

A migration system for Australia's future

Discussion Paper, November 2022

Introduction

Australia confronts considerable change and uncertainty over the coming decades, driven by the need to respond to a complex set of entangled economic, strategic and social challenges and opportunities. These include the economic, demographic and social consequences of an ageing population, slowing population growth, and weak productivity growth, all of which are occurring against a backdrop of heightened geopolitical uncertainty and a need to secure critical supply-chains and enhance national resilience.

Yet today, our businesses and employers, across the breadth of industries, are struggling with critical skill and worker shortages, while our economy is hampered by limited innovation and a narrow industrial base. These are not the pre-requisites for future economic stability and security.

These population and skill challenges are mirrored across developed economies and Australia now faces increasing competition for talented migrants from other Organisation for Economic Cooperation and Development (OECD) countries, including many that have not traditionally provided migration opportunities.

The shift in economic weight toward the Indo-Pacific region and prevailing regional challenges add to the task confronting Australia, particularly our policy and business decision-makers. But, importantly, they also provide opportunities for growth in both traditional and new industries. An effective response also provides opportunities to strengthen relationships with our regional neighbours.

A multi-faceted and multi-year strategic approach is needed to successfully address these challenges. A well-targeted, efficient and equitable migration program with a clear set of objectives is a necessary component of that response.

It is important that that response also include a consideration of social licence, as well as the appropriate measures ensuring the rebuilding of sovereign capability in the face of Australia's changing geostrategic environment.

Reform of our migration system is also needed to ensure Australia is seen as a welcoming destination. The Migrant Workers' Taskforce, in 2019, noted that 'it is clear that a significant proportion of temporary visa holders in Australia are being exploited'.¹ Migrants in certain industries with a structural reliance on temporary migrants have been the most disadvantaged. Efforts to address migrant worker exploitation have, thus far, been piecemeal and insufficient to meet the scale of the regulatory and enforcement challenge. Equal treatment of migrants in the labour market and protection of migrants in the workplace are both necessary to maintain public confidence in the migration system. At the same time, more attention needs to be given to the important connections between domestic skills development and training and migration.

Our current migration system is complex and inflexible, lacks a strategic rationale, and no longer meets our needs. As we transition away from the wide-ranging disruption generated by the COVID-19 pandemic, there is a valuable opportunity to reconsider the purpose and operation of our migration system to ensure it is well-placed to address the challenges presented by our current and future environment.

At the same time, the opportunity arises to consider the merits of a whole-of-government approach to a redesigned migration system.

¹ 2019 (March) Migrant Workers' Taskforce report, p 33.

Desirably, our migration system would support Australia's transition to a more skilled, innovative and diverse economy, enhance our security and sovereign capabilities, and drive higher productivity, wages and living standards. In particular, a well-targeted migration program could play a vital role in complementing our commitment to employment and training opportunities for Australian workers by contributing new, cutting-edge skills and technological capability and filling critical gaps in our labour force while we expand our domestic skills base.

To achieve these outcomes, we need a new strategic approach that reflects Australia's values as a diverse, welcoming and fair society and addresses our longer-term economic, demographic and geostrategic objectives. We also want to deliver a system that is simpler, more efficient, enhances our competitiveness, treats migrants fairly, and helps unlock the potential contribution of all migrants to the Australian community.

This discussion paper seeks the views of interested individuals and organisations on the key elements of a future-focused and transformative strategy that will allow Australia to fully realise the potential of migration. Such a strategy would:

- improve economic growth, particularly through increased productivity, innovation and entrepreneurship;
- complement domestic education and training efforts, including through better utilisation of migrant skills;
- support the development of resilient sovereign capabilities;
- strengthen Australia's international partnerships and regional interests;
- ensure the integrity of the Australian labour market through strengthened compliance with labour standards and minimising the potential for migrant exploitation and
- take social licence into account.

Aspects of Australia's migration system have been examined through a range of fora and processes in recent years, including the Jobs and Skills Summit, relevant parliamentary inquiries, the annual Migration Program consultations, and the Ministerial Advisory Committee on Skilled Migration. The Reviewers are cognisant that many stakeholders have provided thoughtful and detailed analysis through these processes and will be drawing on the wealth of those insights. This discussion paper presents an opportunity for stakeholders to present new information and recommendations to inform the findings of the review.

Elements of the outcomes of the Jobs and Skills Summit are being progressed concurrently.

Some questions for consideration are included at page 10 of this paper. Submissions can be made via the Department of Home Affairs website.

Challenges and opportunities

Migration is central to the modern Australian story: the 2021 Australian Census found that more than half of Australians were either born overseas or have at least one parent who was born overseas. Our long history of managed migration has contributed to the prosperity that Australians enjoy today. Migration influences each of the key drivers of the supply capacity of our economy and hence of our potential for economic growth – the size and make up of our **population**; the level of labour force **participation**; and improvements to **productivity**.

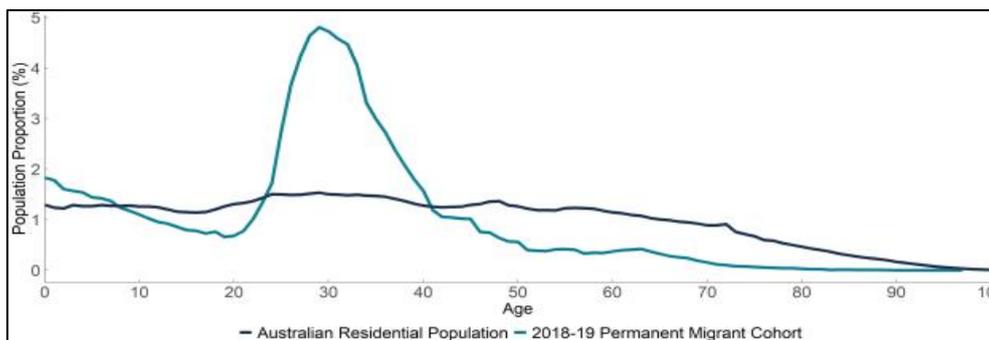
Community confidence in the motivation for, and integrity and social consequences of, our migration policies is critical for the social cohesion that characterises our rich multicultural society. But that social licence cannot be taken for granted. The benefits of migration and the integrity of the system need to remain a key focus of any changes.

We face new demographic, economic and geostrategic challenges

An aging, slowing population

For more than two decades, migration has been the main driver of Australia's population growth, helping to offset the demographic challenges of an aging population and declining birth rates. As migrants are, on average, younger than the existing Australian population, our migration intake has reduced the average age of our population and slowed the rate of population aging. Migration has also helped boost participation rates and the size of our labour force - more than 80% of migrants are of working age, compared with 65% of the existing population.

Figure 1: Age distribution of migrants compared to Australian population, 2018-19 permanent cohort



Source, Australian Treasury, 2021 FIONA working paper

While high levels of migration have seen our population grow more, and age less, than most other OECD countries, the effects of an aging population are becoming increasingly apparent, particularly as retirement of the Baby Boomer generation escalates.

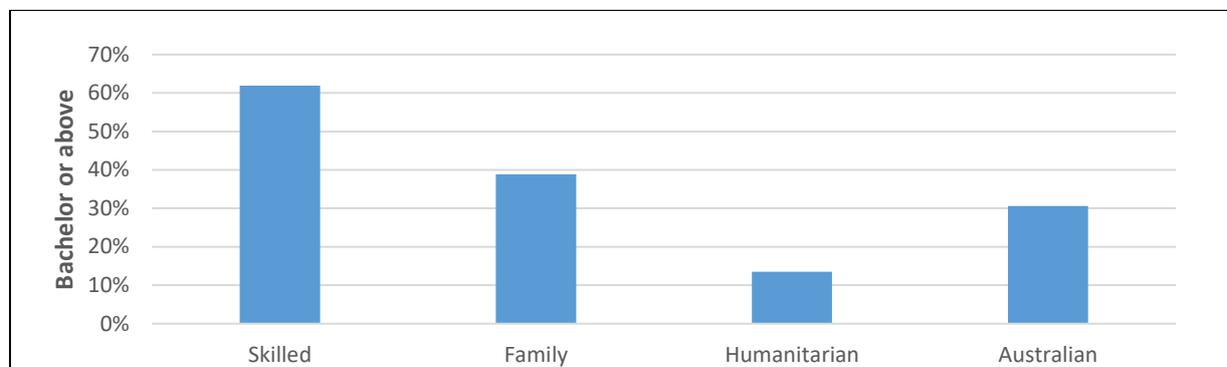
Slower population growth is one of the main reasons Australia's rate of economic growth has been forecast to decline over the next 40 years. At the same time, an aging population will contribute to labour force shortages (through withdrawal from the workforce) while also generating increasing labour and skill needs in certain sectors including aged care.

Declining productivity growth

Australia's migration system has also supported economic growth through its focus, since the mid-1990s, on the selection of highly skilled entrants. Migrants are, on average, more skilled than the existing population and so can, if integrated effectively into our workforce and society, enhance labour force productivity and support the adoption of new technology and skills.

Despite the stated focus on skilled migration, the number of skilled entrants is smaller than the permanent program allocations suggest. Within the Skilled stream of the Migration Program, the majority of places (approximately 55 per cent) are granted to family members of the skilled person, which typically includes partners and children. It may be that many of these partners are themselves highly qualified or skilled workers but this information is not collected in the migration process.

Figure 2: Proportion aged 20-64 with Bachelor degree or above by visa stream, 2016



Source: ACMID 2016, Census 2016

Labour productivity has been the driver of growth in economic activity (GDP) in Australia over the past 30 years. However, similar to the experience of most OECD economies, Australia’s productivity growth has slowed substantially in the past 15 years. The reasons for this are complex, reflecting both domestic and international factors, and are beyond the scope of this Review. However, if we are to deliver sustained real growth in Australians’ income and living standards, we need to improve our productivity performance. The migration program has a role to play in achieving faster productivity growth.

- Economic success in the decades ahead is likely to require Australia to develop a more diverse economy, with greater innovative and industrial capacity than we have today. Ensuring we have the skills and capabilities to support such an economy is a critical challenge.
- Disruptions to global supply chains associated with the COVID-19 pandemic, as well as ongoing geostrategic and security challenges, have also reinforced the need to address key gaps in Australia’s manufacturing and technology capabilities.
- There are new opportunities for growth through higher value production in particular sectors, including in renewable energy infrastructure and technology development, agricultural production, medical research, cyber security, defence industries and space technology.
- Targeted entry of highly skilled migrants can help the development of sovereign capability in these sectors, augmenting the efforts to build our domestic skill base. We need to ensure our migration system allows us to be competitive in attracting these highly sought-after migrants.

Skill and labour shortages

The impacts of COVID-19 also exacerbated ongoing, structural, skill and labour shortages across the economy at all skill levels. Migration can play a critical role in complementing employment and training opportunities for Australians to help meet our skill needs. However, we need to ensure we are selecting the right skills through the right visa programs. The objective is to create opportunities, by improving innovation and growth, rather than reducing opportunities for Australians.

International challenges and opportunities

Australia faces new and evolving challenges in our region. Migration plays a valuable role in strengthening Australia's international partnerships and regional objectives. It can foster enhanced integration (including people-to-people, trade, and supply-chain links) with our international friends and partners. Australia's long standing commitment to a generous refugee resettlement program supports shared efforts to provide international protection and stabilise displaced populations.

The changing nature of work

The nature of work has also changed since many of the current visa arrangements were introduced. This has included increased effects of globalisation, as well as growth of the 'gig economy' with its more insecure employment patterns, the increasing use of labour hire firms, and a reduced role for collective bargaining. The review will provide an opportunity to ensure the migration system better responds to the implications of this changed labour market environment.

The existing migration system

Australia's migration system encompasses the temporary and permanent visa programs; the underpinning legislative and policy framework; the systems and processes that support administration of these programs (including ICT, client services and the service and delivery support provided by third party providers, for example, in collecting biometrics and undertaking health assessments or through migration agents providing immigration assistance); and the settlement policies and programs that support migrants' transition to Australian life. The review will consider all of these aspects of the system.

There are other elements of the migration system that will not be addressed by the review, including:

- multicultural policies and programs
- issues relevant to irregular migration and status resolution
- regional processing and Operation Sovereign Borders
- administered programs including grants
- functions and activities of the Australian Border Force, including but not limited to immigration compliance, removals and detention
- Public Interest Criteria required for approval of visas, including character, national security and health checking requirements.

A complex and inflexible system

The permanent and temporary visa programs are made up of more than 100 individual visas, with detailed requirements and conditions set out in the *Migration Act 1958* and *Migration Regulations 1994*. More than 20 ICT systems, including numerous legacy systems, support the lodgement and processing of visa applications and the collection of relevant client information.

The framework reflects a patchwork of changes over many years, often made to address specific or short-term circumstances rather than considered decisions to deliver long-term objectives.

- The system is complex and difficult for prospective migrants to navigate, increasing their dependence on third party assistance and diluting Australia's message that we welcome migrants.
- It is expensive, inflexible and inefficient to administer, limiting our ability to use immigration levers flexibly and responsively.

The visa programs

The Government sets the size and composition of Australia's permanent migration intake on an annual basis as part of the Budget process. This intake includes three broad visa streams – Skilled, Family and Humanitarian – with distinct purposes and requirements. The 2022-23 Migration Program has been set at 195,000 permanent places, with 70 per cent allocated for the Skilled stream and 30 per cent for the Family stream. Separately, in 2022-23 the Humanitarian Program will provide 13,750 places (and further dedicated places for Afghan nationals).

Australia's temporary visa programs allow people to come to Australia for a limited period for broad range of specific purposes (including to visit, study, for international relations, and to undertake work) that deliver substantial economic and cultural benefits. The student and visitor visa programs are key enablers for Australia's international education and tourism sectors, which were two of Australia's largest export sectors before the COVID-19 pandemic.

Unlike the permanent program, temporary visa programs are largely uncapped. On 31 October 2022, there were more than 2.2 million temporary visa holders in Australia, of whom an estimated 1.85 million were entitled to work. At the beginning of the COVID-19 pandemic period on 31 March 2020, there were 2,148,182 temporary visa holders in Australia, including higher numbers of Student, Working Holiday Maker and Temporary Skilled Employment visa holders.

Table 1: Number of Temporary visa holders in Australia, 31 March 2020 compared to 31 October 2022

Visa Category	31 March 2020	31 October 2022
Bridging	256,529	357,743
Crew and Transit	26,252	18,923
Other Temporary	5,576	4,425
Special Category	672,432	680,621
Student	567,924	424,793
Temporary Protection	17,223	23,481
Temporary Resident (Other Employment)	137,624	202,766
Temporary Resident (Skilled Employment)	139,331	111,043
Visitor	206,025	299,344
Working Holiday Maker	119,266	86,899
Grand Total	2,148,182	2,210,038

Source: Department of Home Affairs, 2022

Further information on Australia's permanent and temporary visa programs is available in [The Administration of the Immigration and Citizenship Programs - 10th edition \(homeaffairs.gov.au\)](https://www.homeaffairs.gov.au/publications/the-administration-of-the-immigration-and-citizenship-programs-10th-edition).

Pathways to permanent residence

Temporary migration can be a step towards permanent residence – 76 per cent of Employer Sponsored migrants previously held Temporary Skill Shortage visa holders and 67 per cent of State and Territory Nominated migrants (a permanent visa class) entered Australia as Student visa holders. However, for many temporary visa holders there is uncertainty about the availability of a pathway to permanent residence, sometimes reflecting frequent policy change, and demand far outstrips the available permanent places. This situation has at times affected Australia's reputation and competitiveness and contributed to a growing cohort of 'permanently temporary' migrants, at risk of exploitation and poor integration outcomes. Concerns also arise over some employer-sponsored pathways to permanent residence as these can exacerbate migrant worker vulnerability in the workplace, creating pressure to remain with an employer in order to secure permanent residence.

Visa processing backlogs and wait periods

There are currently backlogs and wait times associated with many visa programs, often creating lengthy delays in the finalisation of applications. While some lengthy wait times reflect the extent to which demand for visas exceeds the supply of places (such as for the Parent and offshore Humanitarian programs), other backlogs reflect the inefficiency of current settings and processing arrangements.

Visa processing delays affect applicants, sponsors, employers and education institutions. They have the potential to significantly reduce Australia's international competitiveness, particularly in attracting very highly skilled migrants and students able to choose between migration destinations.

Skilled visa settings do not meet employer or worker needs

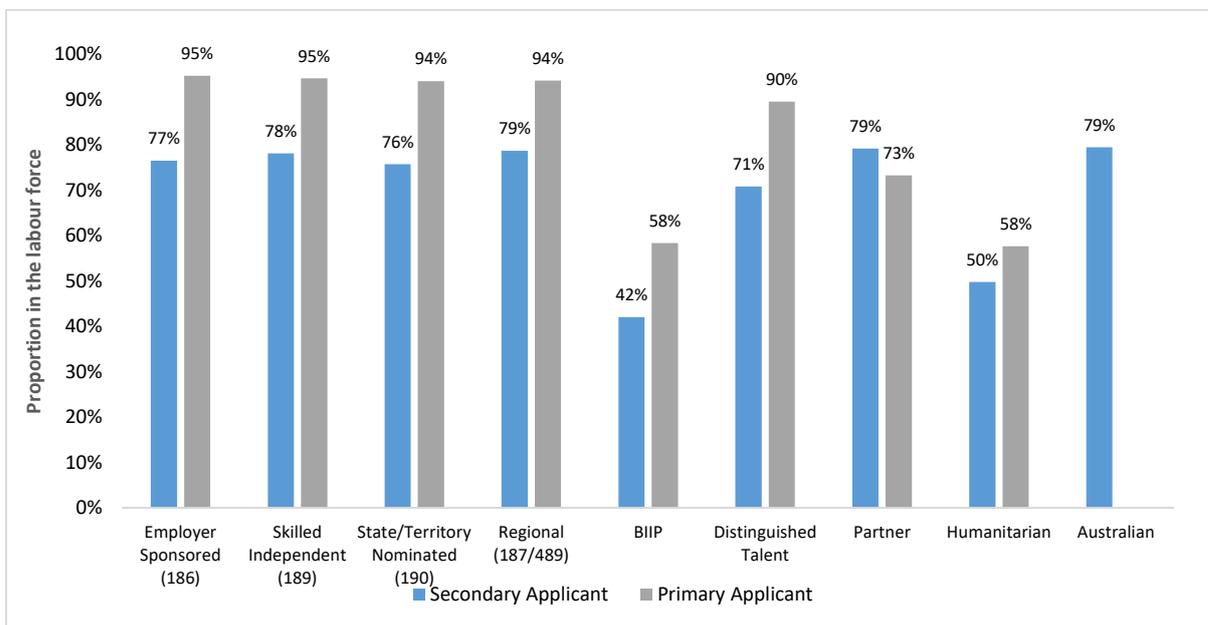
In addition to concerns about processing delays and their impact on business operations, concerns have been raised that:

- the skilled occupation lists that underpin most skilled visas are inflexible and slow to reflect emerging occupations and technological changes
- current labour market testing processes are not fit for purpose
- the Skilling Australia Fund levy may not be meeting Australia's needs; the level of the Temporary Skilled Migration Income Threshold (TSMIT), which sets the minimum salary for employer sponsored visas, has not been increased since 2013 and no longer reflects the market rate for skilled Australian workers
- visa requirements are complicated, changed too frequently, and do not always provide the pathways to permanent residence needed to attract suitable workers
- the complexity and costs of the program makes it difficult for small business employers to access
- that there is misalignment between the labour market employment opportunities and pathways to permanent residence for international students that mean we are not fully utilising their skills.

Skills mismatches and untapped potential

While skilled migrants have achieved high levels of workforce participation and employment, the available data suggests that many find it difficult to secure work in their field or at a level commensurate with their qualifications and experience. Family and Humanitarian migrants and the partners of Skilled entrants, who may also bring a wealth of education and skills, or have the capacity to acquire skills once they have arrived, also participate in the labour force to varying degrees with weaker outcomes than entrants selected for their skills. Some find their overseas skills and training are not recognised in Australia and they are unable to work in their field without undertaking, often costly, additional study. Both groups represent untapped potential to contribute to meeting labour force needs and supporting economic growth, as well as strengthening their integration in the Australian community.

Figure 3: Labour force participation aged 25 to 64, by applicant type and visa category



Source: ACMID 2016, ABS Census 2016

Divergence between the cities and regions

Since the mid-1990s, a series of visa programs have been designed to address the specific workforce and demographic needs of regional Australia and provide incentives for longer-term migrant settlement. The settings for these programs recognise different salary levels and occupational shortages, including at lower skill levels, than mainstream visas. Industry-specific Labour Agreements and Designated Area Migration Agreements allow negotiation of a range of concessions to respond to unique workforce circumstances.

Despite these efforts, the regional visa programs have been under-utilised and migrants often relocate to metropolitan centres after securing permanent residence. There is also a lack of clarity in relation to the scope of these programs, with the definition of regional Australia currently including all areas outside of Sydney, Melbourne and Brisbane.

Key Questions for the Review

In developing a new migration strategy, the review will consider the following key questions. Individuals and organisations interested in providing a submission are invited to address these issues.

1. What challenges and opportunities does Australia face in the coming decades?

2. How can migration contribute to these challenges and opportunities?

- How do we best use the migration program to grow our economy?
- How can we design a system that supports and complements opportunities for jobs and skills for Australians?
- To what extent should the availability of visas with work rights be linked to identified skill and labour shortages?
- Should we take a different approach to identifying and counting the number of skilled migrants?
- How can we better prevent the exploitation of migrant workers?
- How can we prevent a 'permanently temporary' cohort within the migration program?
- How could we best use the migration program to assist Australia to build its sovereign capabilities and to address major challenges such as climate change, technological shifts and the ageing population?
- How can we attract and retain the best talent from around the world?
- How do we ensure the migration program supports Australia's international interests?
- How do we address the specific needs of regional Australia?

3. What are the current and potential barriers in allowing migration to play these roles?

- How can we make the system simpler and fairer for both migrants and employers?
- How can we make the migration system more flexible and responsive to the changing needs of our economy and society?
- How can we make the migration system more accessible to small employers and start-ups?
- How could longer-term planning support investment in the necessary infrastructure and services?
- What are the barriers to the participation of migrants in the labour market, including those entering through the family and humanitarian streams and secondary migrants?

4. What reforms are needed to ensure the migration system can meet the challenges and opportunities that lie ahead?

- How can we better identify and respond to future labour market needs?
- How do we best structure pathways to permanent residence and citizenship to meet the nation's needs?
- How do we further strengthen and maintain Australians' public confidence in the migration program?
- What principles should underpin our future migration system, including to address migrant worker exploitation?
- Are there other ways our migration system can support Australia's future prosperity and well-being?