

The Value of a new semi-skilled visa program for key industry sectors in rural, regional and economically challenged areas of Australia

A Historic Approach

The Snowy Mountains Hydro-Electric Scheme was the largest engineering project ever undertaken in Australia as well as one of the most complex hydro-electric schemes in the world. It stands as a monument to Australia's engineering expertise and is seen as a defining point in Australia's history and economic development.

More importantly, it affords us with a model of migrant skill utilization that has had a profound impact on the nation's workforce especially in underpinning the strong economic growth that Australia enjoyed in the following decades.

Of special note is the impact that this project also had in developing skills that were ultimately utilized in regional, rural, and low population growth areas of Australia not to mention the impact it had in re-creating Australia's identity as an independent, multicultural and resourceful country.

The Snowy Scheme is also considered economically important for Australia. It supplies vital water to the farming industries of inland New South Wales and Victoria. The system's power stations also produce up to ten per cent of all electricity needs for New South Wales.

The 25 year construction program employed more than 100,000 people from over thirty countries with up to 7,300 workers employed at any one time. It is important to note that 70% of all workers were migrants, most of whom came from Europe. Many initially migrated without their families to earn sufficient money to bring their families to Australia at a later date. The vast majority of the workers remained in Australia after the project was completed, making a huge contribution to Australia's modern multicultural society.

If one considers the factors that led to a surge in post war migration to Australia, it is clear that economic security was a key factor for the war ravaged migrants. However, the Government of the time also recognized that losses of service personnel in World War Two had resulted in significant skill shortages across many industries that needed to be filled.

The Danger of Australia's Ageing Population

The progressive ageing of the post war Baby Boom generation has now created a situation where close to 40% of the entire workforce is retiring with a significantly smaller number of younger Australians being available to fill the gaps. In comparative terms, the situation is now much more serious than that faced by the Government of 1949.

Although Australia has a Skilled Migration program and a broad ranging vocational education program, the evidence is now emerging of serious skill oversupplies in key occupational areas from domestic training systems and continuing shortages of personnel in key national industries such as food production. The progressive depopulation that Australia is experiencing in most regional and low population areas is clear evidence of a key issue that is not being addressed by the current migration model. For a State such as South Australia which is experiencing a net population loss of some 3500 each year, the future of some important primary industry sectors and communities is now at risk.

In the first 6 months of this year's migration program only 590 primary temporary 457 visas were granted in South Australia representing about 0.07% of the total SA workforce.

There are only 2500 primary temporary 457 visa holders in SA which is about 0.3% of the total SA workforce.

Generally speaking, migration outcomes and population growth in South Australia are in free fall which continues to have a significantly detrimental impact on South Australian businesses, especially those in regional and rural areas where many job vacancies seem to be unfilled for lengthy periods of time long term vacancies exist.

Even with 14% of all 457 visas in South Australia being granted to employees of the State Government, South Australia recorded a 27.4% decrease in 457 visa outcomes from July 1, 2015 to 31 December 2015, this is very concerning for population growth as the 457 visa is a pathway to many permanent residency applications.

Despite the 27.4% decrease from the same period in 2014, of the 590 primary 457 visas granted from 1 July 2015 to the 31st of December 2015, the leading occupations for which visas were granted were 80 Skilled meat workers, 60 Resident Medical Officer, 40 Cooks and 20 University lecturers, Café or Restaurant managers, General Practitioners, Chefs and Developer Programmers.

Recent announcements by the SA Government that 457 visa holders will be required to pay school fees for primary and secondary education will further deter workers and families from migrating to SA which will have a detrimental impact on regional communities. As a direct result of this we are likely to see less 457 visa holders with families moving to South Australia or those currently here with families forced to depart Australia.

It is also likely that family members of 457 visa holders will remain overseas due to these increased costs, resulting in a large portion of a 457 visa holders Australian income being sent offshore to be spent overseas. This will significantly affect regional communities including the retention of essential services all the way through to impacting local schools and sporting clubs.

Population growth in SA to the end of the September 2015 is already very low being only 0.7% whilst nationally growth was 1.3% representing 12,400 of a total increase of 313,200.

During this time the combined population growth of WA, QLD, NSW and Vic was 292,200 whilst the combined population growth of Tas, NT, ACT and SA was 20,900.

93.32% of Australia's population growth emanates from Australia's 4 gateway cities, whilst population growth from Tas, NT, ACT and SA only contributes 6.67% to Australia's overall growth.

A study of the state's population profile, by the South Australian Centre for Economic Studies (SACES) at the University of Adelaide, says "All economic analysis shows that increases in the population – and especially of young people and young families who are well educated – adds to economic growth through their consumption expenditure. Faster population growth adds demand for housing, schools, retail, household consumption expenditure; employment is generated through these private and public investments." *InDaily*
12 April 2016

There is no doubt that South Australia's low population growth and high number of people leaving the state is having a detrimental economic impact.

In recent years, population growth in SA has fallen approximately from 15,200 in June 2014 to 12,400 September 2015.

Of greater concern is the fact that since the Labor Government took office in 2002 around 45,000 people have left SA through net interstate migration (NIM). This is the equivalent of the total population of Murray Bridge, Mount Barker, Victor Harbor and the McLaren Vale all packing up and leaving SA.

Australia's one size fits all migration program appears to be disadvantaging States such as South Australia as well as other regional and rural or economically challenged jurisdictions across Australia. This highlights the urgent need for changes to be made to the Australian migration program and the introduction of an economic migration program.

If an economic migration program was introduced allowing greater access to semi-skilled occupations and with remuneration set at market salary rates this would deliver significant economic benefits to regional and rural communities.

South Australian industries are increasingly concerned that the current restrictive migration program needs to incorporate such a semi-skilled component which would be supported by industry skill demand data and a more responsive skill development program. The focus of an improved and broader migration program for South Australia must be to support economic growth and development and generate new employment and training opportunities in key industry sectors in regional and rural areas.

Whilst access for some semi-skilled occupations can be obtained through labour agreements, these have been an administrative burden for many employers, and these together with other limitations have, prohibited and dissuaded their use.

Of greater significance are the challenges South Australian industries continue to face with the Immigration Department's continued use of the Australian and New Zealand Standard Classification of Occupations (ANZSCO). The blatant occupational omissions in the statistical ABS publication have thwarted plans by the Primary Industry sector in particular to source skilled labour to maintain and expand their business operations.

At a time when Australia is looking to expand food production for new export markets, skilled labour shortages are threatening the continuation of some sectors and some low population areas. The Primary Industries Skills Council has reported that the severe ageing of the Primary Industry workforce in South Australia, which is by far the oldest workforce in the country, directly threatens a multi-billion dollar export industry from the State.

Despite unemployment in South Australia being 7.2% (April 2016) there is a genuine reluctance for unemployed South Australian's to move to regional and rural areas to work in key industry sectors such as farming, agriculture, horticulture, food processing and food manufacturing. This combined with a severe ageing factor and an unresponsive migration program is increasingly sealing the fate of the primary sector.

Some questions remain regarding the introduction of a semi-skilled migration program for key industry sectors in rural, regional and economically challenged areas of Australia but the evidence suggests that the outcomes following a complementary skills development program will have similar economic benefits to South Australia as the construction of the Snowy Mountains Hydro-Electric Scheme did between 1949 and 1975.

Until recently no economic research has been undertaken regarding the net economic benefit of migration to South Australia. A major study by the South Australian Centre for Economic Studies (SACES) at the University of Adelaide is currently underway to rectify this research gap. Preliminary research with SACES indicates that between 1.3 to 1.6 new jobs could be created for every migrant worker moving to regional and rural areas, working in key industry sectors.

Using the Snowy Mountains Scheme model, an additional 70,000 migrant workers, living and working in key industry sectors in regional and rural areas over the next 25 years, could potentially create between 91,000 and 112,000 new employment and training opportunities, not to mention increasing economic growth and creating new jobs through increased consumption expenditure.

Many industry bodies, such as those in farming, agriculture, horticulture, food processing and manufacturing have serious concerns about access to the 457 program to address genuine long term vacancies due to the current Temporary Skilled Migration Income Threshold (TSMIT) and the limited range of eligible occupations available, the majority of which do not align to demand in regional and rural communities.

The introduction of a new migration program with increased access to more occupations is one piece of the puzzle, the other is addressing the minimum salary requirements for temporary workers in Australia.

The issue regarding the payment of market salary rates to temporary 457 visa holders is still strongly supported by industry. The current disparity in wages for migrant and non-migrant workers in the same enterprise is divisive and out of step with general industrial wage practices.

This issue combined with the current setting of the TSMIT appears in part to be a deliberate attempt to dissuade some employers and block or lock out others from accessing the 457 program to address genuine skills shortages in regional, rural and low population growth jurisdictions of Australia.

Changes to Australian Superannuation rules and guidelines provide some scope for a consideration of a model that would top up 457 visa holders salaries whilst in Australia (allowing the 457 minimum salary level to be reduced to market rates), increasing Federal revenue and generating additional consumer spending throughout the economy. The net benefit in terms of improved economic activity and a more robust fiscal outcome is worthy of consideration. Clearly the current model is not meeting the full potential of economic growth.

Currently temporary visa holders such as 457 visa holders, student visa holders, 485 visa holders and working holiday makers who accumulate super while working in Australia can claim their super from their nominated fund when their temporary visa has ceased and they have departed Australia permanently. This Departing Australia Superannuation Payment (DASP) comes under DIV 293 tax provisions.

If temporary visa holders were able to access their super whilst in Australia as a top up payment to offset living costs and Government benefits they are not eligible for as temporary residents, this would bring forward and generate more income tax and facilitate greater spending throughout the economy.

It would also ensure superannuation contributions would be spent in Australia rather than overseas when a temporary visa holder has departed Australia. Currently the DASP is a cash bonus for such visa holders when they return to their home country.

If super contributions were made immediately available to the 581,819 temporary visa holders in Australia and taxed at 32.5% not at the current superannuation tax rate of 15% it would potentially generate an additional \$455,076,577 in Federal Government revenue per annum. This would then facilitate a \$1,755,267,385 benefit to all temporary visa holders currently in Australia.

The rules around when a temporary visa holder would be eligible to access a top up payment could be based on guidelines which stipulate that a temporary visa holder ceases to be eligible to claim access to a top up super payment when they have made a declaration that they want to obtain permanent residency in Australia. This being at the time of lodgment of a permanent visa application to the Department of Immigration and Border Protection.

Such an amendment would result in a reduction of tax collected by DASP and in unclaimed super of former temporary residents, however, the brought forward benefits and the potential additional spending throughout the economy would be very significant.

As of the 31st of December 2015 unclaimed super for temporary residents who have departed Australia was \$579,000,000

Summary

There is a need to better meet the urgent demand for skilled and semi-skilled labour in regional areas. The future of the Australian Industry, especially in regional areas, will depend upon a number of significant improvements:

- * The adoption of a market salary based rate for 457 Visa holders with reforms to current Superannuation and DASP provisions
- * The introduction of an economic migration program to facilitate growth for regional, rural, low population and economically challenged jurisdictions of Australia
- * Review of the ANZSCO
- * Skill demand schedules, developed by industry, to formulate, quantify and locate skill demand at a State and Territory level. These and only these schedules to be used to meet fast changing skill demand changes.
- * The broadening of the Skilled Visa and Temporary Skilled Visa Program to include a number of semi-skilled occupations as nominated by industry.

The complexity and lack of responsiveness of the current Visa System for Australian Businesses requires a review that not only shifts the emphasis towards the identified skill demands of industry but also addresses the structural adjustment issues of the labour force that are affecting the entire Australian economy.

Experience shows that often minor procedural adjustments can undermine the entire intent of the system. A good example is when businesses or industries who use labour agreements. Currently the use of overseas labour is capped at 30% of their workforce – despite 70% of the Snowy Mountains Scheme workforce having been migrant workers.

Occupations for temporary and permanent skilled migrants are very limited and do not align to the specific or unique industry requirements experienced locally. There is a requirement for high English language skills in occupations that are often technical and manual in nature, especially in agricultural and horticultural and seafood sectors.

The comparison between the philosophy that resulted in a highly successful engineering project in the 1950's and 60's and the situation facing industry in 2016 could not be more stark. None of the current visa requirements existed during the construction of the Snowy Mountains Scheme when labour was needed urgently. There was a more direct relationship between employers who needed labour and the Immigration Department than there is today and certainly no use of an outdated and incorrect ANZSCO model.

The awful reality when comparing the current visa system to the model that was operating for the Snowy Mountains Scheme is that the current stringent immigration policy, rules and eligibility criteria would have resulted in the Snowy Mountains Scheme not proceeding and the migrant workers who worked on that project would not have qualified for a temporary or permanent work visa.

The really sad comment on the current immigration model is that the Post World War II period is widely regarded as the most successful period of migration to Australia.

There must be an urgent re-evaluation of the current directions being pursued by the Immigration Department and an adoption of reforms in line with the recommendations contained in this brief. The urgency of the situation for South Australia and other regional and rural areas cannot be under-estimated.

Mark Glazbrook, CEO Migration Solutions

Mark Cody, Executive Officer Primary Industries Skills Council of SA

Tax Proposal

(allowing temporary visa holders immediate access to superannuation payments as a top up payment)

	A	B	C	D	E	F	G	H	I
Temporary Visa Holder	Number of temporary visa holders in Australia	Average base salary	Super Contributions @ 9.5%	Tax Generated @ 15%	Tax Generated if Super paid to Temp visa holder and taxed at 32.5%*	Increase in additional tax collected per person	Combined increase in tax revenue collected	Top up payment if super paid to Temp visa holder and taxed at 32.5%	Potential increase in spending if super paid to Temp visa holder as top up payment
457 Primary Visa Holder	85,900	\$88,500	\$8407.50	\$1261.12	\$2732.43	\$1471.31	\$126,385,529	\$5675.00	\$487,482,500
Student Visa Holders	328,131	\$29,788**	\$2829.86	\$424.48	\$919.70	\$495.22	\$162,497,034	\$1910.16	\$626,782,711
485 Visa Holder	23,870	\$57,576	\$5659.72	\$848.95	\$1839.41	\$990.50	\$23,643,235	\$3820.31	\$91,190,799
Working Holiday Maker	143,918	\$59,576	\$5659.72	\$848.95	\$1839.41	\$990.50	\$142,550,779	\$3820.31	\$549,811,375
Total	581,819						\$455,076,577		\$1,755,267,385

(not including secondary 457 visa holders/dependents)

[ABS 6302.0 Average Weekly Earnings](#) "All Employees" \$1,145.70 per week/\$59,576.40 per year.

Superannuation contributions 9.5%

Div 293 tax provisions - [Departing Australia superannuation payment](#)

Superannuation concessions to apply whilst temporarily in Australia and cease when an application for permanent residency is made.

Not all international temporary visa holders work whilst in Australia and dependents of 573 Masters or PhD students have full time work rights.

* Assuming marginal tax rate of 32.5% applies for income between \$37,001 - \$80,000

** have assumed international students earn half the average salary as per ABS 6302.0

[Subclass 457 quarterly report](#) (quarter ending at 31 December 2015)

[Student Visa and Temporary Graduate visa programme report](#) (six monthly report ending at 31 December 2015)

[Working Holiday Maker visa programme report](#) (30 June 2015)

Formula

$B \times 9.5\% = C$, $C \times 15\% = D$, $C \times 32.5\% = E$, $D - E = F$, $A \times F = G$, $C - E = H$, $A \times H = I$