



Australia's Migration Opportunity: How Rethinking Skilled Migration Can Solve Some Of Our Biggest Problems

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GRATTAN
Institute

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Rethinking skilled migration: target younger, skilled migrants

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- Expand employer sponsorship: \$85k wage floor, open to all occupations; less red tape
- Abolish BIP

Temporary skilled migration is both about shortages and feeder to permanent program

- Open it to all occupations and make visas portable: limits exploitation & reduces red tape

The government is heading in the right direction on migration reform, but it's not perfect

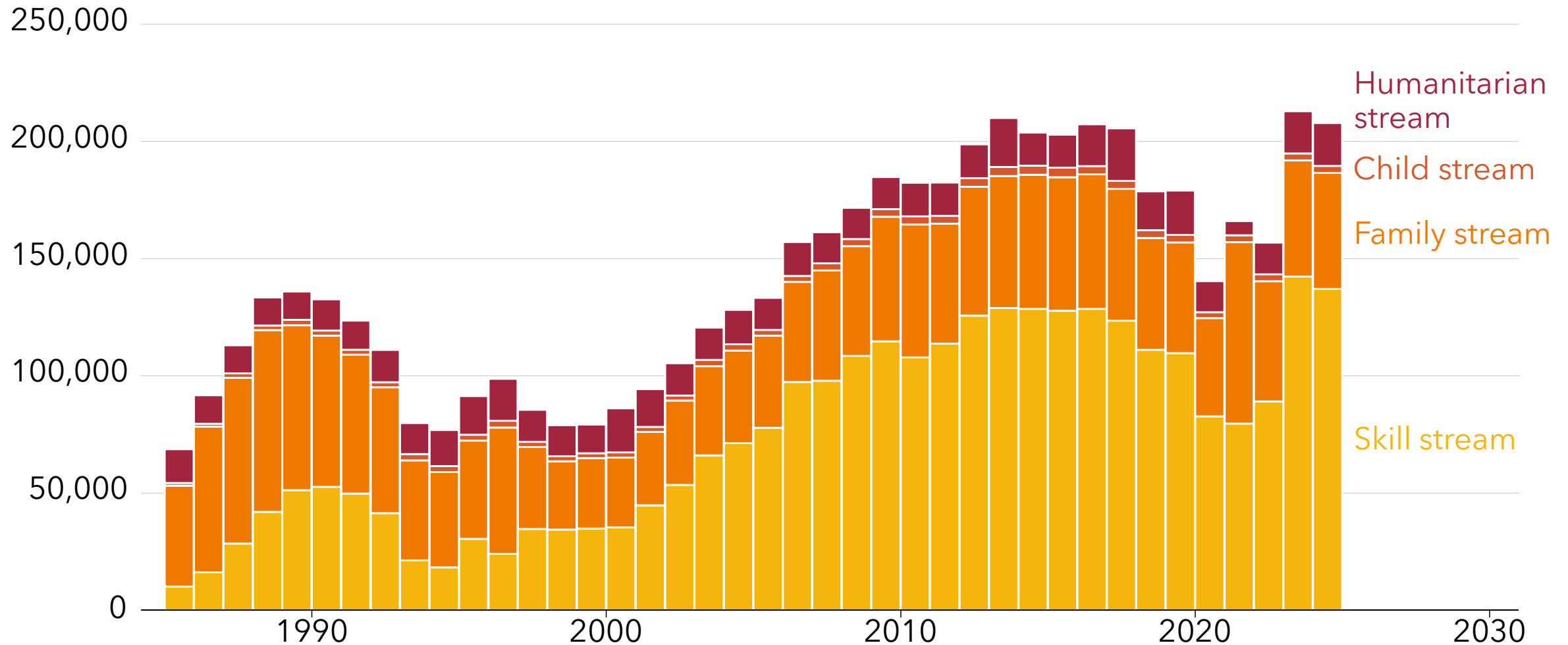
- But many questions remain unanswered: recalibrating permanent points tested visas; pathways to permanent residency - no easy answers; international students and graduate visas

Housing is the biggest threat to our migration program

- The rapid rebound in migration & greater housing demand from Australians are pushing rents higher

Australia runs a substantial permanent migration program – two thirds of all visas are issued via the skilled stream

Australia permanent visa grants, 1984-85 to 2023-24

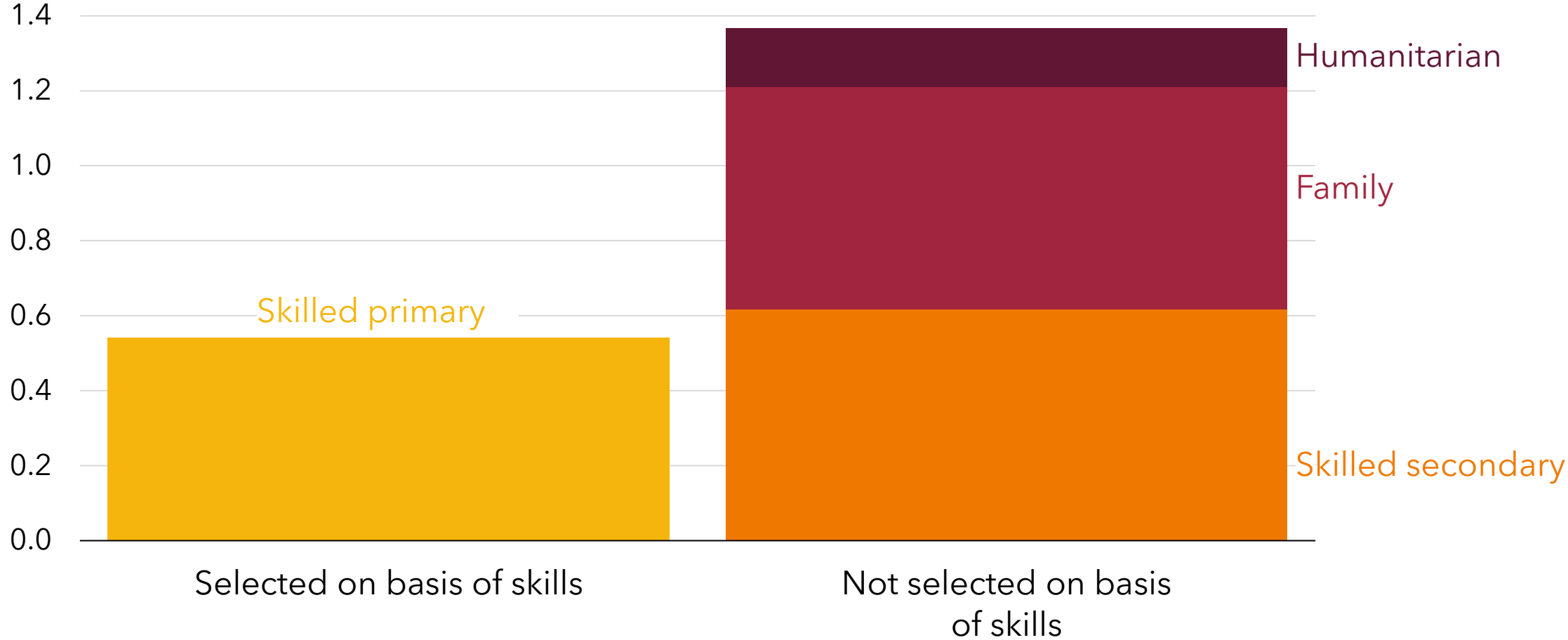


Notes: Humanitarian includes a small number of 'Special Eligibility' visas.

Source: Department of Home Affairs, Australian Migration Statistics; Parliamentary Library. Planned humanitarian intake for 2023-24 is assumed to be the same as in 2022-23.

Three in four permanent visas are allocated without any assessment of migrants' skills

Number of permanent visas granted between 2011-12 and 2020-21, by visa type, millions

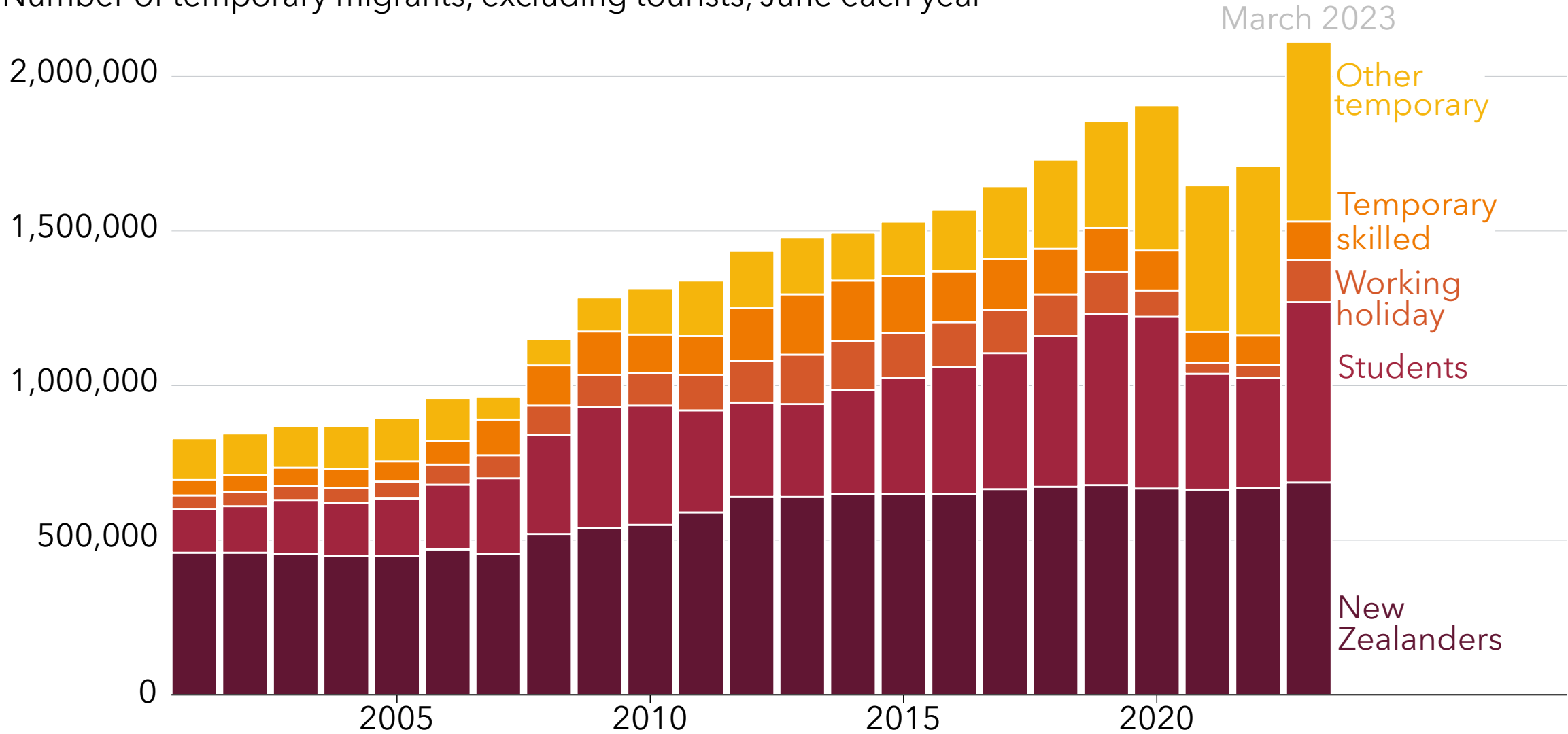


Notes: Family includes: partner, parent, child, other family and expert family panel (2012-13 and 2013-14 only). Humanitarian includes special eligibility visas. A small number of skilled primary visas were granted to people aged 19 or below.

Source: Department of Home Affairs

A growing number of temporary visa-holders reside in Australia with work rights

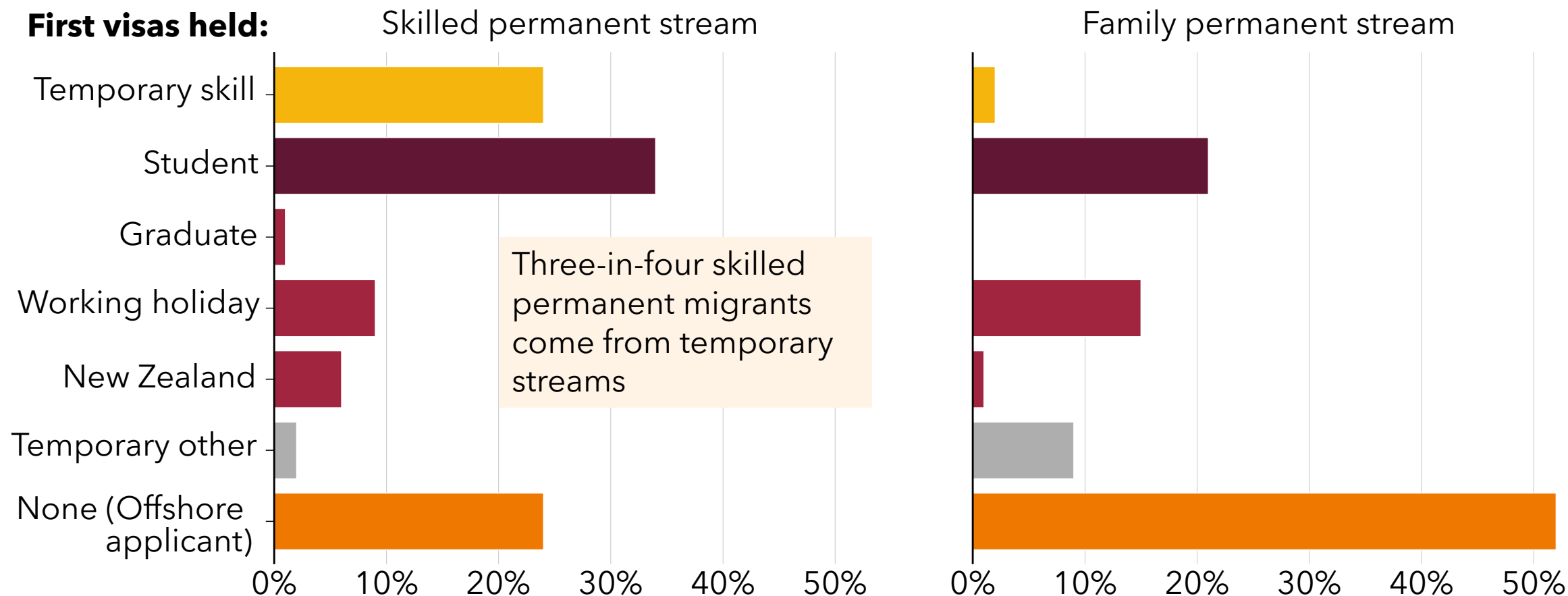
Number of temporary migrants, excluding tourists, June each year



Source: Shaping a Nation (2018); Temporary visa holders in Australia, Department of Home Affairs (2022).

More than half of migrants granted permanent residency are already in Australia on a temporary visa

Share of skilled and family permanent streams by first visa held



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Rethinking the objectives for skilled migration

Permanent skilled migration should aim to boost Australia's stock of human capital, especially for globally-scarce top-end talent. Not aimed at filling skills shortages.

Temporary skilled migration is about both:

1. Filling specific skills gaps that exist in the labour market, helping the economy adjust to shocks (noting that TSS visa holders account for only 1 in every 200 workers)
2. Facilitating a pool of high-quality applicants for permanent skilled migration (three-in-four skilled permanent migrants come from temporary streams)

The second of these objectives for temporary skilled migration is arguably more important than the first

A **less prescriptive** and **more-flexible migration program** that attracts the world's best and brightest will **best bolster Australia's sovereign capabilities**

- Invest in attracting top-end talent to Australia, rather than using the visa system to screen for particular occupations

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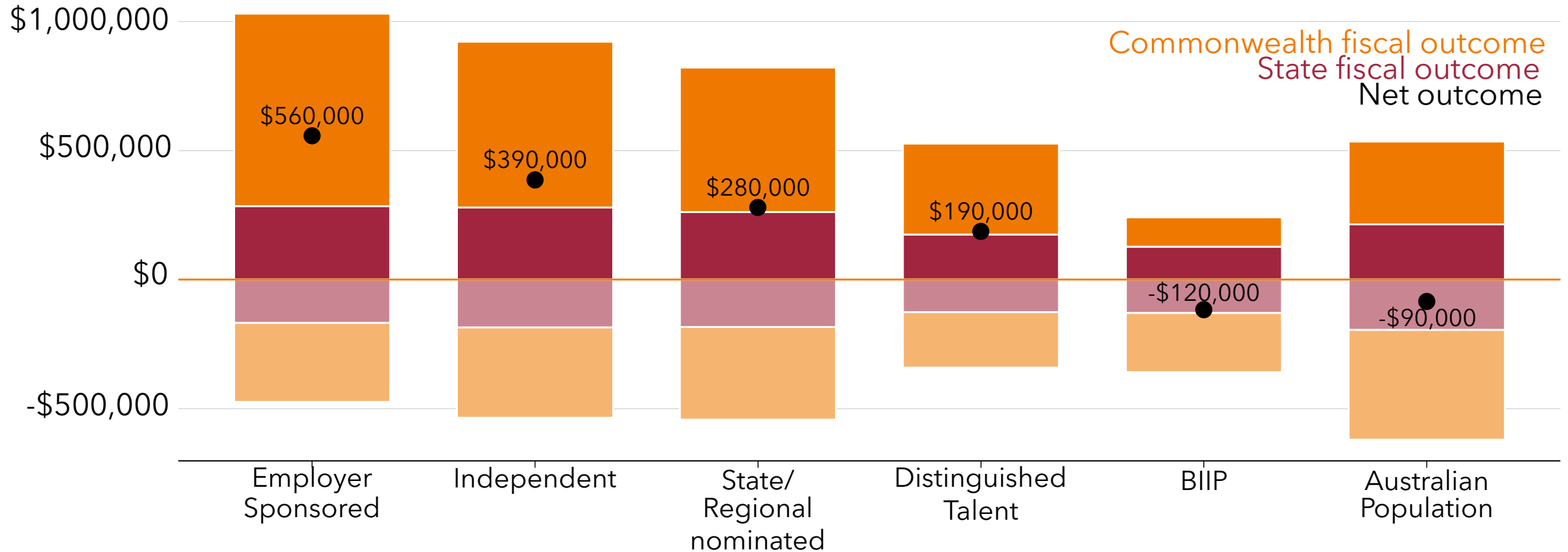
Permanent skilled migrants are selected through a number of different streams

Visa type	Visa cap (2023-24)	Invitation required	Salary threshold	Age limit	Occupation listed (# listed)	Skills assessed	English (IELTS)
Employer-sponsored	36,825	No	> \$53,900, w contract	45	Yes (212)	No*	6.0
Regional: employer	32,300 combined	No	> \$53,900, w contract	45	Yes (650)	Yes	6.0
Regional: points		Yes	No	45	Yes (504)	Yes	7.0 in practice
Points: independent	30,375	Yes	No	45	Yes (212)	Yes	7.0 in practice
Points: state nominated	30,400	Yes	No	45	Yes (415)	Yes	7.0 in practice
Global Talent	5,000	Yes	> \$153,600, w/o contract	55	No	No	N/A
Business Innovation & Investment (BIIP)	1,900	Yes	No	55	No	No	N/A

Notes: States can apply their own criteria. Some Business Innovation and Investment streams differ.

Different permanent skilled visa-holders offer enormously different long-term payoffs

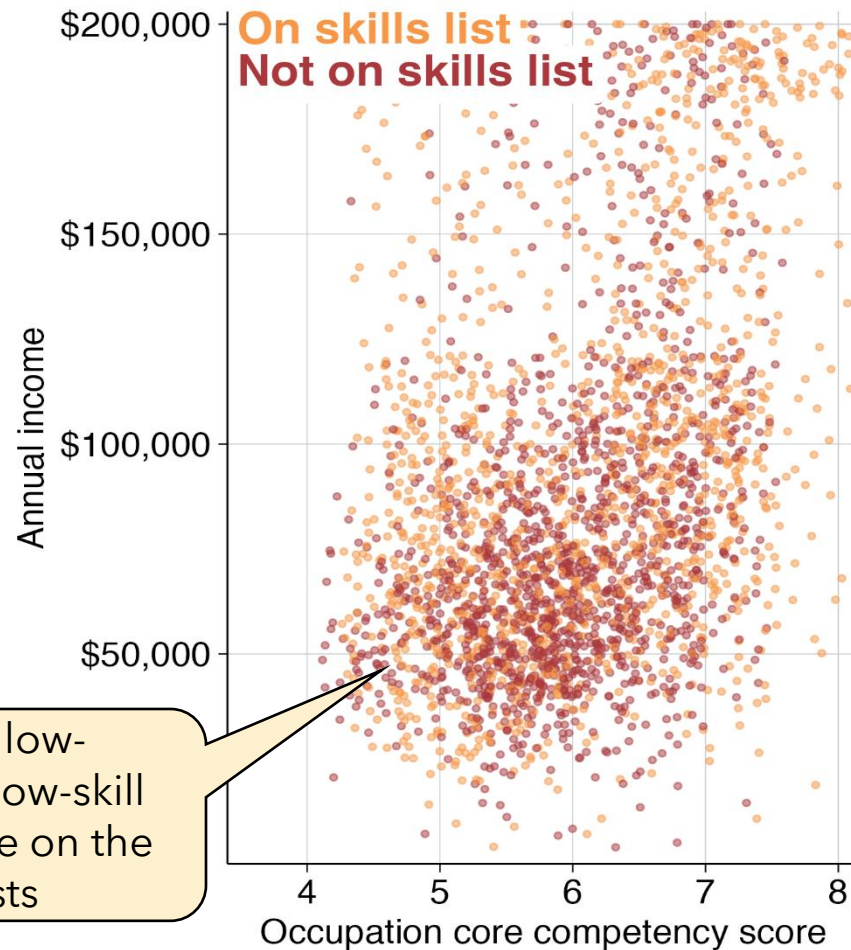
Lifetime fiscal impact per person by skilled visa subclass, primary applicants



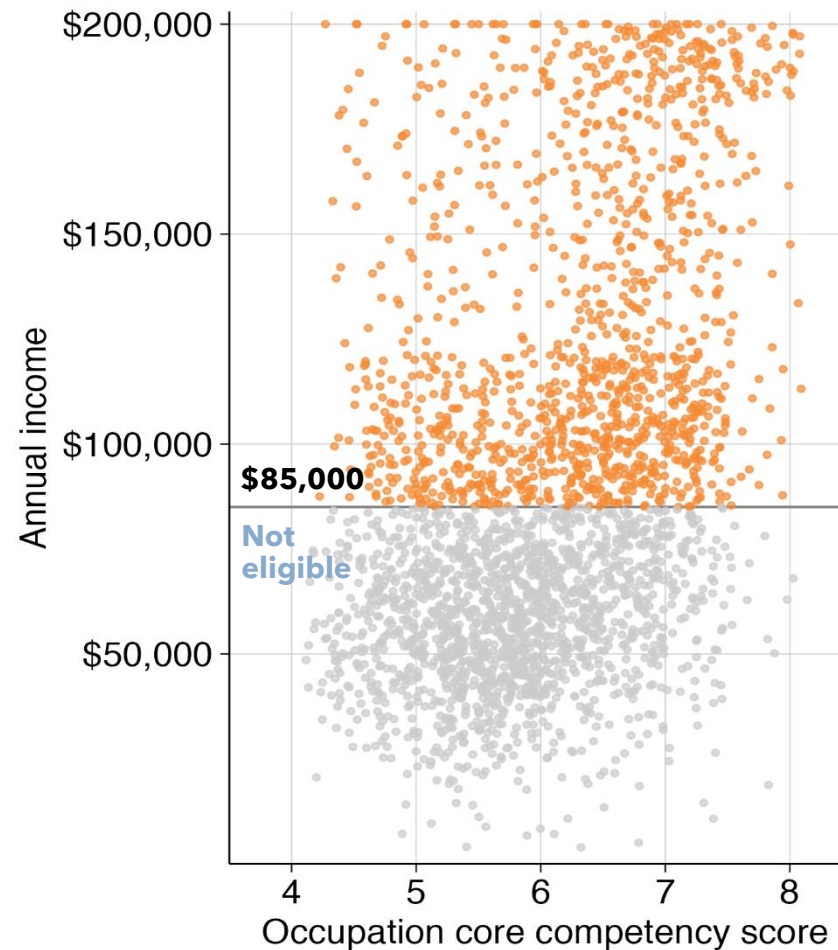
Employer sponsorship: the government should occupation lists, instead relying on wages

Each dot represents 1,000 full-time jobs in an occupation by their income

Panel (A) Current skills list system



Panel (B) Alternative with an \$85,000 wage threshold



Big benefits for employers:

- Access greater pool of skilled workers
- Greater certainty given clear wage threshold & no need to fit role to a listed occupation

High-wage applicants can be confident they will be selected.

Some losers:

- Some employers lose access to lower-wage workers (e.g. Cooks)
- Low-wage temporary workers lose pathway to permanent residency

Points-tested visas should be recalibrated to only offer points for characteristics that predict migrants' success in Australia

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The points test is bloated with characteristics which don't appear to predict migrants' long-term success in Australia

- Up to 130 points are available in the points-test for a points-tested visa, with 65 points required to be considered for a visa.
 - Characteristics attracting points are:
 - **Age:** up to 30 points
 - **English proficiency:** up to 20 points
 - **Work experience:** up to 20 points
 - **Education qualification:** up to 20 points
 - **Partner skills:** up to 10 points
 - **Australian study:** up to 5 points
 - **Regional study:** up to 5 points
 - **Professional year:** up to 5 points
 - **Specialist education (i.e. STEM):** up to 10 points
 - **Credentialed community language:** up to 5 points
-
- Most applicants score close to full points here**
- Points here often determine who gets a points-tested visa**

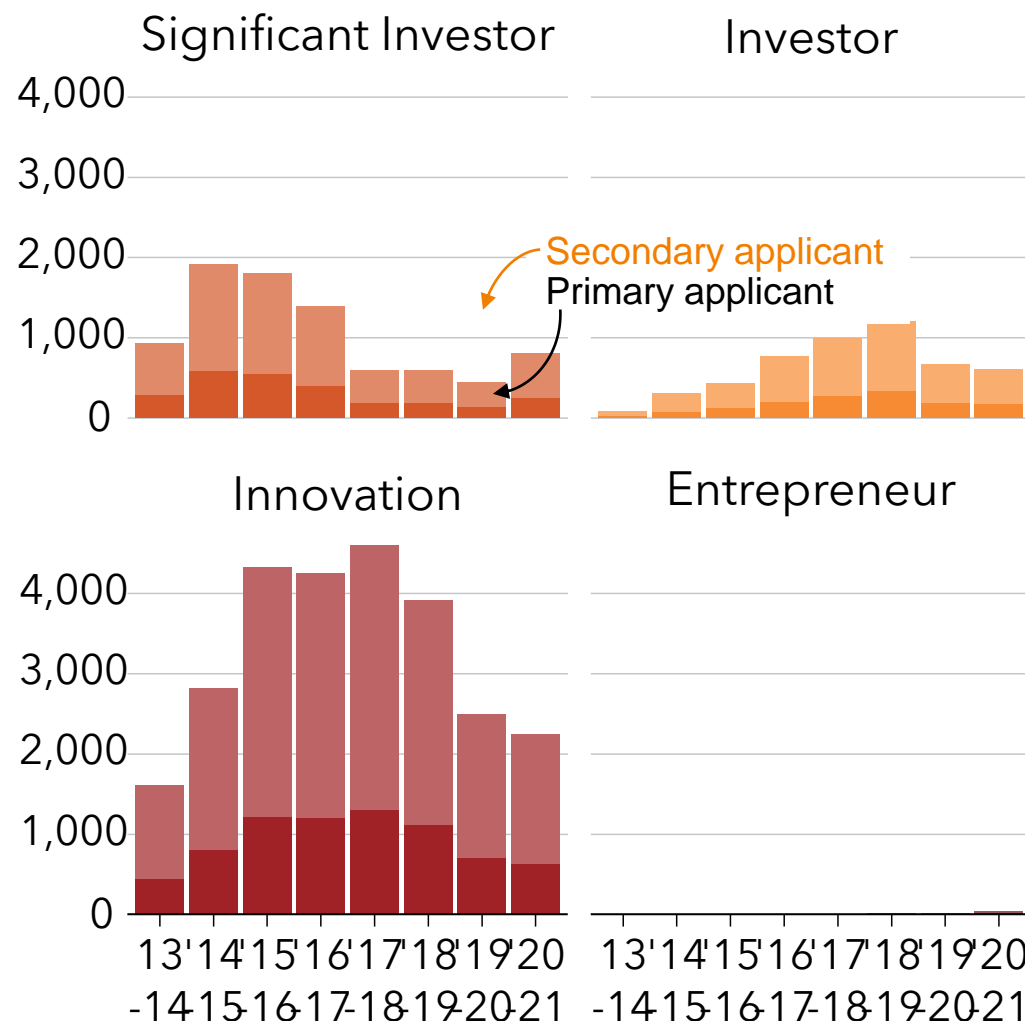
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The BIIP has been a disaster and should be abolished

Annual visas issued within each stream of the BIIP



BIIP visas designed to select 'migrants who have a demonstrated history of success or talent in *innovation, investment, and business*.

Selects migrants who:

- Are older
- Participate less
- Earn lower incomes
- Have poor English skills

BIIP numbers down to 1,900 from 5,000 last year and over 10,000 a few years ago

Investment visas not adding to capital stock

- There are now some stronger requirements for investments in venture capital etc.

Regardless of rules, the underlying rationale is flawed: Australia already has good access to capital markets.

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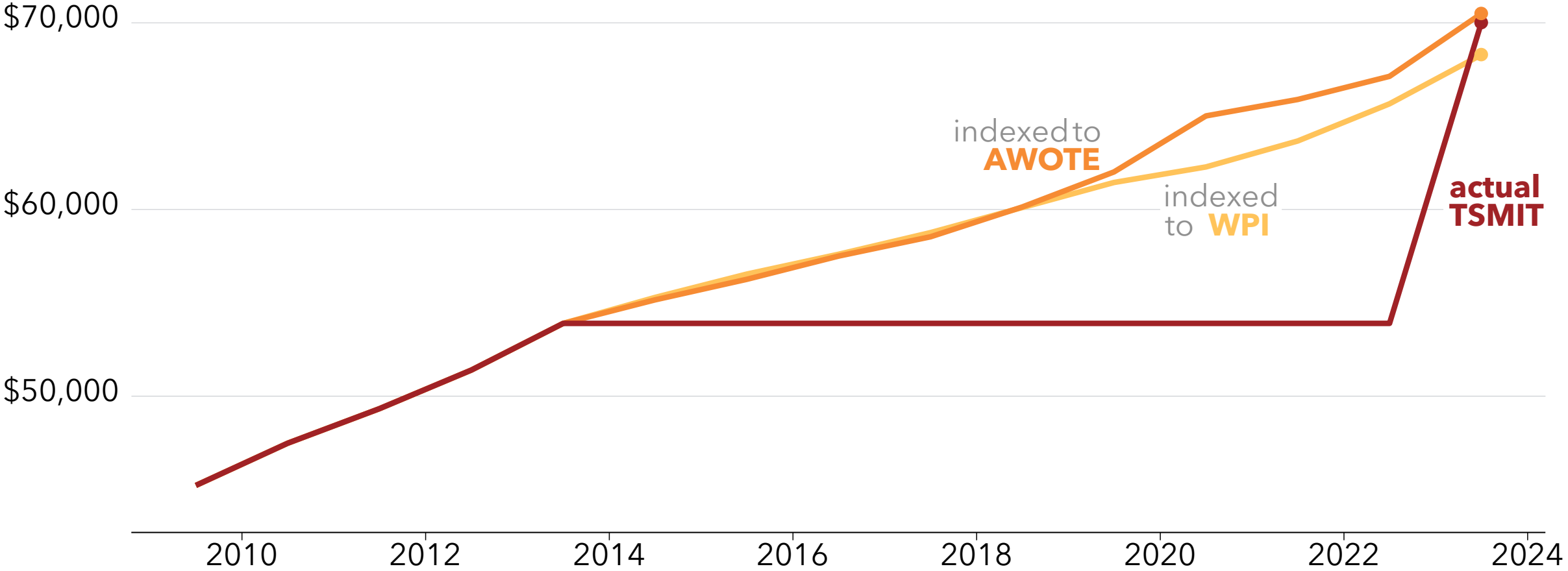
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Housing is the biggest threat to our migration program

- The rapid rebound in migration & greater housing demand from Australians are pushing rents higher

The TSMIT was raised to \$70,000 on 1 July 2023 after not increasing for a decade

Temporary Skilled Migration Income Threshold (TSMIT)



Notes: WPI and AWOTE figures for July 2023 are estimates based on RBA forecasts.

Source: Grattan analysis

The government plans to create three tiers for temporary employer sponsorship of migrant workers

The **first pathway** is a fast, simple route for **specialised, highly skilled workers**.

- Subject to a wage threshold (Migration Review recommended at least \$90,000 a year)
- Could be limited to jobs in high-tech sectors, or be extended to jobs in any occupation

The **second** is a **mainstream temporary skilled pathway** to bring in the core skills we need.

- Wage threshold \$70,000 a year from 1 July 2023
- Restricted to occupations deemed in need by Jobs and Skills Australia
- Visas will be portable: workers can more easily switch employers once in Australia

The **third stream** relates to our **essential industries**.

- Starting with an aged care pilot: the Aged Care Industry Labour Agreement → min. salary of \$51,222, lower English language requirement, shorter pathway to PR
- Total numbers are likely to be capped
- Likely to rely some kind of 'industry sponsorship' arrangement
- Likely subject to extra protections / regulation to limit exploitation

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The government's migration reforms are a big step in the right direction

"The first big problem is that our migration system today is not delivering Australia the skills that we need to tackle the challenges I have set out.

Who we invite to come here and join us in our national endeavours is **one of the most important questions our government can ask.**"



"There is a **crisis of exploitation**, with up to one in six recent migrants paid less than the minimum wage.

When migrant workers are being underpaid - **it hurts all of us**, driving wages and conditions down for everyone."

But big questions remain unanswered

Reform directions	Outstanding questions / next steps
Recalibrate permanent points tested visas	Who does the (difficult) data work? Overcoming regional and industry lobbying.
Redesigning permanent and temporary employer sponsored visas	<p>There are still lots of unanswered questions in the redesign</p> <ul style="list-style-type: none"> • Upper tier: what wage threshold? how broad? • Middle tier: On what data does Jobs and Skills Australia assess skills needs? How do you do full portability? • Bottom tier: How do we prevent exploitation? How many visas are offered each year? What industries? Access to PR?
BIIIP visas cut to just 1,900 in 2023-24, from 5,000 in 2022-23	How to abolish the BIIIP program completely when there is a large application backlog?
Offer clearer pathways to PR, but not all can get PR	How to do that without increasing permanent intake, or reducing the temporary intake?
Tightening up on low quality student visas and poor-quality VET providers. Re-designing the Temporary Graduate visa.	<p>Do we raise English language requirements? Need to review regulatory framework for VET. Restrict length of Temporary Graduate visa? + other changes</p>
Stopping migrant worker exploitation	Undocumented workers, role of the FWO, DHA funding

Current migration settings mean not all temporary migrants can get permanent residency

Pick a side, any side

A capped permanent program
(Skilled, family, humanitarian)

Where we are now

- Many migrants want to stay, but can't

Limit temporary migration

- Apply stronger quality filter to TSS and student visas
- Reduce length of graduate visa
- Cap working holiday maker visas?

The government wants this

Uncapped temporary migration
(TSS, students, WHMs)

Uncap (or greatly expand) permanent migration

- Infrastructure & housing pressures?
- Politically unpopular?

Clear pathways to permanent residency

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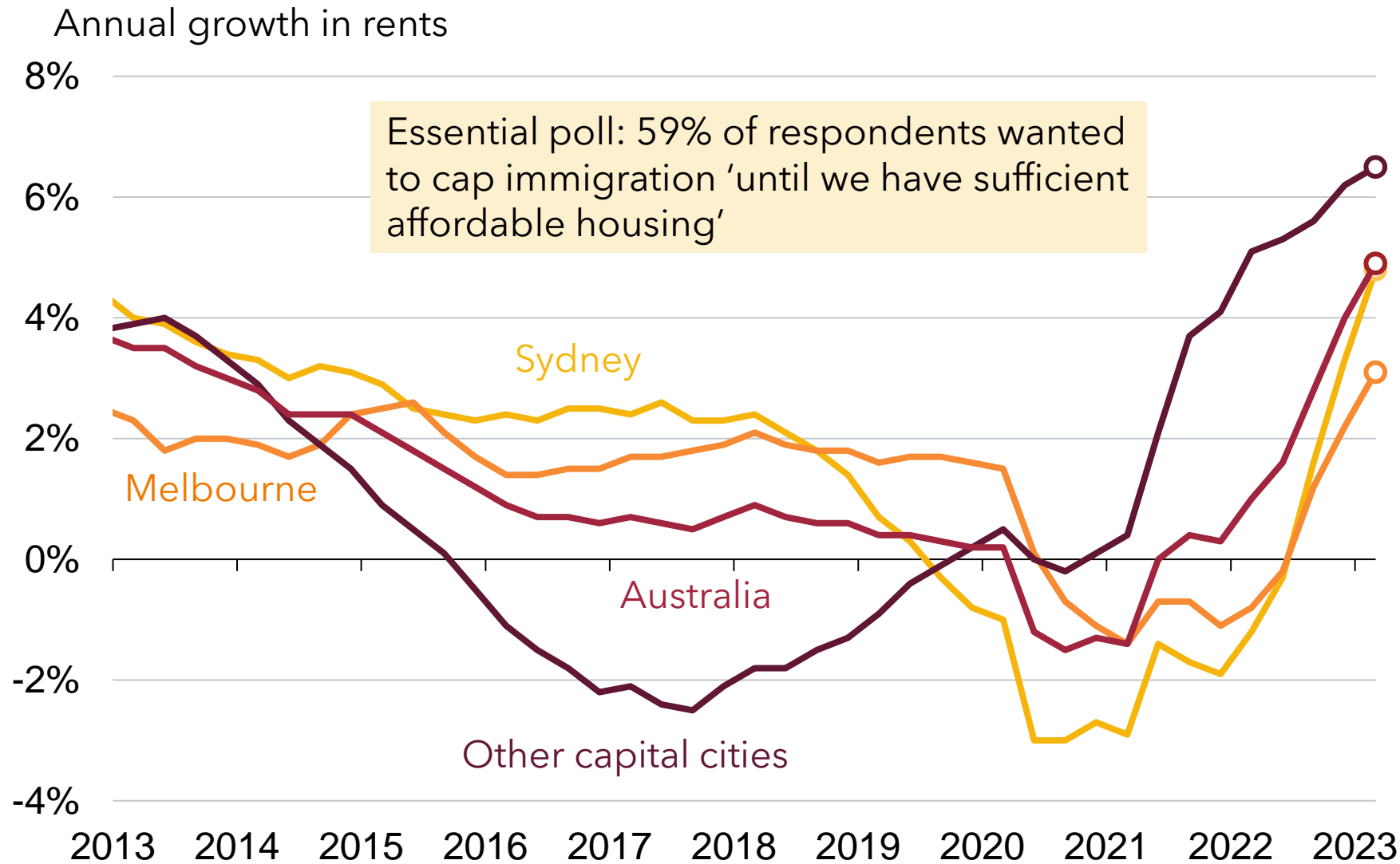
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Expensive housing is now the biggest threat to a well-designed skilled migration program

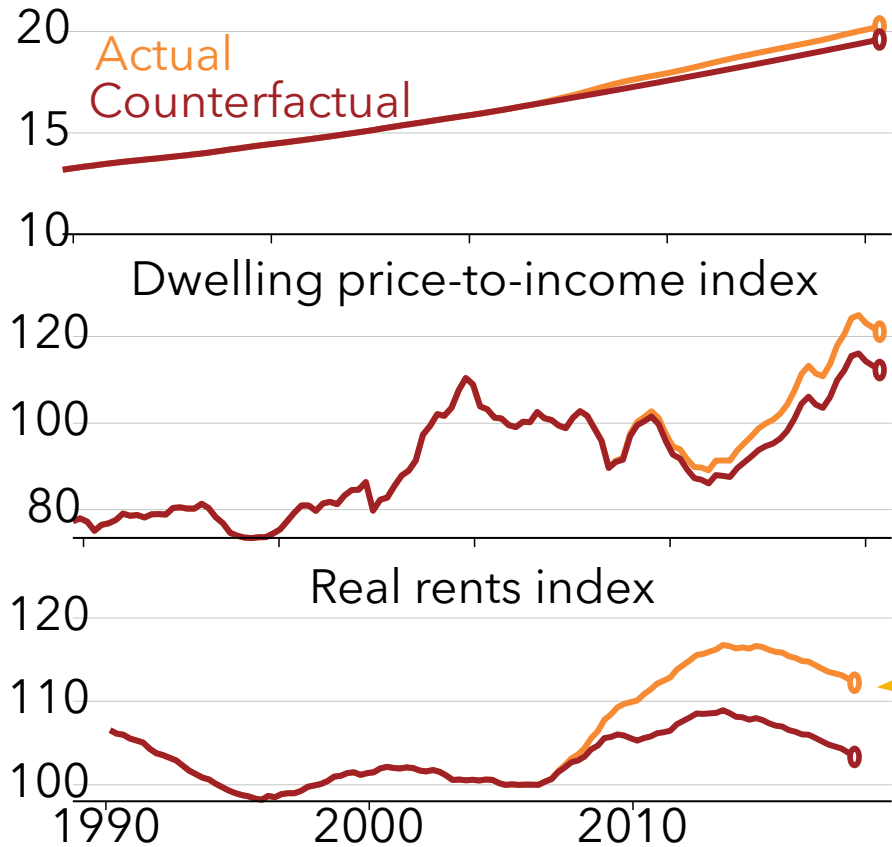


- Advertised rental price growth is over 10 per cent across capital cities and many regions
- That is feeding through into the rents paid by all renters (measured by CPI rent subcomponent)
- Rental vacancy rates are ~1% in most cities

Migrants add to housing demand: boosts national income, but worsens inequality

Annual growth in rents

Adult population



Migrants add to housing demand, boosting national income, but worsening inequality

Migration involves the “export” of accommodation services by Australians to new residents.

Those homes are (almost exclusively) owned by Australians
Therefore extra demand for housing from migration:

- Boosts national income: students pay higher rents to local landlords than domestic renters otherwise would
- **↑** inequality: **↑** rents redistributes from renters to h'owners

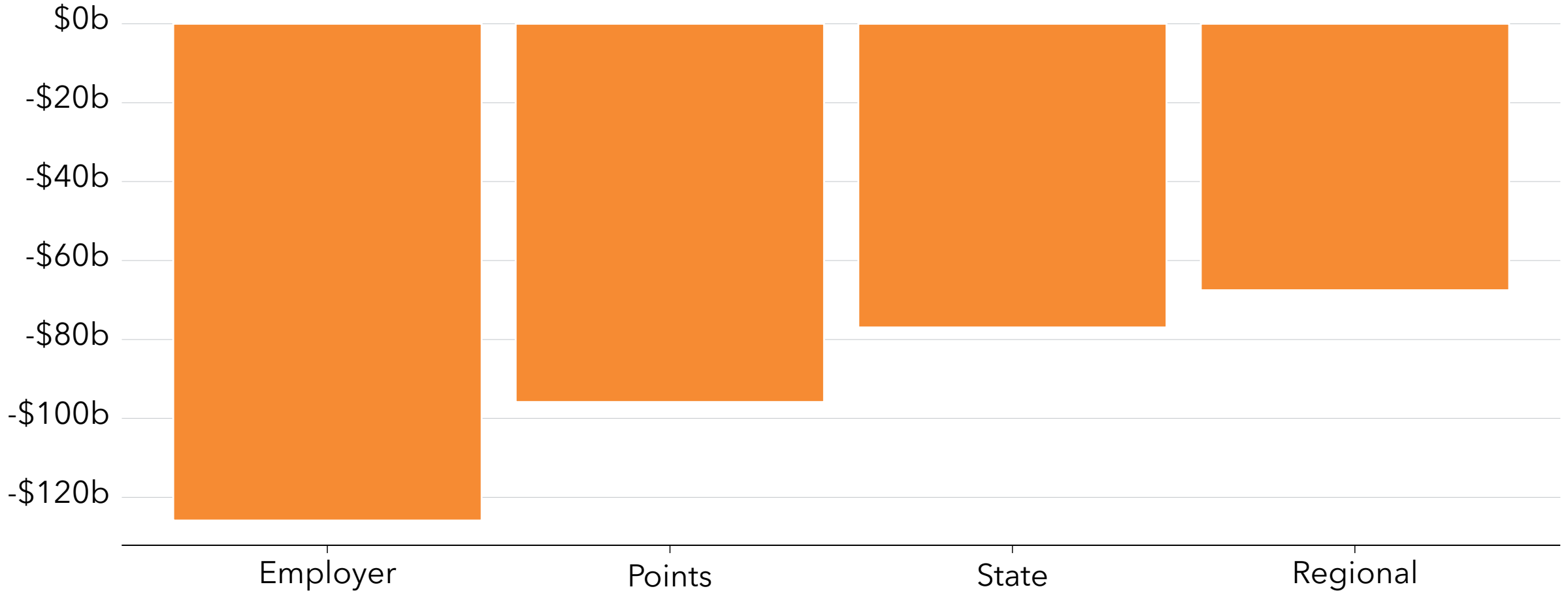
“To assess the effects of this surge, we run a counterfactual simulation, shown in [orange], in which adult population growth continues to grow at its 2005 rate of 1.5 per cent...”

The cumulative result was that real rents were 9 per cent higher in 2018 than they would have been otherwise.”

Saunders and Tulip (2019), pp. 27-28.

Reducing migration would make housing cheaper, but is far from costless

Fiscal impact of 10,000 less permanent visas over 30 years, 2022 dollars (billions)



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