New Zealand.

Between the 2021 and 2016 Censuses half the net growth in Australia's workforce over this five-year period was sourced from overseas.¹⁸ The biggest external source of labour was from India, followed by China and Nepal, then the Philippines.

¹⁸ Salt, B (2022) Skills shortage exposes our reliance on migrant workers, The Australian, 28 October.

The composition of Australia's overseas-born population and the sources of workforce growth uniquely position Australia to share in the growth that is occurring in our region, discussed in the previous Section. Australia's migrant community and workforce have networks back into their home and neighbouring countries and the cultural and linguistic skills necessary to extend them.

Migration is a last resort option for people from climate impacted origins

While the modelling discussed above estimates that the net fiscal impact of Humanitarian migrants is negative, this should not be mistaken for suggesting that Australia should keep them out. It does suggest the need to do more to assist them in realising their full potential.

There are other humane and moral reasons for providing refuge. Refuge is a last resort option to people within our region from climate-impacted origins.

Links between climate change and displacement were first formally recognised at the global level at the United Nations (UN) Climate Change Conference (COP16) in 2010 when parties were called upon to undertake measures "with regard to climate change induced displacement".¹⁹ Yet, despite climate change-induced displacement remaining an important focus of discussion and framework development, implementation is still to get off the ground. There is cause for hope, however, in developments on policies related to human mobility more broadly at the regional level.²⁰

One of them is in our regional neighbourhood. The Pacific Island Forum's Framework for Resilient Development in the Pacific 2017 – 2030 addresses climate change and disaster risk management and calls on member states, including Australia and New Zealand, to protect people at risk of climate-related displacement and develop national strategies on climate change and disaster-related relocation.

Five years ago, New Zealand sought to blaze the way. The New Zealand Prime Minister regarded it as a personal and national responsibility to play a part.²¹ However, New Zealand's plans to design the world's first climate change refugee visa program were dropped. Why? Because, while Pacific Island nations were welcoming of its assistance, they viewed refuge as a valid but last resort option. Instead it called on the New Zealand Government to institute a step-wise approach: reduce emissions, support adaptation efforts, provide legal migration pathways, and finally, if all fails, grant a form of legally protected status.²²

¹⁹ UN Framework Convention on Climate Change (UNFCCC) (2010) Cancun Adaptation Framework.

²⁰ Refer IDMC (2021) *op cit*, p 103 where a spotlight is shined on regional initiatives in the Pacific, the Caribbean and the Horn of Africa.

²¹ Lee, J (2018) *op cit*.

²² Dempster, H and Ober, K (2020) New Zealand's "climate refugee" visas: lessons for the rest of the world, DEVPOLICY BLOG, 31 January.

3. WHAT ARE THE CURRENT AND POTENTIAL BARRIERS IN ALLOWING MIGRATION TO PLAY THESE ROLES?

Past, current and potential future barriers undermine the functioning of Australia's migration system, compromising the ability for migrants to play the positive roles identified in the previous Section.

Past barriers

Barriers of the recent past that have had an undermining effect are:

- the precarious nature of the Government's social licence;
- that skilled migrants had been deprioritised in a zero-sum game.

The precarious nature of the Government's social licence

In the past the public has been fickle when it comes to migration. Repeated surveys by the Scanlon Foundation found that more people were likely to judge that the level of migration was too high when unemployment was high, suggesting a view that migrants take jobs that could have otherwise provided employment for locals.

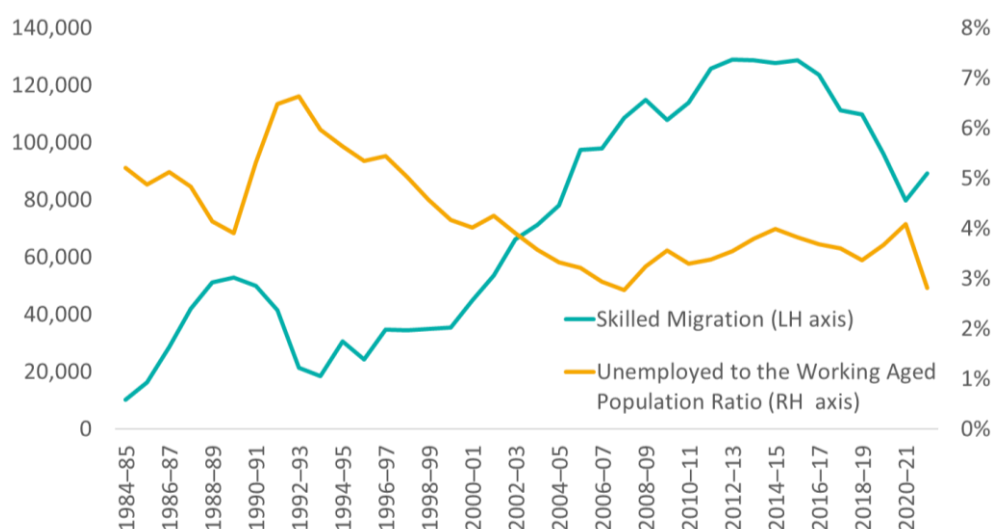
This is a fallacy. The reality is that global talent complements local talent. CEDA modelling demonstrates that recently-arrived migrants have not had a negative impact on either the wages or participation rates of Australian-born workers. To the contrary, the results indicate that, in some cases, an increase in migrant concentrations in certain levels of qualification and experience is associated with a positive impact on wages and employment.²³ By extension, the implication is that if migrants are high quality, through their contributions to the productive capacity of the nation, they will create more jobs than they take. Indeed, when we plot *skilled* migration against the unemployment rate, as is done in Figure 8 on the next page, we find that the latter has typically decreased as the former has increased.

The skills shortages currently constraining Australia's growth potential have provided politicians with a social licence to increase the migration intake.

The latest Scanlon Foundation survey of Social Cohesion finds that the public perception of migration, migrants and multiculturalism is not only positive but improving. Table 2 on the next page shares their perceptions. Close to three quarters of the almost 5800 respondents think that the current number of migrants accepted into Australia is either about right or too low. There is strong and growing disagreement that migrants take jobs and even stronger and also growing agreement that migrants are good for the economy. They are also widely recognised as being generally good for Australia.

²³ D'Souza, G (2020) Immigration and COVID-19, CEDA, September, p 6.

Figure 8 Skilled migration and unemployment are inversely related



Sources: Derived using DoHA Historical Migration Statistics and Australia Bureau of Statistics (ABS) (2022) Labour force status for 15–64-year-old by Sex, Labour Force, Australia.

Table 2 Public perspectives on immigrants and multiculturalism are positive and improving

Share of respondents who ...	2021	2022
... think that the number of immigrants accepted into Australia is about right or too low	67%	74%
... disagree or strongly disagree that immigrants take jobs	75%	78%
... agree or strongly agree that immigrants bring in new ideas / culture	84%	86%
... agree or strongly agree that immigrants are good for the economy	86%	87%
... agree or strongly agree that immigrants make Australia stronger	76%	78%
... agree or strongly agree that immigrants are good citizens	92%	94%
... agree or strongly agree that multiculturalism is good for Australia	86%	88%

Source: Scanlon Foundation (2022) Mapping Social Cohesion 2022.

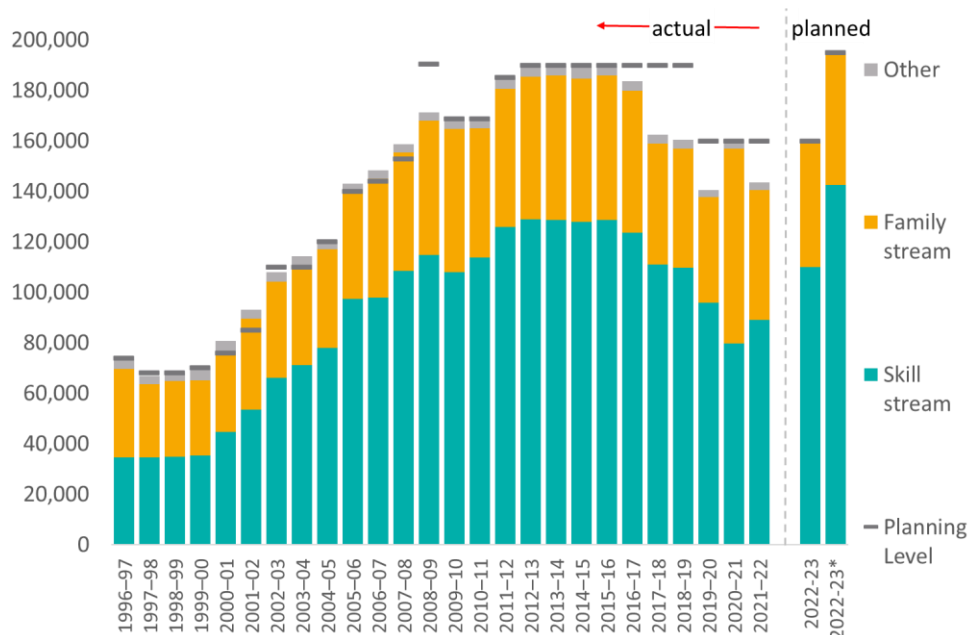
As we return to in the next Section, the opportunity is now to dispel any lingering myths about migrants taking jobs and raise awareness of the economic, social and cultural benefits of migration and reinforce positive public perceptions. Particularly because tight labour market conditions will not last indefinitely.

Skilled migrants had been deprioritised in a zero-sum game

Migration planning levels had come down prior to the onset of COVID-19 and, until recently, stayed down. Low levels meant that as the Government sought to provide surety to the large number of applicants under the Family stream based onshore when the borders closed it necessarily had to carve out capacity from the Skill stream. This was despite the importance of skilled migrants to support economic recovery. That is, it was essentially a zero-sum game and skilled migration was the loser. Figure 9 on the next page illustrates how this played out. Almost two years of border closures plus the loss of capacity to bring in skilled migrants are major reasons why the skill shortage discussed in Section 1 is so biting.

Figure 9 Planning levels have either constrained or enabled skilled migration

Number of migration places



Sources: DoHA (2022) Historical Migration Statistics and DoHA (2022) Migration Program 2021-22 Report.

Note: * Indicates revised planning levels announced at the Jobs and Skills Summit.

As the economy rebounds, the ability to access skilled migrants to quickly grow the productive capacity of the economy is even more important. That is why we commend the Government for both increasing the migration planning level and the share of the total intake reserved for skilled migrants. These are outcomes VETASSESS advocated in the context of recent past reviews, including that of the Joint Standing Committee on Migration, where we argued the imperative for an overcorrection. The imperative is to not only overcome shortages but to provide an uplift in the nation's human capital and, thereby, accelerate productivity and promote growth. This is one of the reasons why in the next Section we argue that a large program with a positive bias towards skilled migration should be retained.

Current barriers

Current barriers include that:

- brand Australia is not as shiny as it once was;
- while skilled migration occupation lists are good, there is room for improvement;
- insufficient weight is given to the human capital objective of skilled migration;
- assessment criteria are out of sync with modern practice;
- little is done to facilitate intra company transfers;
- newcomers may lack social capital, work readiness capabilities or technical skills;
- the permanent migration of international graduates is actively deterred;
- there is no dedicated pathway to migration for people displaced by climate change; and
- migrants are being exploited.

Brand Australia is not as shiny as it once was

VETASSESS recently interviewed international graduates as part of its research on COVID-19's disruptive impacts on student and graduate migration outcomes.²⁴ That research threw an unflattering light on the experiences, colouring interviewees views about both Australia's system of migration and Australia, including:

- visa processing delays, which for some had stretched into years of uncertainty and frustration;
- receiving no feedback on the status of visa applications and having no avenue to seek such feedback;
- having to repeatedly provide evidence that government departments already hold, such as visa history, and/or have previously provided;
- resitting and paying again for English language proficiency tests by applicants stranded onshore, as previous test results had expired due to the long wait for their visa applications to be processed; and
- suffering financial stress as jobs were lost and the supports provided to residents were not extended to them. Those living in flood-affected areas were doubly impacted.

We laud the Government's efforts to tackle the visa processing backlog by deploying existing resources, bringing onboard new ones, and implementing processing efficiencies. In the next Section we propose other remedies that are specific to the remaining dot points above and which also call for more holistic action necessary to make brand Australia shine again.

While skilled migration occupation lists are good, there is room for improvement

Australia's current approach is to use separate skilled migration occupation lists to target migrants in occupations assessed to be in shortage over the short term, the medium and longer terms, or in regional areas²⁵. In other words, the primary purpose the lists are designed to serve is the labour shortage objective of skilled migration.

The lists also facilitate labour market matching. The assessment of the credentials, relevant experience and other characteristics of migrants skilled in occupations on the lists, serves the purpose of providing employers with confidence that migrants have the qualities that match their needs. This, in turn, makes it more likely that migrants work in roles that put their skills to their most suited and productive use. In this sense the lists also assist in making best use of migrants' human capital.

However, current practice is hampered by four shortcomings. The first is that the use of multiple lists adds to the complexity of Australia's skilled migration settings. Different temporary and permanent visa subclasses link to one or more lists in different ways, not all of them obvious. For example, occupations eligible to be considered for permanent migration under the State Nominated visa pathway draw on the combined pool of those listed on the STSOL and the MLTSSL which are then whittled down to develop state and territory specific lists reflective of local

²⁴ Thomason, R (2022) "COVID-19's disruptive impacts on student and graduate migration pathways," presentation to the AIEC 2022: Beyond Borders conference, Gold Coast, 19 October 2022.

²⁵ Respectively labelled as the Short Term Skilled Occupation List (STSOL), the Medium and Long Term Strategic Skills List (MLTSSL) and the Regional Occupation List (ROL).

priorities and needs. Imagine you are a prospective skilled migrant trying to make sense of, and navigate, this pathway, let alone the many other visa subclasses.

The second shortcoming is that they are outdated. The skilled migration occupation lists draw from the occupations listed and described in the ANZSCO. Since its development in 2006, ANZSCO has undergone little change over the course of two decades²⁶ and remains largely out of date compared to the current labour market²⁷. Given the speed that new roles are emerging, becoming redundant or transforming, unless action is taken, ANZSCO is destined to become even more outdated and, with it, the skilled migration occupation lists. Australia may be depriving itself of global talent skilled in areas of growing need.

The third is that the basis for determining which occupations make it on to the skilled migration occupation lists reflects the skills shortage objective of skilled migration only. There is just cursory consideration of the human capital objective. This is despite, as argued above, the importance of migrants' ability to be productive in not just their first role but in future roles in a rapidly changing world of work.

Fourth is the frequency with which the skilled migration occupation lists were updated in the recent past. This was a source of uncertainty for all – prospective migrants, employers and assessment bodies. Prospective migrants had little certainty that their chosen area of study and work would provide them with an option to migrate. Employers could not rely on occupations remaining on the lists when doing their workforce strategies. And assessment bodies had little incentive to develop the expertise of their assessors or invest in efficiency enhancing technologies if they harboured fears that the occupations they provide services for would be removed.

Because of these shortcomings, VETASSESS supports the commitment at the Jobs and Skills Summit to assess the effectiveness of the skilled migration occupation lists. But we hasten to add that, in doing so, the Government should not lose sight of what is good about the current approach. Ingenuity will be needed to preserve and build on this. In the next Section we weigh up the alternatives.

Insufficient weight is given to the human capital objective of skilled migration

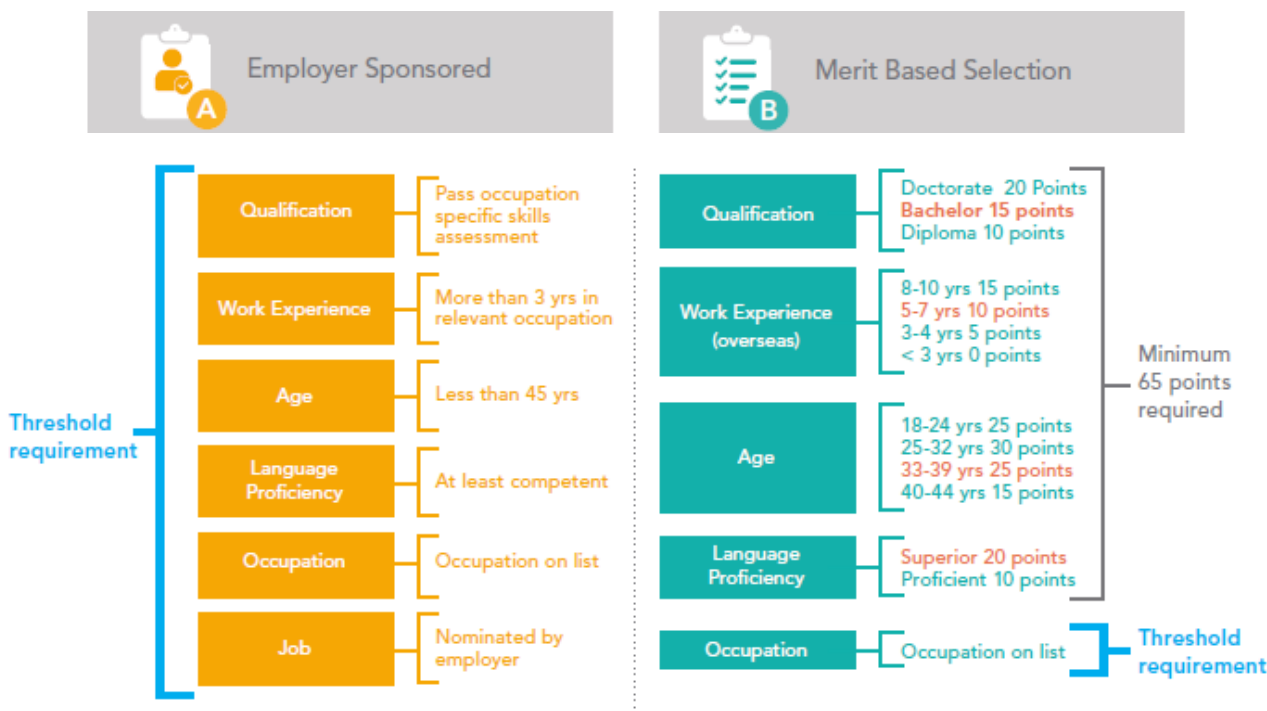
In addition to the skilled migration occupation lists paying little heed to the human capital associated with occupations listed, there is another reason why insufficient weight is given to this important objective of skilled migration.

Australia has a hybrid approach to skilled migration. Merit-based pathways, depicted on the right of Figure 10 shared over the page, award more or fewer migration points depending on how meritorious they are assessed against criteria designed to provide insights into the human capital of applicants. The higher the migration points scored, the greater the assessed human capital and the more likely it is that applicants will be invited to migrate. Sponsored pathways, on the left of Figure 10, are contingent on only threshold requirements for entry being met for the same criteria. In other words, they need only meet a baseline level of human capital.

²⁶ ANZSCO has only undergone minor revisions in 2009, 2013, 2019 and 2022.

²⁷ ABS (2022) ANZSCO Maintenance Strategy, June.

Figure 10 Australia has a hybrid migration policy approach



Note: The red text indicates the qualities typical of most applicants assessed by VETASSESS.

Assessment criteria are out of sync with modern practice

Changes in the worlds of work and credentialing have meant that the assessment criteria used to assess the human capital of prospective migrants have fallen out of sync with modern practice. The standout omission is shorter form credentials. Two other areas where the criteria poorly reflect modern practice relate to the expectations of employers of some occupations which extend beyond credentials, and to the treatment of work experience.

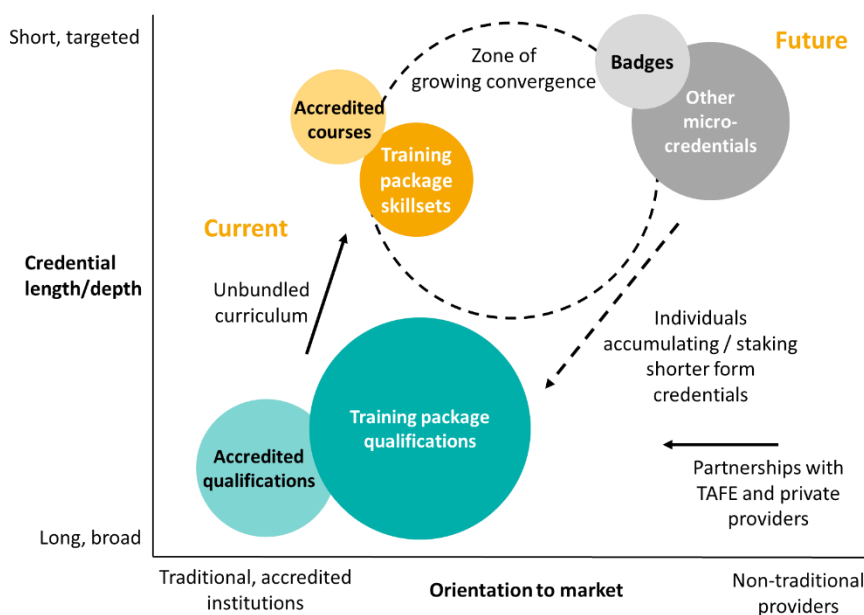
Current migration assessment practices recognise and reward with migration points traditional qualifications that are typically broad in scope, take a long time to acquire, and are offered by recognised education institutions. This is the situation depicted in the bottom left-hand corner of Figure 11 over the page.

However, traditional qualifications are being unbundled into more bite-sized offerings. Shorter form, and sometimes micro, credentials are being accumulated and 'stacked' to form groupings of complementary skills, or meso-credentials, and, in some instances, macro-credentials or formal qualifications.

Credentials of all sizes are being offered by traditional and non-traditional providers, such as employers and industry bodies, sometimes in partnership. These are depicted to the right of Figure 11.

This rapidly emerging new world and the traditional worlds co-exist and, as shown, interact with each other. Yet Australia's system of skilled migration only caters to the traditional world. If rigidly maintained going forward, this risks depriving Australia of migrants with cutting-edge talents and doing the country a significant disservice.

Figure 11 Long and shorter form credentials will co-exist and interact in the future



Source: Adapted from Gallagher S (2016) *The Future of University Credentials*, Harvard Education Press, p 6.

The second area where the migration assessment criteria act as a barrier to accessing the best talent from across the globe is their failure to look beyond credentials to determine whether occupation-specific expectations are being met. This may include a consideration of occupational standards and/or soft skill requirements.²⁸

A third barrier is the narrow view of what counts as work experience. Currently this is constrained to work within the sector or some closely-related field. This fails to take account of the transferability between occupations of the core competencies and technical tools of applicants. It also fails to recognise that just as jobs change, people change jobs, and with a greater rapidity than in days gone by.

In VETASSESS' assessments of workplace skills through the recognition of prior learning and the migration skills programs, we have identified skills gaps which could be met through micro credentials and skills sets.

To best develop and recognise talent and equip learners and workers to quickly adapt to an uncertain and ever-changing world of work, all pathways in and out of VET should be facilitated and would require changes to the ANZSCO and the approach to assessing the credentials of prospective migrants.

Little is done to facilitate intracompany transfers

Multinational companies have multinational management teams and labour pools. When undertaking workforce planning it is common practice to strategically deploy executives and specialist staff to locations where either best use can be made of their talents or where they can support new initiatives or the establishment and development of local teams.

²⁸ Holt, T (2018) *Beyond Qualifications*, presentation to the TAFE Directors Australia conference, 8-10 October.

The global strategic deployment of executives and specialist staff can enable the diffusion of new ideas, ways of doing things, skills and tacit knowledge. In this manner, intracompany transfers can be productivity enhancing. Tacit knowledge is knowledge that cannot be transmitted through documentation but more effectively transferred when individuals are in close physical proximity.

These productivity enhancements are one of the reasons why it is not uncommon for the governments of other countries, including the United States, the United Kingdom and Canada, to streamline and ease intracompany transfers. Other reasons include the greater likelihood of multinationals setting up operations in the host country, and because it is consistent with countries' undertakings under the General Agreement on Trade in Services (GATS).

Australia does not provide this option.

Newcomers may lack social capital, work readiness capabilities or technical skills

Nearly one in four permanent skilled migrants are working in a job beneath their skill level.²⁹ Barriers facing onshore migrants include having no pre-existing social network to hear of opportunities through word of mouth,³⁰ and little prior exposure to the work practices, norms and values of Australia's workplaces.

Prospective migrants based offshore may face the additional hurdle of developing and evidencing their technical proficiency in their occupational areas.

The permanent migration of international graduates is actively deterred

The practical effect of current policy settings is that the pipeline of temporary skilled migrants is a bigger determinant of permanent migration than international students. Over the period mapped in Figure 12 shared over the page, only around 16 percent of people who first came to Australia on a Student visa have transitioned onto a permanent visa. By way of contrast, more than half of previously Temporary Skilled Workers end up staying permanently.

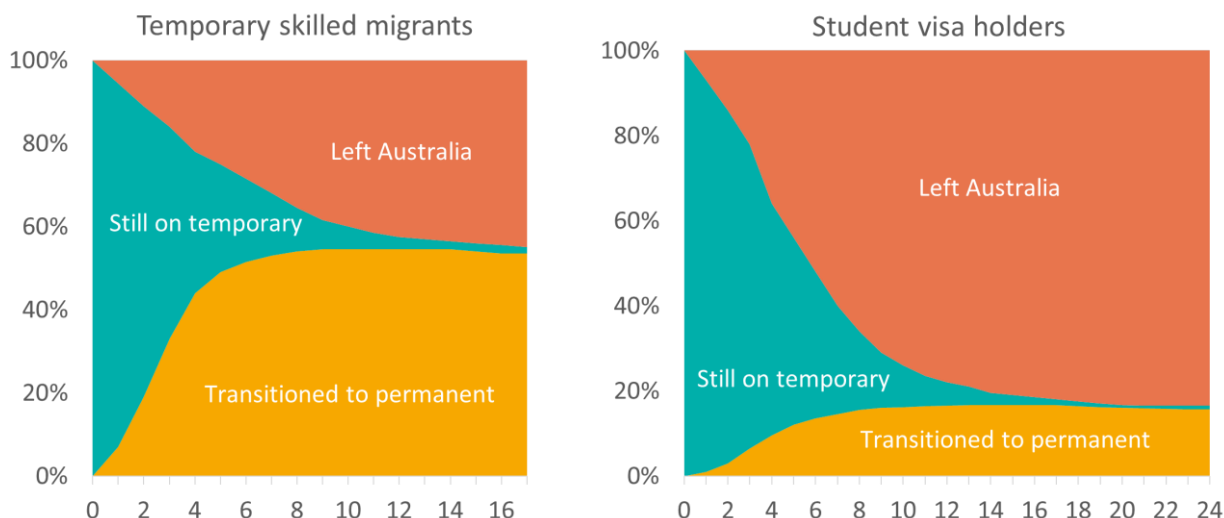
This is despite the potentially large contribution that prospective migrants who have been educated here could make to the Australian economy. By definition, they are highly skilled, are likely to have worked in Australia, and have a developed understanding of Australia's workplace culture and norms. Not to mention the benefits they bring in terms of their cultural and linguistic diversity and international networks. They add to the diversity and reach of Australia's workplaces.

²⁹ CEDA (2021) A good match: Optimising Australia's permanent skilled migration, March.

³⁰ Shelton, T (2022) Census reveals migrants tend to be more highly educated. So why do they find it harder to land jobs? ABC News, 24 October.

Figure 12 Some temporary visa holders stay while others go

Share of visa holders years after arrival



Source: Grattan Institute (2021) Rethinking permanent skilled migration after the pandemic.

This outcome is in part because of the current settings for Student visas, which emphasise the ‘temporary’ nature of those visas. Would-be students have to demonstrate they are ‘genuine temporary entrants’ or else not be eligible for a Student visa. It is time to do away with this pretence. There are many reasons why international students choose to study in Australia. The option to migrate permanently is high on the lists of many.

By way of contrast, two of Australia’s biggest competitors in the international education market - Canada and the United Kingdom - actively try to convert their international students into permanent skilled migrants. The Canadian Government has a clear student pathway to permanent residency, which includes recently introduced extensions to post-graduate work permits. In 2020 the United Kingdom’s new student immigration route was launched which has streamlined the immigration process for international students.

There is no pathway or program to assist people displaced by climate change

Human mobility in the face of environmental change is an adaptation strategy as old as humankind and has always been part of human and socioeconomic development. Yet, despite being party to undertakings in the Pacific to protect people at risk of climate-related displacement, there is no visa pathway or program of assistance should Australia be called upon to come to the aid of its regional neighbours. Humanitarian visas cater to people whose human rights have been violated, who face persecution and/or who face an immediate threat to their lives and freedoms.

Migrants are being exploited

The terms wage exploitation and wage theft, while emotive, are also apt descriptions of a very real problem, whereby employers are not complying with the minimum legal entitlements of their employees. A recent Senate committee inquiry found that in many industries, underpayment is deliberate and systematic, and often normalised, especially for migrant workers.³¹ It is particularly problematic amongst employers of temporary migrants, notably international students and working holiday makers. Surveys of international students conducted between 2016 and 2019 consistently found the majority were underpaid.³² One in four earned less than half the minimum casual hourly wage. Nine in ten suffered wage theft in silence and took no action.

This is not to suggest that migrant workers following pathways to permanent entry are immune from exploitation. Research on migrant workers' experience of the Australian migration system conducted by the Migrant Workers Centre finds that one of the main pathways to permanent residency—employer sponsorship—also directly creates the conditions for migrant workers to be exploited.³³

Because of the high transaction, compliance, and actual costs³⁴ of sponsoring migrant workers, workers can find it challenging to find an employer that is eligible and willing to sponsor them.

When nominating migrant workers, employers have two options, depending on workers' qualifications and experience. When migrant workers meet all the qualifications and experience requirements, employers may sponsor them for permanent residency straightforwardly for direct entry. When they fall short of those requirements, migrant workers may follow a transitional approach that involves two different visas—a temporary sponsored visa for the first few years, followed by a permanent sponsored visa.

Migrant workers following the transitional approach are vulnerable to exploitation as this approach gives employers two sources of power. The first is to decide if they are willing to sponsor migrants who do not qualify for direct entry and, therefore, have no alternative route to permanent residency. The related second is power through migrant workers' fears that not only are their livelihoods in the hands of their employers, but also their ability to stay, as employers may terminate their contracts at any time.

At VETASSESS we have encountered and reported instances of where this power is being abused, where migrants desperate for a pathway for permanent residency accept low wages or, even worse, pay employers to take them on.

³¹ The Senate Economics References Committee (2022) Systemic, sustained and shameful. Unlawful underpayment of employees' remuneration, March, p 5.

³² Berg, L and Farbenblum, B (2022) Opinion: Australia is bringing migrant workers back – but exploitation is still rampant, UNSW Newsroom, 17 May.

³³ Migrant Workers Centre (2021) Lives in limbo: the experience of migrant workers navigating Australia's unsettling migration system, November, p. 31.

³⁴ Actual costs include paying a sponsorship fee and the Skilling Australians Fund levy.

Potential barriers

Potential barriers include:

- the unintended perversions of an income threshold;
- system integrity is compromised; and
- Australia falls behind its competitors.

The unintended perversions of an income threshold

The proposal to introduce an income threshold to migration is gaining momentum in reputable quarters.³⁵ Three points made in favour of implementing an income threshold are that it:

- facilitates labour market matching and avoids the need for problematic skilled migration occupation lists (discussed above), as incomes increase in response to labour shortages;
- avoids the need for assessment as employers' willingness to pay reflects their assessments of migrant capabilities; and
- protects against migrant exploitation.

These points not only do not stand up to further scrutiny, they risk undermining Australia's migration potential.

With regards to the first point made, there are more than a few reasons why wages may be sticky. Talented, young aspiring professionals may command only modest salaries as they undertake the further learning and practical experience necessary to achieve their professional designations. The wages of workers in the carers sector remain stubbornly low despite shortages due to the sector's constrained funding conditions. Another example is the relatively low earnings of cooks, despite sustained and now biting shortages.³⁶ More generally, shortages exist all along the income continuum and it would be inequitable to address only those in occupations that command an above threshold income.

In other words, an income threshold in lieu of lists is a poor indicator of labour shortages and it is, therefore, not recommended as an alternative to the skilled migration occupation lists. Further, despite the argument here that migrant incomes are more likely to be reflective of their human capital, as we shall shortly discuss, even in this regard they are a less than optimal indicator.

Moving on to the second point, from a human capital development perspective, it is not earnings at a point in time that matter but expected lifetime earnings. Salary-wise, early career migrants may be at the bottom rung of a very steep lifetime earnings ladder, yet a threshold may have the effect of depriving Australia of their talents. Further, that earnings ladder will look different for different occupations.

³⁵ See, for example, Grattan Institute (2021) Rethinking permanent skilled migration after the pandemic, and Productivity Commission (2022) 5 year Productivity Inquiry: A more productive labour market, Interim Report No 6, Canberra, October

³⁶ Drawing on Census data, the median hourly earnings of Cooks are \$29, which is lower than the \$41 medium for all jobs.

The Table below compares the average salaries of people who completed undergraduate studies in selected areas shortly after they graduated (in 2017) and five years on (in 2022). Deliberately selected are study areas whose graduates command salaries under \$70,000 and now command salaries well above this.³⁷ The standout example is Pharmacists who started out on less than \$50,000 and now earn close to \$87,000.

Part of the explanation is likely to be employers' willingness to pay a premium for further learning and experience. For example, employers will pay more for electronic and electrical engineers (graduates of the second ranked study area) who hold a professional designation.

Table 3 Some undergraduates salaries start low but increase rapidly
 Selected undergraduate salaries in the short and medium term after graduation

Study area	Short-term Salaries	Medium-term Salaries	Change
Pharmacy	\$49,600	\$86,900	75%
Engineering - electrical and electronic	\$69,000	\$99,500	44%
Economics	\$63,000	\$90,000	43%
Law	\$63,000	\$90,000	43%
Banking and finance	\$65,000	\$92,500	42%
Computing and information systems	\$65,000	\$90,000	38%
Engineering - civil	\$65,000	\$89,500	38%
Sales and marketing	\$55,000	\$75,300	37%
Veterinary science	\$55,000	\$75,200	37%
Mathematics	\$66,000	\$89,000	35%

Source: Social Research Centre (2022) Graduate Outcomes Survey – Longitudinal.

Merits-based assessment is the best means of gaining insight on migrants' quality and their future earnings potential. This makes it all the more imperative to get the criteria for those assessments right.

With regards to the third point that has been argued in favour of an income threshold, an important takeout from the above discussion on migrant exploitation is that the issue is complex and may manifest in different ways for different reasons for different migrant types. An income threshold is not a well-targeted solution. The recommendations of the Senate inquiry and other inquiries that have gone before it, notably the 2019 Report of the Migrant Workers Taskforce, share carefully considered recommendations targeted to the problem. We add one further solution to the mix in the next Section, designed to address the exploitation of migrants following pathways to permanent residency.

In addition to these points, a practical question that arises is: how to assess that someone from overseas has the potential to earn at or above the threshold without them being offered a job first? This would have the effect of doing away with supply-side migration, when the need to attract skills suited not just to jobs in today's labour market but in tomorrow's has never been greater.

³⁷ This is the threshold suggested in Productivity Commission (2022) *op sit*.

System integrity is compromised

The risk of fraud in the migration process cannot be undermined. In fact, the ultimate success of a skilled migration program depends on the quality parameters applied to the skilled migration framework, and appropriate safeguards are necessary to ensure that this quality is not compromised.

Approximately 20 percent of applications assessed annually by VETASSESS for professional occupations return with an unsuccessful outcome on account of fabricated employment experience claims, fraudulent qualifications presented or misrepresentation of skillset against occupations identified in shortage for migration purposes.

Australia falls behind its competitors

Pre-COVID-19 attempts at measuring global attractiveness repeatedly identified Australia amongst the top performing countries. Including the OECD’s Indicators of Global Attractiveness released in 2019, which ranked 35 OECD countries based on their relative attractiveness to global talent both before and after adjustments are made for migration policies and practices.

Figure 13 shares the before and after rankings. Before migration policies and practices were factored into the analysis, Australia ranked second place behind the United States in terms of its attractiveness to highly educated workers. Australia scored marks in its favour for its inclusiveness and quality of life. After adjusting for migration policies and practices, Australia leapt ahead to first place.

Figure 13 Pre-pandemic Australia’s system of migration was pivotal to its global attractiveness
 Overall rankings Before and After Adjusting for migration policies



Source: Derived from Tuccio, M (2019) Measuring and assessing talent attractiveness in OECD countries, OECD Social, Employment and Migration Working Papers No. 229 and <http://www.oecd.org/migration/talent-attractiveness/>

A Migration System for Australia's Future

Submission by VETASSESS for Independent Strategy Leads



An important question is whether Australia would still compare so favourably if the same study were repeated today. The risk is that it would not. The reasons why are many. Here are two: major competitor destinations – the United States, the United Kingdom and Canada – opened their borders ahead of Australia; and many, including the United Kingdom, Canada and New Zealand, extended the same welfare supports to migrants stuck onshore during COVID-19 as they did to their citizens.

4. WHAT REFORMS ARE NEEDED TO ENSURE THE MIGRATION SYSTEM CAN MEET THE CHALLENGES AND OPPORTUNITIES THAT LIE AHEAD?

Good things are happening

Global talent is an important part of the Australian skills ecosystem and the Government's arsenal to grow the productive capacity of the economy. We commend the Government for initiatives already taken towards this end, many of which flowed out of the Jobs and Skills Summit and, subsequently, the Budget. In particular, for:

- **increasing the migration intake.** This was an important overcorrection after almost two years of border closures. It makes even more sense now for all the economic and demographic reasons argued up to this point. The opportunity is to maintain this capacity to grow the working aged population and economy by attracting global talent.
- **increasing the share of the total intake reserved for skilled migrants.** This is important as skilled migrants not only overcome shortages, they provide an uplift in the nation's human capital and, thereby, accelerate productivity and promote growth. They also help to alleviate the intergenerational burden of the Government's net debt. This is a positive bias that should be retained.
- **increasing the planning levels for points-tested pathways** as this provides confidence that migrants who follow these pathways not only provide skills aligned with current labour market needs but possess the human capital to do well in future roles. The caveat on this is that we are testing for the right things, which, as already discussed, we know does not hold as well as it could. Assuming Australia does get this right, assessment for merit should be a central and strengthened feature of the reformed system of migration. The specifics of what this might look like are discussed further below.
- **tackling the visa processing backlog** by deploying existing resources, bringing onboard new ones, and implementing processing efficiencies. Discussed towards the end of this Section are other enhancements that would further improve applicants' experiences and Australia's attractiveness as a destination.
- **extending the length of post-study work rights** as this enables graduates who have studied and worked in Australia to stay longer. The discussion in this Section identifies a further way to enable their pathways to permanent residency.
- **questioning the utility of the skilled migration occupation lists.** We present below the case for an enhanced status quo designed to ensure listed occupations are an appropriate reflection of a continually evolving world of work.

Recommendations

That the Independent Strategy Leads recommend to the Government that it:

- **maintain** a large skilled migration planning level;
- **maintain** the increased level of resourcing for visa processing; and
- **implement** extended post-study work rights.

What more should be done

In addition to these initiatives there is more that could and should be done. Specifically:

- embark upon a public education and awareness campaign;
- better use should be made of a single skilled migration occupation list;
- points test all permanent skilled migration pathways;
- review the application and criteria for merits-based assessment;
- streamline the process for intracompany transfers;
- support international graduate pathways;
- facilitate best use to be made of migrant skills;
- improve the allure to, and the experiences of, applicants; and
- create a program for people displaced by climate change and a visa of last resort.

Embark upon a public education and awareness campaign

A positive amongst the many barriers discussed in the previous section was that the public perception of migration, migrants and multiculturalism is not only positive but improving (refer again Table 2 which captures key findings from the Scanlon Foundation's latest Social Cohesion survey). Also discussed was how the public's perception is not stable over time and is a function of labour market conditions. As unemployment increases, perceptions are likely to become correspondingly coloured, even though the research suggests they should not. This can compromise the Government's social licence to give effect to its migration strategy, no matter how future-focused or transformative it is.

The time to act is now while public receptivity is high. A public education and awareness campaign could include sharing the actual stories of migrants and the different ways they have made positive economic and social contributions and enriched Australia's culture. VETASSESS can assist by sharing our research, and the stories of migrants we have captured. While a public education and awareness campaign would be targeted to the Australian public it could provide positive spillovers for brand Australia.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **reinforce** public awareness of the labour market and broader benefits of skilled migration.

Better use should be made of a single skilled migration occupation list

In light of the shortcomings of the approach to using multiple skills migration occupation lists, argued in the previous Section, and having also discussed and rejected the alternative of an income threshold in lieu of lists, three alternatives remain:

- no lists;
- an enhanced status quo; or
- a skills list in place of the occupation lists.

No lists

Disbanding the lists altogether is not recommended. The lists serve the purpose of shaping and managing demand for migration. Without the filter of lists the risks are great.

Canada provides an example of what can go wrong from a policy perspective. In one sense, Canada is choosy about who it lets in, prioritising entry based on prospective migrants' rankings in a points system that scores for education, fluency in English or French, their profession and offers of a job in Canada. That is, much like in Australia, with the exception that Canada does not apply the filter of a list to determine the occupations or skills of prospective migrants that are in short supply. One outcome is that Canada's foreign-born population is purportedly the best-educated in the OECD.³⁸ Another is that highly skilled migrants wind up in jobs mismatched to their skill levels, such as taxi driving.³⁹ A comparison of Australia's and Canada's approach to skilled migration finds that although the source countries and characteristics of skilled migrants are similar, their earnings relative to locals are far lower in Canada than in Australia.⁴⁰ A related third outcome is that the pandemic taught Canadians the value of workers with less schooling.⁴¹ Canada is trying to correct for this by easing pathways to permanent residency for temporary migrants.

From a pragmatic perspective, not using lists to filter who receives invitations to migrate is likely to result in capacity issues, as assessing for the human capital characteristics of prospective migrants remains important. Recent history has taught us that visa processing backlogs cause reputational damage and does Australia little favour when trying to attract the best talent from around the globe. And cutting critical corners is not recommended. In Canada there is no verification of applicants' claimed work experience. As Australia's largest assessment body we know too well through experience the potential for this to make us vulnerable to fraudulent claims, which is why

³⁸ The Economist (2021) Canada wants to attract more migrants, 24 April.

³⁹ *Ibid.*

⁴⁰ Harrap, Hawthorne, Holland, McDonald and Scott (2021) Australia's superior skilled migration outcomes compared with Canada's," International Migration, November.

⁴¹ The Economist (2021) *op cit.*

not just having an assessment process is vital, but so too is preserving its integrity (refer discussion towards the end of this Section).

An enhanced status quo

A mixture of policy considerations and pragmatism finds us recommending in favour of an enhanced status quo.

What an enhanced status quo might look like is: a single skilled migration occupation list, populated by occupations that either target areas of skill shortages and/or enhance the nation's human capital, based on an ANZSCO that is reviewed and updated on a regular cycle. And, rather than review all occupations on the single list annually, alterations could be made on a case-by-case basis if triggered by substantive change.

This enhanced status quo addresses the issues associated with the current approach as discussed in the previous section:

- A single list is simpler for administration.
- A more contemporary base from which the list draws upon is happening. A review of ANZSCO is currently underway and a maintenance strategy has been developed.⁴²
- The proposal is that the list takes into account the dual objectives of skilled migration – to counter skills shortages and provide an uplift in Australia's human capital.
- An approach to maintaining the currency of the list triggered by substantive change rather than an annual cycle of review would promote stability and greater certainty for all.

A pragmatic point in favour of this option is that a number of excellent initiatives designed to support the pathways and employability of skilled migrants have targeted listed occupations. For instance, the Department of Employment and Workplace Relations' pilot project aims to upskill and support the employability of onshore migrants who are working below their skill level in specific occupations.⁴³

A skills list in place of the occupation lists

This option has much in its favour. It recognises that many skills may be transferrable between occupations and that, while migrants may not work in roles within their nominated occupation, they may, nevertheless, be making good use of their skills in other roles. This agility is a positive given the multiverse of different possible futures of work discussed in Section 2.

The Australian Skills Classification (ASC), originally developed by the National Skills Commission and now the responsibility of Jobs and Skills Australia, is an open skills taxonomy. It distinguishes between core competencies, which are transferrable across all jobs, technology tools, which are used by many, and specialist tasks, which are the domain of just a few. The initial intent was to support employers by providing a common language and understanding when advertising vacancies, preparing job descriptions and developing workforce strategies. The potential for the ASC to inform the design of post-secondary education and training has recently been

⁴² Refer <https://www.abs.gov.au/articles/anzsco-maintenance-strategy-core-components>

⁴³ Refer <https://www.dewr.gov.au/skills-support-individuals/resources/pilot-3-occupation-list>

recognised.⁴⁴ If it was also adopted for the purpose of skilled migration assessments then it could facilitate a common language for all – employers, providers, assessment bodies and policymakers - enabling skills demand to be better matched by supply, whether locally or globally sourced.

These are indeed exciting developments. But these are very early days. The fact that the lists were not developed with these additional uses in mind suggests that there is much work to be done to ensure that they are fit for these multiple purposes and, indeed, whether multiple uses give rise to unanticipated practical difficulties. Rushing headfirst into a skills-based approach is, therefore, not recommended. It is an option that policymakers should, nevertheless, keep on their radar. If judged to be a viable option for the future, then consideration should be given to how best to transition to a new regime while preserving all that is good with the old.

Recommendations

That the Independent Strategy Leads recommend the Government:

- **transition** to a single skilled migration occupation list, populated by occupations that either target areas of skill shortages and/or enhance the nation's human capital, based on an Australia and New Zealand Standard Classification of Occupations (ANZSCO) that is reviewed and updated on a regular cycle; and
- **alter** that list on a case-by-case basis if triggered by substantive change.

Points test all permanent skilled migration pathways

There are two motivations for this proposed reform. The first is that it would give full effect to the human capital development objective of skilled migration. It would make quality (as measured by migration points) and not quantity (planning levels, targets or caps, and occupation ceilings) the primary policy lever of Australia's system of migration. This makes sense as, as discussed in Section 2, quality migrants 'make' rather than 'take' jobs, and grow the economy.

The second is that it protects against the exploitation of migrant workers following the employer sponsored transitional pathway to permanent residency, discussed in the previous Section. If migration is subject to a points test then there is no need for this pathway. All employer sponsorship would be by direct entry. This takes away the sources of power previously discussed that enable exploitation and wage theft by unscrupulous employers.

It would, however, mean that those who fail to meet qualification and other requirements no longer have an alternative pathway into the country. This is an outcome not inconsistent with a quality-focused approach. But it does underscore the importance of ensuring the assessment criteria is not a barrier to quality migration (discussed next), and assisting prospective migrants to meet our migration expectations (discussed further below).

⁴⁴ Bean, M and Dawkins, P (2021) Review of University-Industry Collaboration In Teaching and Learning, supported by the Department of Education, Skills and Employment.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **require** that all prospective migrants seeking residency through skilled pathways are subject to a skills assessment and a minimum migration points threshold.

Review the application and the criteria for merits-based assessment

Australia's challenge is to stay ahead of the game and future-proof its approach to migration assessment. This is all the more urgent in the context of the changing worlds of work and credentialing. The proposal here is to review the criteria for merits-based assessment to ensure that they provide an appropriate indication of migrant characteristics that underpin their human capital.

In the previous Section the case was made for including shorter form and alternative credentials, in addition to qualifications, when assessing the credentials of prospective migrants. This is a standout area to include within any review of the assessment criteria.

Another is what assessors should take into account when judging applicants' skills suitability. It may be appropriate to look beyond credentials to determine whether occupation-specific expectations are being met. This may include a consideration of occupational standards and/or soft skill requirements.⁴⁵

A third potential area to include within any review of assessment criteria is work experience. Currently this is constrained to work within the sector or some closely-related field. Given the transferability of core competencies and technical tools there is a case for broadening the net.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **review** the criteria used for merit-based assessment.

Streamline the process for intracompany transfers

Intracompany transfers can be productivity enhancing and an enticement to multinationals to set up operations in countries with a straightforward process to enable such transfers. In Australia, unlike many comparable economies, there is no dedicated pathway or provision for the streamlined entry for executives and specialist staff moving within their company to its Australian office. They have to jump through the same hoops as other applicants and wait just as long for an outcome. We suggest that this change and that the Government consider ways of streamlining intra-company transfers. Exactly how warrants further contemplation. Some countries restrict

⁴⁵ Holt, T (2018) Beyond Qualifications, presentation to the TAFE Directors Australia conference, 8-10 October.

streamlined entry only to transferees above a threshold skill level, while the threshold for others is a high salary.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **analyse the options** for streamlined intracompany transfers.

Support international graduate pathways

A suggestion in the previous Section is that part of the reason why only a small proportion of international graduates of Australian programs of education become permanent migrants is because of the current settings for Student visas, which emphasise the 'temporary' nature of those visas. Would-be students have to demonstrate they are 'genuine temporary entrants' or else not be eligible for a Student visa. It is time to do away with this pretence. There are many reasons why international students choose to study in Australia. The option to migrate permanently is high on the lists of many.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **end** the fallacy that all international students are 'genuine temporary migrants'.

Enable best use to be made of migrant skills

We suggest three ways to enable best use to be made of migrant skills.

The first is to better recognise the skills of refugees. Unlike skilled migrants who get their skills assessed as part of the application process, refugees do not. This disadvantages them when seeking employment as they have no independent verification of their skills. This is a service that assessment bodies can provide and which could go a long way towards improving refugee employment outcomes.

The second is to provide settlement services that include and extend beyond assisting migrants find roles suited to their interests and talents. Canada does this well. There, prior to arrival, free in-person and online services help migrants to get their education, work experience and credentials recognised, and connect with employers to find a job. On arrival, settlement professionals help newcomers to look for a job, get a language assessment, register for language classes, find a place to live, find a school for their children, and learn about community services.

The third is to help prospective migrants in source countries meet skill expectations. To be positively regarded by prospective skilled migrants in source countries, particularly given the toughening of competition, Australia needs to do more than reactively assess applications that it passively receives. We need to support prospects who meet our skill expectations.

VETASSESS is playing its part. Box 1 shares how we are assisting the Indian government to develop a pathway for semi-skilled Indian workers.

Box 1 VETASSESS is helping to develop a pathway for semi-skilled Indian workers

VETASSESS is working with the National Skills Development Council (NSDC) of India to assist the Indian government's initiative of developing a pathway for the semi-skilled Indian workforce to be trained to Australian industry standards and sent to Australia across key industry sectors of horticulture, hospitality, health, and construction. The collaboration involves a range of NSDC stakeholders from India, such as their industry skills sectors and training partners. They are collaborating with Australian employers to better understand their skill requirements.

Recommendations

That the Independent Strategy Leads recommend to the Government that it:

- **enable** the independent verification of the skills of refugees;
- **provide** settlement services that include and extend beyond assisting migrants find roles suited to their interests and talents; and
- **do more** to assist and promote prospective migrants in key source countries to meet Australia's skills expectations.

Improve the allure to, and experiences of, applicants

The previous Section shared the findings of VETASSESS research on the experiences of international students and graduates whose pathways had been disrupted by pandemic restrictions. In addition to addressing the processing backlog, there are additional ways to improve the experience of applicants and avoid others in the future having to endure the same frustrations of interviewees. These are the first four recommendations shared below.

They are necessary but not sufficient to mend Australia's damaged reputation as a great place to study, work and live. This is why we offer a fifth proposal: to significantly increase the investment in repairing Brand Australia. The \$6 million set aside as part of the Budget should be regarded as a start only.

Recommendations

That the Independent Strategy Leads recommend the Government:

- **invest** in digital solutions to automate those parts of visa processing that lend themselves to automation;
- **deploy** DoHA resources to provide feedback on the status of visa applications;
- **remove** the requirement to test again the English proficiency of applicants already in Australia, particularly if their initial test has lapsed through no fault of their own;
- **extend** entitlements to welfare support and disaster relief to temporary residents; and
- **increase** its investment in repairing Brand Australia.

Create a program for people displaced by climate change and a visa of last resort

The discussion in the previous Section found that there is no pathway to residency or program of support in Australia dedicated to the needs of people in our region who have been displaced by climate change-induced disasters.

In Section 2 we learned how New Zealand had sought to blaze the way only to have their offer to provide a world first climate refugee visa rejected by their and our Pacific neighbours. Those nations regard a refugee visa to be a last resort when other forms of assistance have failed.

Further, when we are talking about whole islands of people who could be impacted by the effects of climate change, New Zealand is too small to go it alone.

Australia has just as much responsibility as its trans-Tasman cousin to come to the aid of its Pacific neighbours. Australia should work alongside New Zealand to provide a complementary program of assistance and a visa of last resort.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **create** a program for people displaced by climate change and a visa of last resort.

Ensure process integrity

The integrity of Australia's assessment processes for prospective migrants is a critical prerequisite for attracting quality applicants and assuring that only the very best get through. The criticality of this is heightened in a context where:

- competitors in the global race for talent are attempting to get ahead of the pack by introducing innovative skills assessment delivery strategies,
- the level of fraud is on the rise, as is organised malpractice,
- applicants expect high levels of client service, and,
- the expectations of governments, business, community, and other stakeholders are also high.

All point towards the necessity for migrant assessment processes that are robust, coherent, transparent, reliable, fair, and non-discriminatory.

The risk is that assessment is outsourced only to bodies that do not have a demonstrable track record. We recommend that assessment is only outsourced to bodies that do.

VETASSESS takes integrity checking very seriously and for the right reasons. VETASSESS makes significant investment to combat fraud through:

- Robust industry engagement to ensure the criteria applied to assess applicants meet Australian industry requirements. Through this process we also maintain and update a bank of technical interview questions to ascertain whether applicants can do the job they wish in Australia on migrating.
- Establishing integrity offices in key source countries such as India, China, the United Kingdom, Iran and Pakistan with capacity to validate employment claims. It is not a huge surprise that the majority of the cases where we have identified triggers and refer for employment checks are often fraudulent.
- Embedding qualification verification within our application process for high-risk countries for qualification fraud. These measures will include credential verification through ministries of education in respective countries, or awards being validated through an online verification portal.
- Providing DoHA with access to our assessment portal to validate VETASSESS assessment letters submitted with visa applications.
- Sharing of data on integrity checking and the outcomes as well as trends with DoHA. In a recent case, VETASSESS integrity checking found employer fraud in South Australia reflected in more than one application lodged with VETASSESS. This was reported to DoHA for further investigation. VETASSESS is happy to provide details on specific case studies undertaken recently on fraud trends relating to specific occupations from certain countries.

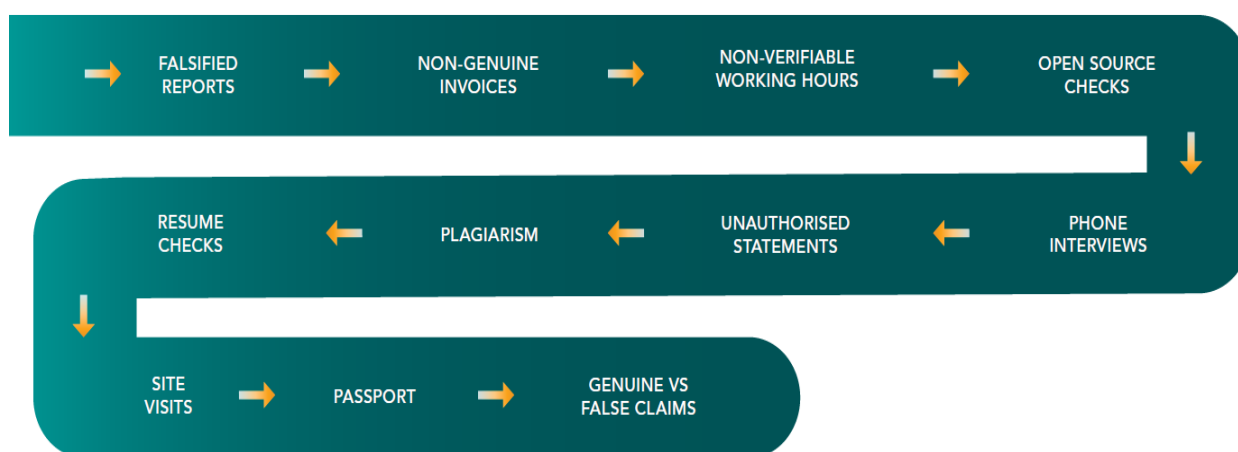
This gives VETASSESS confidence that applicants who have been issued with a successful skills assessment outcome have the skills to come to Australia and contribute effectively to the nominated industries.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **require** that assessment is outsourced only to bodies with a demonstrable track record in providing migrant assessment processes that are robust, coherent, transparent, reliable, fair, and non-discriminatory.

Figure 14 illustrates the many steps and sequencing of VETASSESS' integrity-checking processes which have been developed and finessed over many years. This year we celebrated our twenty-fifth anniversary.

Figure 14 VETASSESS has a thorough integrity checking process



What should not be done

Two proposals that are gaining prominence that should *not* be adopted are to:

- introduce an income threshold; and
- make a jobs matching platform a central feature of Australia's reformed migration system.

Do not introduce an income threshold

The reasons are argued at length in the previous Section:

- improving the use of a skilled migration occupation list is a better means to the ends of facilitating job matching;
- wages may be sticky and provide a poor reflection of either job scarcity or migrant value;
- skills shortages exist along the whole income continuum, including in occupations that fall below an income threshold;
- income at a point in time is an inferior indicator to assessment of prospective migrants' quality and lifetime earnings potential;
- there are better ways to address migrant exploitation, including (as argued above) by making all skilled migration pathways to permanent residency points-tested; and

- the practical reality that the only defensible way of evidencing an income earning capacity at or above a threshold is to secure a job. This would rule out more future-focused skilled migration independent of an employer.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **not introduce** an income threshold.

Do not make a jobs matching platform a central feature of Australia's reformed migration system

Motivated by the reality that nearly a quarter of permanent migrants are working in roles below their skill level, last year CEDA floated the idea of establishing a new government-regulated online skills-matching jobs platform.⁴⁶ Discussion of this platform featured prominently at a recent CEDA seminar on migration and will likely feature in its submission to this review.

A digital platform that brings employers and migrants together and matches migrants to jobs that makes best use of their expertise is, of course, a good thing. But we caution strongly against locating such a platform within the migration system, as it risks giving rise to a number of perversities. We also question the need for such a platform to be Government led.

One perversity is that the system of permanent migration defaults to the demand-side. That is, that migration is only permitted once there is a positive job match. A related second is that a matched job becomes an excuse to dispense with skills assessment.

More important than whether applicants are matched to a job today, is whether they possess the skills and experiences that enable them to secure jobs over their remaining lifetimes in Australia in a future and uncertain world. This is where assessment comes in. And it is where enabling migration independent of employers is also important.

As discussed elsewhere in this submission, for the purpose of minimising the risk of migrant exploitation and wage theft, it is better to minimise opportunities for employers to exert power over migrants, than to unintentionally create new ones. By extension, it is better for any online jobs matching platform to be arm's length from the migration system.

Recommendation

That the Independent Strategy Leads recommend to the Government that it **not make** a jobs matching platform a central feature of Australia's reformed migration system (but could situate it outside of, and as a complement to, the system).

⁴⁶ CEDA (2021) *op cit*.