



South Australian Centre for Economic Studies

The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs

Report 1: Key Challenges

Report commissioned and funded by:

Migration Solutions
Thomas Foods International
RDA Murraylands and Riverland
Shahin Enterprises
Local Government Association of SA
Education Adelaide
The Population Institute of Australia
The Urban Development Institute of Australia
The Property Council SA
Migration Institute of Australia
BDO Australia

Report prepared by:

The South Australian Centre for Economic Studies
University of Adelaide

17 April 2017

Copyright: All rights reserved. The Copyright Act 1968 permits fair dealing for study, research, news reporting, criticism or review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included. Otherwise, no part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the Publisher.

Disclaimer: This study, while embodying the best efforts of the investigators is but an expression of the issues considered most relevant, and neither SACES, the investigators, nor the University of Adelaide can be held responsible for any consequences that ensue from the use of the information in this report. Neither SACES, the investigators, nor the University of Adelaide make any warranty or guarantee regarding the contents of the report, and any warranty or guarantee is disavowed except to the extent that statute makes it unavoidable.

Authors: Steve Whetton, Deputy Director, SA Centre for Economic Studies
Dr Andreas Cebulla, Senior Research Fellow, Executive Director, SA Centre for Economic Studies

Published by: South Australian Centre for Economic Studies
University of Adelaide
SA 5005
AUSTRALIA
Telephone: (61+8) 8313 5555
Facsimile: (61+8) 8313 4916
Internet: <http://www.adelaide.edu.au/saces>
Email: saces@adelaide.edu.au

Contents

Glossary	i
Executive Overview	ii
Acknowledgements	viii
1. Background	1
1.1 Migration as a labour market intervention	1
1.2 Current Australian Migration Policy Settings	2
1.3 Migration in South Australia	2
1.4 This research	3
2. The Impact of Skilled Migration	5
3. South Australia's Economic Challenges	7
3.1 Output and employment	7
3.2 Population change and ageing, its economic effects	8
3.3 The age structure of the SA business community	11
4. Business Perspectives on Skills Shortages and the Visa System	13
4.1 Skill shortages and recruitment difficulties	14
4.2 The skills most sought or currently in short supply in the sector	14
4.3 Use of migrant workers	15
4.4 The economic effect of skill shortages	16
4.5 Strategic options for addressing skill shortage, including the role of migration	17
4.6 Challenges concerning the visa system	18
5. International Education	20
6. Business Formation and Entrepreneurship	23
References	25
Appendix A: Current Migration Policy Setting	27

Glossary

ABS	Australian Bureau of Statistics
ANZSCO	Australia and New Zealand Standard Classification of Occupations
AQF	Australian Qualifications Framework
BIIP	Business Innovation and Investment Program
CBD	Central Business District
CSOL	Consolidated Sponsored Occupations List
DAMA	Designated Area Migration Agreement
DIBP	Australian Government Department of Immigration and Border Protection
DoE	Australian Government Department of Employment
GAE	Guaranteed Annual Earnings
GDP	Gross Domestic Product
GSP	Gross State Product
GTE	Genuine Temporary Entrant
IELTS	International English Language Testing System
ISA	Immigration South Australia
LGA	Local Government Association
LMA	Labour Market Agreement
MSL	Minimum Salary Level
NOM	Net Overseas Migration
PSW	Post-Study Work
PSWR	Post-Study Work Rights
RDA	Regional Development Agency
RSMS	Regional Sponsored Migrant Scheme
RTO	Regional Training Organisation
SA	South Australia
SIV	Significant Investor Visa
SkillSelect	Skilled Migrant Selection Register
SOL	Skilled Occupations List
SSVF	Simplified Student Visa Framework
SVP	Streamlined Visa Processing
TAFE	Technical and Further Education (institutions)
TaSC	Training and Skills Commission
TSMIT	Temporary Skilled Migration Income Threshold
VET	Vocational Education and Training

Executive Overview

Background

Notwithstanding South Australia's above average unemployment rate, and a range of policies aimed at moving the unemployed and those out of the labour force into work, consultations with business suggest that there remain a substantial number of unfilled vacancies, particularly in regional South Australia. These unfilled vacancies are not just in the higher skill levels that have been the recent focus of the migration system, but extend down to much lower skill levels.

South Australia also faces some demographic challenges, with the population having experienced a considerable degree of 'hollowing out' as younger working age South Australians moved interstate and overseas in the wake of the collapse of the State Bank.

Concerns are sometimes expressed that employment focussed migration has negative impacts on the existing population of a recipient country, with fears about impacts on the employment prospects of existing lower skilled employees being particularly widespread. If these concerns were borne out by the evidence then it would be prudent to tightly restrict migration and only allow in a very limited range of high skilled occupations where there are broader benefits to the community (such as doctors, researchers and entrepreneurs). **However, the evidence of the impact of migration does not confirm these concerns. Instead the available evidence suggests that migration has a neutral or slightly positive affect on per capita GDP, no impact on the employment rates of the non-migrant population (even at lower skill levels), a very small but positive impact on average wages, and a very small but ambiguous impact on the wages of lower skilled occupations.**

SACES was commissioned by a consortium of businesses and peak bodies to explore national immigration policy in the context of challenges facing economic and business development in South Australia, particularly for regional South Australia (SA). It specifically focusses on barriers that current visa regulations may impose on utilising international migration to the benefit of the SA economy, and in particular any aspects of the migration system that may be less effective for South Australian businesses relative to those in more populous, higher wage, states. In doing so, it not only considers skilled labour migration, but also business, student, and temporary graduate student visa access.

The study built on a series of interviews with businesses and organisations representing business in SA, in particular in regional areas, but also in and around Adelaide. Additional interviews were conducted with Regional Development Agencies (RDA) in SA, organisations providing or promoting training, especially in the vocational education and training sector; and the Local Government Association (LGA). The interviews were conducted by phone, face-to-face or, in one instance, by email. In addition to gathering the view and experiences of businesses, business representatives and economic development agencies, the study analysed secondary data about key demographic trends in South Australia, the structure of the South Australian economy, including wages and costs of living, demographic and migration statistics.

This report is the first of three reports detailing in turn, key challenges facing South Australia which are related to migration policy setting (this report); the ways in which existing migration policy settings do not meet South Australia's needs (report 2); and potential options to adjust migration policy settings to better meet some of the challenges identified.

Four broad policy approaches tend to be used to respond to shortages of labour, whether generalised shortages, or shortages for employees with specific skills:

- improving employee and management skills through training;
- Increasing labour market participation by supporting, and creating incentives for, those not currently in the labour market to enter it;
- encouraging and facilitating inter-state or intra state mobility; and
- using international migration to expand the stock of labour in the country or a region.

In Australia, as in most OECD member economies, the primary focus of labour market policy is on developing a training system that is responsive to (and ideally anticipates) the skills demanded by employers, and on increasing participation in the labour force. Migration policy in this context is focussed on attracting and managing the intake of skilled migrants to fill medium or long term vacancies that could not be filled by training labour locally, or encouraging those with the required skills back into the labour force, at least not in the time available.

This tendency in the migration system has been reinforced over the past few years, with eligibility criteria being progressively tightened, access to post-study work rights for international students substantially reduced, and concessional arrangements previously available to employers in regional Australia such as the regional 457 visa eliminated. As such there are very few opportunities for semi- or unskilled labour migration into Australia outside of the humanitarian resettlement program.

Despite the focus on filling positions from domestic sources, and the relatively high unemployment and underemployment rates in South Australia, many businesses, particularly those in regional areas, report that they struggle to find suitable skilled and semi-skilled employees, and so are forced to turn to the migration system. However these businesses also report that the current migration system does not meet their needs.

South Australia's Economic Challenges

The current economic and demographic challenges faced by SA are important background to the issues raised by those we consulted with, although these challenges are not the focus of the report.

South Australia lags the rest of the country in economic output and employment growth whether measured in absolute terms or per capita. The SA population is amongst the oldest in Australia and is getting older over time, as well as decreasing as a proportion of the country's total population due to lower population growth rates. Over the last three decades, the state's annual population growth rate of 0.74 per cent was roughly half that of Australia as a whole (1.37 per cent) (SACES 2016c).

There seem to be three main causes for South Australia's economic underperformance:

- Weaker initial economic conditions stemming from the adjustment (or lack thereof) to the first set of trade liberalisation in the early 70s
- Persistently lower population growth; and
- An older population

The two latter factors have both been exacerbated by the relatively high level of net interstate migration loss, which is disproportionately concentrated amongst South Australians of prime working age.

South Australia's business community is also older than average, creating issues in terms of succession planning and maintenance of businesses.

Current Migration Policy Settings

Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP) and applies uniformly to the whole of the country, with certain specific provisions for areas classified as 'regional' by the Department giving a greater degree of flexibility to local employers. The Skilled Occupation List¹ (SOL), the Consolidated Sponsored Occupation List² (CSOL) and the RSMS Occupation List³ identify occupations considered to be of strategic importance to the Australian economy and eligible for temporary and/or permanent residency visas.

There were four key visa subclasses identified by stakeholders as being (potentially) important to their ability to meet their needs for labour, and this study has consequently been focussed on these:

- the Temporary Work (Skilled) visa (subclass 457) visa,
- the Temporary Graduate visa (subclass 485),
- the Business Innovation and Investment (Provisional) visa (subclass 188), and
- the Regional Sponsored Migration Scheme (RSMS) (subclass 187).

A description of these visas and their eligibility is included in Appendix A.

Immigration policy in Australia is currently geared towards facilitating and managing the influx of skilled labour through various temporary and permanent migration programs with eligibility criteria such as the lists defining visa eligible occupations (the Skilled Occupation List, SOL; the Consolidated Sponsored Occupations List, CSOL; and the RSMS Occupation List) together with the Temporary Skilled Migration Income Threshold

¹ Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); a Family Sponsored Points Tested visa; and Temporary Graduate visa (subclass 485) - Graduate Work stream.

² Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); the Employer Nomination Scheme (ENS), Temporary Work (Skilled) visa (subclass 457); and Training and Research visa (subclass 402).

³ Relevant for applicants for the Regional Sponsored Migration Scheme (subclass 187).

(TSMIT) used for 457 visas adopted to maintain a strategic focus on addressing longer term skills needs with the Business Innovation and Investment Program (BIIP) used to attract high level international investment and business acumen.

TSMIT and the occupation lists are experienced as barriers to the hiring of migrant labour in the absence of suitable local labour supply. TSMIT stipulates a minimum market rate of pay for a job vacancy to be able to be filled by a 457 visa holder, with this minimum level above the going market salary rate of many occupations with supply shortages in regional SA. The occupation lists too have been criticised for not reflecting the needs of SA businesses, in this case through failing to accurately match job titles and job contents. As a result, in-demand occupations are missing from them. At the same time, there is a mismatch between the semi- and low-skill needs of many regional businesses in SA and immigration's focus on skilled labour. The bureaucracy and cost of lodging visa applications and the time taken for visa processing were also criticised.

Business Perspectives on Skills Shortages and the Visa System

Despite South Australia's unemployment rate reports of skills shortages and recruitment difficulties were widespread amongst the firms and peak bodies with which we consulted. This is interesting as it is at odd with findings of the Commonwealth Department of Employment skills in demand research which identified relatively few skills relevant to organisations we consulted with as being in demand.

There was significant dissatisfaction with the way in which all the mechanisms for meeting labour demand were functioning at the present time:

- It was felt that a significant proportion of jobseekers they are seeing have significant barriers to their work readiness that makes them unsuitable for employment. It was felt that the existing programs such as the Commonwealth Government's network of jobactive providers were not sufficiently addressing these barriers. Substance use (particularly methamphetamines) was mentioned by several consultees and was particularly of concern for employers in the food product manufacturing sector.
- It was felt that VET education, particularly since the end of 'Skills for All' was too expensive, too inflexible, and not targeted at regional skill needs; and
- The process of securing a 457 visa was too time consuming, bureaucratic and costly, and that for many of the employers covered by our consultation either the TSMIT and or the relevant skill lists meant that in many cases they could not use, or could only partly use, the migration system to address their unmet demand for skilled/semi-skilled labour.

For some businesses the difficulty in recruiting labour was severe enough that they had resorted to filling permanent positions with travellers on working holiday visas – requiring them to recruit, induct and train new employees every 6 months.

There was a widespread view that the occupation lists used by the Department of Immigration and Border Protection did not accurately reflect industry's skill needs. Skills most frequently sought were at a lower level of qualification than included in the current CSOL/SOL, which is used to determine work visa eligibility, or not included RSMS occupation list.

The primary industry sector in particular noted a mismatch between its job titles and job contents and the ANZSCO definitions used during the visa assessment process, which inhibited the hiring of sufficient numbers of urgently needed migrant labour in light of insufficient supply from among the domestic labour force.

TSMIT was also felt to make hiring of migrant labour on temporary visas uneconomical, and does not allow hiring of workers for positions whose guaranteed earnings are below the TSMIT even if the employer were willing to meet the TSMIT threshold (with the exception of food processing where the Meat Industry Labour Agreement does allow this, at the potential cost of creating earnings inequity between domestic and migrant workers).

The current limitations in the migration system were generally felt to impact regional and remote areas more significantly than metropolitan areas due to a greater potential reliance on migrant labour arising from Australian resident's general unwillingness to move to regional and remote areas, and the generally lower wage levels which made 457 visas less suitable due to both employers not being able to afford to pay a wage equal to the TSMIT, and to a greater proportion of occupations having a market wage which is lower than the TSMIT (which precludes the use of a 457 visa except where exceptions are granted through LMAs).

There was a commonly expressed view that the restoration of the 'Regional' 457 visa, or some similar set of regional concessions were needed to allow migration to support regional economies.

International Education

International students are reasonably well represented at SA's universities (with 6.1 per cent of national higher education enrolments), but are much less likely to choose SA VET programs when compared with enrolment statistics for Australia as a whole (2.8 per cent of national enrolments and only 2.4 per cent of commencements in 2015).

These statistics suggest that there should be scope for increasing SA's share of international VET students, but the view expressed by the local industry is that recent changes in policy settings mean that the share might **decline** further.

In addition, this study encountered concern about the effect of the Simplified Student Visa Framework (SSVF) introduced in July 2016, affecting training and education providers across Australia. The new process shifts greater responsibility for ensuring that students comply with learning and financial capacity requirements onto to providers, many of whom in SA recruit a disproportionate share of students from what are considered by the Department to be 'high risk' countries. Potential students having their visa refused as a result of an adverse result from the genuine temporary entry test may result in a downgrading of institutions' own risk rating and Departmental ranking, which could deter future course applicants.

Recently introduced changes to student visa processing are anticipated to have a more direct and immediate effect on VET *providers* who are now expected to screen students in order to ensure they are "genuine temporary entrants" to Australia solely for the purpose of completing their studies, with providers given immigration risk rating by the Department of Immigration and Border Protection (DIBP) twice yearly on the basis of the proportion of their students who might subsequently have their visa applications refused, visas cancelled or who become "unlawful non-citizens". The risk rating will determine the financial and English evidentiary requirements for student visa applicants, as well as making it more difficult to get visa applications approved.

It was feared that the risk rating might disadvantage providers who have traditionally drawn on international students from countries known to attract more student visa applicants perceived as 'high risk'. Prospective students might subsequently choose to study at education institutions with lower risk rating as this would reduce the burden of evidence⁴ the student must provide in support of his or her visa application to the DIBP.

There was also concern amongst some VET providers that the implementation of the Genuine Temporary Entrant (GTE) test, introduced in 2011, was leading to an increase in the number of student visa applications being rejected. Some in the sector felt that the rationale for GTE decisions was unclear and judgement possibly applied subjectively rather than based on clearly defined criteria. This was adding uncertainty to the sector and to student visa applicants, with some VET provider reported to be experiencing a drop in international student enrolments.

Business Formation and Entrepreneurship

Innovation is an important determinant of productivity growth within an economy, which in turn is the most sustainable cause of long-term economic growth. Innovation can also lead to less tangible benefits such as improved quality of life.

At the heart of the innovation systems approach to understanding innovation are individual entrepreneurs or innovation active enterprises. However, these driving forces of innovation do not exist in a vacuum, and many of the factors which influence the nature of, and outcomes from, innovation are driven by elements of the innovation system outside of the innovative firm.

It is difficult to readily identify the scale of entrepreneurship between different states directly from national data, as that simply records business registrations. Whilst some business registrations will reflect the establishment of a business to put a business idea into practice, businesses are also established to manage investment funds or by individuals who are being contracted to a project as a sole trader rather than as an employee.

Notwithstanding these limitations in the data, new business registrations should provide a reasonable first measure of innovation through the establishment of new firms. This data shows that South Australia is

⁴ Student visa applicants must either declare or factually demonstrate financial independence and English language capability.

recording a lower rate of business formation (at 5.4 per cent of the national total) than either its share of the population (7.1 per cent) or its share of employment (6.9 per cent).

This would suggest that South Australia is experiencing less innovation and productivity increase through new firm formation than the Australian average further exacerbating our relative economic underperformance.

It may be that South Australia's demographics are playing a role in the lower rate of firm formation, with entrepreneurs (whilst they are demographically very diverse) being on average somewhat younger and better educated than the broader labour force (Department of Industry, Innovation, Science, Research and Tertiary Education, 2012, p. 9).

In theory skilled migration programs could be an important way to increase South Australia's entrepreneurialism, but there are several potential barriers. South Australian only receives 4.2 per cent of the visa outcomes for the Business Innovation and Investment Program. And even within that program, most of the strands are not targeted so much at those planning to operate businesses within Australia, but rather at high net worth individuals willing to invest in Australia (with many of the complying investment categories being in categories such as shares and government bonds, which do not help the individual business person to build a business in Australia, see Appendix 1.3 for details).

The most promising stream of the BII Program is the Entrepreneur stream, but even that has elements which make it difficult for potential entrepreneurs to access, most notably the requirement that the applicant has an enforceable funding agreement for an investment of at least \$200,000 from one of the following:

- Commonwealth Government agency
- State or Territory Government
- Publicly Funded Research Organisation
- Investor registered as an Australian Venture Capital Limited Partnership or Early State Venture Capital Limited Partnership
- Specified Higher Education Provider

Research in South Australia suggests that immigrant entrepreneurs experience more difficulty in accessing elements of the innovation support system such as government grants and venture capital funding (O'Connor and Reed, 2015).

The restrictions on the form of funding also does not reflect the way in which entrepreneurs typically receive their funding, with 72 per cent of 'nascent firms' and 51 per cent of 'young firms' using personal savings as a major source of funding (more than 20 per cent of required funding), with personal credit cards and personally secured back loans as the next most common major sources of funding. Only 2 per cent of new firms reported that government grants were a major source of their funding and only 1 per cent reported private investors (such as business angels) as a major source of funding. Almost no firms (only 2 in total in the survey sample) reported venture capital as a major source of funding. (Department of Industry, Innovation, Science, Research and Tertiary Education, 2012, p. 14).

This suggests that many typical entrepreneurs would not be able to access the Entrepreneur stream of the BIIP, meaning that it too in its current form may not allow migration to fulfil its potential in increasing the rate of entrepreneurship in South Australia.

Do the existing policy settings meet South Australia's needs

There is considerable evidence from our consultations and from the analysis of data undertaken as part of this research that there are substantial challenges related to managing the ageing of the population, securing skilled labour, succession planning for unincorporated businesses, and recruitment of international VET students facing South Australia.

The two subsequent reports prepared as part of this project extend the analysis to examine the ways in which current immigration policy settings **do not** meet the needs of South Australia or South Australian employers, and possible policy solutions.

Report 2 reviews the ways in which current Australian migration policy settings are not suited to South Australia's needs, with a particular focus on four areas:

- (i) the Temporary Skilled Migration Income Threshold (TSMIT), which sets the minimum wages that migrants entering under the Temporary Work (Skilled) visa (subclass 457) must be paid;

- (ii) the identification of occupations for inclusion in eligible (skilled) occupation lists for temporary and permanent skilled migration visas;
- (iii) Business Innovation and Investment Program (BIIP) visas, which offer temporary or permanent residency to citizens of other countries wishing to invest or manage a business in Australia; and
- (iv) Graduate Temporary work visa provisions and (Simplified) Streamlined Visa Processing of student visa applications (including Genuine Temporary Entrant (GTE) test provisions) that define international students' and graduates' access to education and work in Australia.

Report 3 concludes with suggestions for adapting the international migrant visa system to improve its responsiveness to changing economic environments and, specifically, capable of supporting the South Australian economy.

Acknowledgements

The authors would like to thank:

Mr Mark Glazbrook of Migration Solutions for organising the consortium of bodies contributing funding to this research and for helping us to navigate the complexity of existing visa policy settings.

The organisations who contributed funding to support this research.

The individuals who participated in two initial roundtables to discuss South Australian businesses use of, and experiences with, the migration system.

Those who participated in the detailed consultations undertaken as part of this project.

1. Background

1.1 Migration as a labour market intervention

In order to undertake their operations businesses (and, indeed government and not-for-profit employers) need access to both capital and to suitably skilled and experienced labour. Where this is not available then wages will increase and not all potential positions will be filled as some would have only been viable at the previous wage. This means that some firms which would have been able to expand production at the old wage rate will not be able to do so.

Four broad policy approaches tend to be used to respond to shortages of labour, whether generalised shortages, or shortages for employees with specific skills:

- improving employee and management skills through training;
- Increasing labour market participation by supporting, and creating incentives for, those not currently in the labour market to enter it;
- encouraging and facilitating inter-state or intra state mobility; and
- using international migration to expand the stock of labour in the country or a region.

Concerns are sometimes expressed that employment focussed migration has negative impacts on the existing population of a recipient country, with fears about impacts on the employment prospects of existing lower skilled employees being particularly widespread. If these concerns were borne out by the evidence then it would be prudent to tightly restrict migration and only allow in a very limited range of high skilled occupations where there are broader benefits to the community (such as doctors, researchers and entrepreneurs). **However, the evidence of the impact of migration *does not* confirm these concerns. Instead the available evidence suggests that migration has a neutral or slightly positive affect on per capita GDP, no impact on the employment rates of the non-migrant population (even at lower skill levels), a very small but positive impact on average wages, and a very small but ambiguous impact on the wages of lower skilled occupations.**

Migration can also improve the productivity of the recipient country, and address demographic challenges such as the ageing of the population. See Chapter 2 for a summary of the evidence on the economic impacts of migration.

As such migration remains an important potential tool for addressing skill shortages where the training system or measures to increase labour market participation are not addressing emerging gaps.

In Australia, as in most OECD member economies, the primary focus of labour market policy is on developing a training system that is responsive to (and ideally anticipates) the skills demanded by employers, and on increasing participation in the labour force. Migration policy in this context is focussed on attracting and managing the intake of skilled migrants to fill medium or long term vacancies that could not be filled by training labour locally, or encouraging those with the required skills back into the labour force, at least not in the time available.

This tendency in the migration system has been reinforced over the past few years, with eligibility criteria being progressively tightened, access to post-study work rights for international students substantially reduced, and concessional arrangements previously available to employers in regional Australia such as the regional 457 visa eliminated. As such there are very few opportunities for semi- or unskilled labour migration into Australia outside of the humanitarian resettlement program.

In addition to raising the bar for immigration by limiting eligibility to specific occupations and minimum qualifications, Australian immigration policy also enforces requirements that market rates be paid to those on temporary skilled worker visa, as well as requiring that the existing wage for the position being filled meets a set threshold⁵ (the Temporary Skilled Migration Income Threshold (TSMIT), set at \$53,900 per annum at the time this report was being prepared). The three objectives here are to ensure that migrants are paid a wage that secures a decent standard to living, protecting existing local labour wages are from undercutting by migrant labour, and acting as a check that the position is genuinely high skilled through requiring its normal wage to be equal to the TSMIT. Such wage thresholds, however, mean that many job vacancies (particularly in regional areas) cannot be filled using temporary skilled migration as their market wage is below the TSMIT, a factor acknowledged in the recent review of the TSMIT (Azarias 2017, p. 52).

⁵ A limited exception to this exists for employers in the meat industry, which, whilst they still have to pay at least the TSMIT to workers brought in under a 457 visa subclass can fill positions where the existing market wage does not meet the TSMIT.

1.2 Current Australian Migration Policy Settings

Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP) and applies uniformly to the whole of the country, with certain specific provisions for areas classified as 'regional' by the Department giving a greater degree of flexibility to local employers. The Skilled Occupation List⁶ (SOL), the Consolidated Sponsored Occupation List⁷ (CSOL) and the RSMS Occupation List⁸ identify occupations considered to be of strategic importance to the Australian economy and eligible for temporary and/or permanent residency visas.

There were four key visa subclasses identified by stakeholders as being (potentially) important to their ability to meet their needs for labour, and this study has consequently been focussed on these:

- the Temporary Work (Skilled) visa (subclass 457) visa,
- the Temporary Graduate visa (subclass 485),
- the Business Innovation and Investment (Provisional) visa (subclass 188), and
- the Regional Sponsored Migration Scheme (RSMS) (subclass 187).

A description of these visas and their eligibility is included in Appendix A.

Immigration policy in Australia is currently geared towards facilitating and managing the flow of skilled labour through various temporary and permanent migration programs with eligibility criteria such as the lists defining visa eligible occupations (the Skilled Occupation List, SOL; the Consolidated Sponsored Occupations List, CSOL; and the RSMS Occupation List) together with the Temporary Skilled Migration Income Threshold (TSMIT, a minimum income level that must be met for a position to be eligible for a visa) used for 457 visas adopted to maintain a strategic focus on addressing longer term skills needs with the Business Innovation and Investment Program (BIIP) is used to attract high level international investment and business acumen.

TSMIT and the occupation lists are experienced as barriers to the hiring of migrant labour in the absence of suitable local labour supply. TSMIT stipulates a minimum market rate of pay for a job vacancy to be able to be filled by a 457 visa holder, with this minimum level above the going market salary rate of many occupations with supply shortages in regional SA. The occupation lists too have been criticised for not reflecting the needs of SA businesses, in this case through failing to accurately match job titles and job contents. As a result, in-demand occupations are missing from them. At the same time, there is a mismatch between the semi- and low-skill needs of many regional businesses in SA and immigration's focus on skilled labour. The bureaucracy and cost of lodging visa applications and the time taken for visa processing were also criticised.

BIIP is a relatively little used resource for business and management expertise and investment in South Australia. There may be scope for a more pro-active use of BIIP, for instance, to attract investment into regional businesses, such as those with retiring owner managers who want to sell their otherwise viable enterprise.

International students are reasonably well represented at SA's universities, but are much less likely to choose SA VET programs when compared with enrolment statistics for Australia as a whole. In particular, animal care and management; food product manufacturing; and agriculture training packages have relatively few international student enrolments. These are also sectors that businesses consulted in the course of the study identified as experiencing particular labour shortages. High drop-out rates adversely affect all VET programs. At the same time, VET providers are concerned that new immigration risk ratings introduced with the Simplified Student Visa Framework (SSVF) may disadvantage providers in SA because of their greater focus on attracting international students from 'high risk' countries, and because of the additional administrative burden imposed by the genuine temporary entry test.⁹

1.3 Migration in South Australia

Net international migration plays an important part in maintaining the South Australian working age population. South Australia has experienced net outward interstate migration at least since 1981 (as far back as the relevant ABS publication goes). Indeed over this 35 year period there have only been two financial years in which net interstate migration was positive (see Chapter 2 for the relevant data).

⁶ Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); a Family Sponsored Points Tested visa; and Temporary Graduate visa (subclass 485) - Graduate Work stream.

⁷ Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); the Employer Nomination Scheme (ENS), Temporary Work (Skilled) visa (subclass 457); and Training and Research visa (subclass 402).

⁸ Relevant for applicants for the Regional Sponsored Migration Scheme (subclass 187).

⁹ Countries are considered 'high risk' because students recruited from these countries have in the past tended to violate visa conditions more so than students from other countries.

This means that if South Australia is to maintain and grow its labour force it needs strong migration rates, particularly in the skilled categories, and ideally from individuals in the relatively younger age groups who are being lost interstate.

Table 1.1 sets out the most recent data for migration outcomes under the main skilled migration categories. It should be noted that these numbers refer to total grants, e.g. they include any accompanying family members of the primary applicant. South Australia has very low rates of migration in most of the employer driven categories, attracting only 3.0 per cent of 457 visas and 1.6 per cent of grants under the Employer Nomination Scheme, well below our population share of 7.1 per cent. Visa grants for business owner visas are also low at 4.2 per cent of the national total.

Outcomes for the Regional Sponsored Migration Scheme and for General Skills Migration are much more positive (indeed above our population share).

Table 1.1 Population and skilled migration, Australia and South Australia, 2014/15

	Australia	South Australia (number)	South Australia (per cent)
Population (June 2015) ('000s)	23,780	1,700	7.1
Employed/Self-employed Persons (June 2015) ('000s)	11,720	811.3	6.9
<i>Temporary skilled migration</i>			
Temporary visa subclass 457 primary applications granted (2014-15 to 30 June 2015)	51,125	1,529	3.0
<i>Permanent 'skill stream' migration^a</i>			
Business Innovation and Investment Program outcomes	6,484	272	4.2
Regional Sponsored Migration Scheme (2014-15 to 30 June 2015) outcomes	12,380	1,043	8.4
Employer Nomination Scheme (2014-15 to 30 June 2015) outcomes	35,870	571	1.6
General Skilled Migration (2014-15 to 30 June 2015) outcomes ^b	72,840	8,815	12.1
Total permanent 'skill stream' outcomes ^c	127,774	10,701	8.4

Note: ^a Data for all permanent skilled visa categories includes both primary and secondary outcomes

^b General skilled migration incorporates the following visa subclasses Skilled Independent (subclass 175); Skilled Sponsored (subclass 176); Skilled Regional Sponsored (subclass 475); Skilled-Independent visa (subclass 189); Skilled-Nominated visa (subclass 190); Skilled Regional (Provisional) visa (subclass 489);

^c Excludes 'distinguished talent' outcomes which were not disaggregated by state/territory.

Source: DIBP (not dated - a), DIBP (not dated - b), ABS (2017a)

1.4 This research

Notwithstanding South Australia's above average unemployment rate, and a range of policies aimed at moving the unemployed and those out of the labour force into work, consultations with business suggest that there remain a substantial number of unfilled vacancies, particularly in regional South Australia. These unfilled vacancies are not just in the higher skill levels that have been the recent focus of the migration system, but extend down to much lower skill levels.

South Australia also faces some demographic challenges, with the population having experienced a considerable degree of 'hollowing out' as younger working age South Australians moved interstate and overseas in the wake of the collapse of the State Bank.

These challenges form the background which lead to a group of South Australian organisations to commission the SA Centre for Economic Studies (SACES) to explore national immigration policy in the context of challenges facing economic and business development in South Australia. It specifically focusses on barriers that current visa regulations may impose on utilising international migration to the benefit of the South Australian economy. In doing so, it not only considers skilled labour migration, but also business and graduate student visa access, with a particular focus on the four key visa subclasses identified by stakeholders as being (potentially) important to their ability to meet their needs for labour.

The study built on a series of interviews with businesses and organisations representing business in South Australia (many of which were located in regional South Australia). Additional interviews were conducted with Regional Development Agencies (RDA) in SA, organisations providing or promoting training, especially in the

vocational education and training sector; and the Local Government Association (LGA). The interviews were conducted by phone, face-to-face or, in one instance, by email. In addition to gathering the view and experiences of businesses, business representatives and economic development agencies, the study analysed secondary data about the structure of the South Australian economy, including wages and costs of living, and migration statistics.

Due to the complexity of the subject matter, and the significant amount of information collected, the research has been split between three reports.

Report 1 (this report) provides a brief overview of the national and international evidence on the impact of migration on existing residents. It then goes on to review South Australia's current economic challenges and reports the experiences, opinions and suggestions we received from our interviews with regional and metropolitan businesses, business organisations and education providers with respect to skill shortages and the challenges of the current visa provisions, including for recent international graduates, from their point of view.

Report 2 reviews the ways in which current Australian migration policy settings are not suited to South Australia's needs, with a particular focus on:

- (v) the Temporary Skilled Migration Income Threshold (TSMIT), which sets the minimum wages that migrants entering under the Temporary Work (Skilled) visa (subclass 457) must be paid;
- (vi) the identification of occupations for inclusion in eligible (skilled) occupation lists for temporary and permanent skilled migration visas;
- (vii) Business Innovation and Investment Program (BIIP) visas, which offer temporary or permanent residency to citizens of other countries wishing to invest or manage a business in Australia; and
- (viii) Graduate Temporary work visa provisions and (Simplified) Streamlined Visa Processing of student visa applications (including Genuine Temporary Entrant (GTE) test provisions) that define international students' and graduates' access to education and work in Australia.

Report 3 concludes with suggestions for adapting the international migrant visa system to improve its responsiveness to changing economic environments and, specifically, capable of supporting the South Australian economy.

A description of the main work, business and student visas referred to in this report and their eligibility is included in Appendix A.

2. The Impact of Skilled Migration

Migration of individuals ready to enter the local labour market will boost economic output in the recipient country/region (and will boost per capita economic output, providing migrants are predominantly of working age). This boost to economic activity is produced from increasing the economically active population and, in the case of skilled or semi-skilled migration (which accounts for the bulk of migration to Australia), by increasing the pool of skilled labour. This boost to economic output is accompanied by an increase in employment, usually at least as large as the increase in the working age population.

The potential uncertainty is whether migration will have a positive, neutral or negative impact on the wages of existing workers, or the employment prospects of low-skilled workers. Broadly speaking the impact of migration on the labour market will vary depending on whether the migrant labour is complementary to, or competing with existing residents.

National and international reviews of the impact of immigration on labour markets have, on balance, reported neutral or modestly positive effects for receiving countries.

International studies

In reviewing international research on the impact of migration it should be noted that the pattern of migration to the US has a significant share of low skilled migrants, and migrants who are in the US without a legal right to work potentially precluding them from making use of their skills and decreasing their bargaining power. This is very different from the Australian migration program which has a strong bias towards skilled labour.

Kerr and Kerr (2011) review the evidence on the economic impact of immigration in Northern Europe, Scandinavia and the United States. They find that, across Northern Europe and the US, migrants start off being lower paid than native workers, but that their earnings then gradually "assimilate".

Card (2005) estimates, after controlling for education, immigrants were earning about 10 per cent less than workers born in the US. His early evidence suggests that assimilation mainly benefited second-generation migrants born in the US. The closing of the earnings gap is primarily attributed to enhanced education and better language proficiency, which help to increase migrants' productivity.

Nickell and Saleheen (2015) find evidence for the UK that suggest possible adverse wage effects of immigration for lower skilled occupations. They conclude that a 10 percentage point increase in the proportion of immigrants in an occupation's labour force is associated with a two per cent reduction in semi and unskilled services sector pay (although much of this impact is due to the initially below average wages earned by migrants themselves, and the effect size is small given that a 10 percentage point increase in the share of a labour force who are migrants is a very large impact).

These effects disappear where migrants and native workers are competing for *different* jobs, as is often the case for managed immigration. D'Amuri et al. (2010) show this for immigration to Germany in the 1990s, where effects on wages were found among immigrants rather natives.

The same appears to hold for employment displacement/unemployment. A study of the impact of immigration on **unemployment** in OECD countries, including Australia, by Jean and Jimenez (2011) finds limited evidence of (adverse) effects, except for a slight increase in unemployment in response to *changes* in the share of immigrants that were short term.

Nathan's (2014) review of the literature also points to substantive research on 'ethnic entrepreneurship', which has illustrated positive effects of immigration on business formation.

Australia

In Australia, where the emphasis has most recently been on attracting skilled labour, immigration has had positive effects on local demography, contributing to a slowing of population ageing, and to higher levels of education, labour market participation, employment and productivity.

Cully (2012) estimates that in the 10 years to 2010, the greater influx of younger immigrants had increased this population's labour force participation rate by 0.4 percentage points, whereas population ageing contributed to a decrease in participation among those born in Australia.

Massey and Parr (2012) point out that previous gaps in the labour market participation rates and the incomes of immigrants and of natives in regional Australia have narrowed, if not closed, in light of increased skill levels of migrants settling in regional areas.

Parham et al. (2015) suggest immigration is having a positive effect on productivity in the Australian economy, accounting for approximately 10 per cent of Australian labour productivity growth between 2006 and 2011, although as this is a difficult area to measure the estimate is subject to a degree of uncertainty.

Looking forward, macroeconomic modelling by the Migration Council Australia estimates that migration generates net employment, productivity and fiscal benefits for Australia. Assuming population growth to 38 million by 2050, driven by an increase in the migrant population by 14 million, the MCA estimates that migration will add 16 per cent to labour force participation and 6 per cent in GDP per capita growth. It also estimates positive wage effects, in particular in lower skilled occupations.

Migration flows into skilled occupations with low levels of unemployment have so far largely avoided adverse labour market outcomes for Australian born workers. Breunig, Deutscher and To (2015) find that associations between immigration and unemployment are small in size and limited to women workers. The authors estimate that an increase in the share of immigrants by five percentage points might increase the female unemployment rate by less than one percentage point (again this represents a very small effect size as a five percentage point increase in the share of the female labour force who are female represents a very large increase. For example, as at February 2017 the female labour force was just under 6 million, so an increase in the unemployment rate of one percentage point would require an additional 296,000 female migrants). It is also likely that the majority of any such increase in unemployment would fall on recently arrived migrants themselves

3. South Australia's Economic Challenges

Key findings:

- South Australia lags the rest of the country in economic output and employment growth.
- There seem to be three main causes for this:
 - Weaker initial conditions from the adjustment to the first set of trade liberalisation in the early 70s
 - Slower population growth; and
 - An older population
- The two latter factors have both exacerbated by the relatively high level of net interstate migration, which is disproportionately concentrated amongst South Australians of prime working age.
- The SA population is amongst the oldest in Australia and is getting older over time, as well as decreasing as a proportion of the country's total population due to lower population growth rates (half the national average).
- South Australia's business community is also older than average, creating issues in terms of succession planning.

This discussion draws extensively on a series of recent issues papers on the South Australian economy from the SA Centre for Economic Studies, in particular 'Economic Issues Paper No. 44: Should South Australians Really Be Down in the Mouth? Macroeconomic Performance' (SACES 2016b) and 'Economic Issues Paper No. 47: The Aged Structure of the Population and Economic Growth – Does It Matter?' (SACES 2016c). The full reports are available at: <http://www.adelaide.edu.au/saces/publications/issues-papers/>

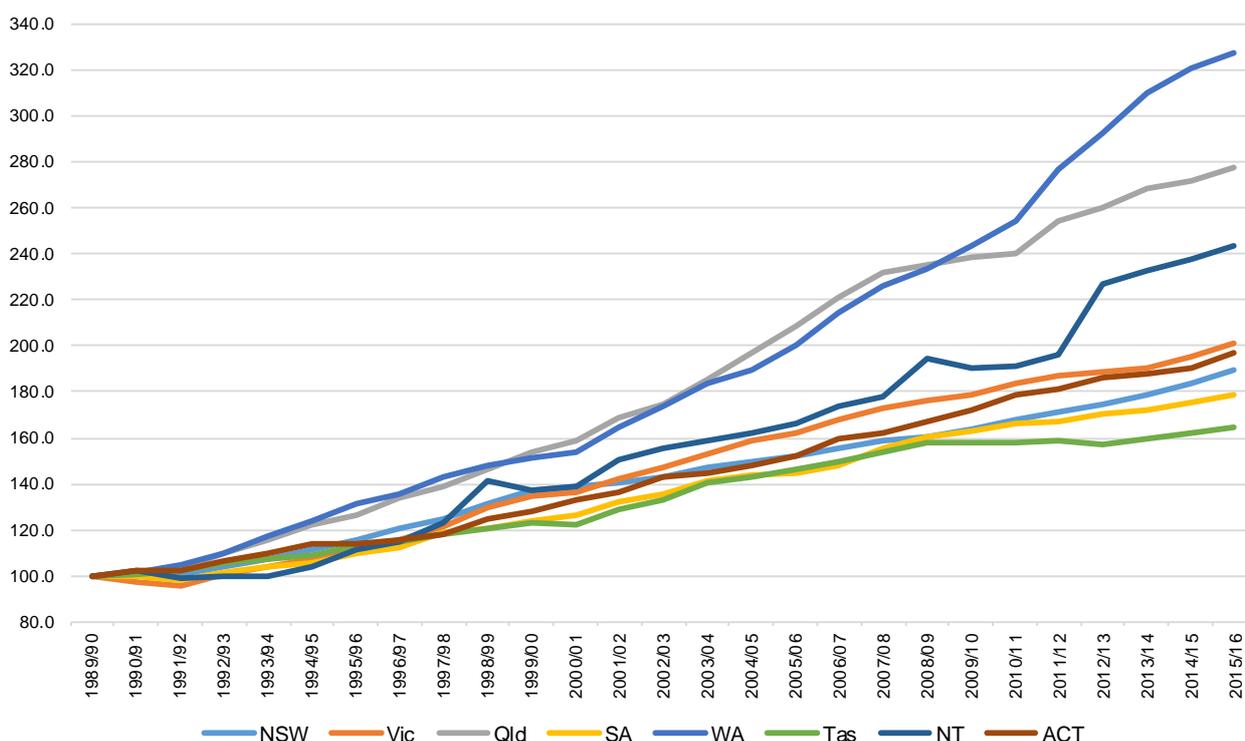
3.1 Output and employment

The South Australian economy accounts for about seven per cent of total employment in Australia and approximately six per cent of the country's GDP (in June 2015). About 810,000 South Australians are in employment, including some 40,000 owner-managers of incorporated enterprises (share of total in Australia: 6 per cent) and 70,000 owner-managers of unincorporated enterprises (share: 8 per cent) (ABS, 2013).

The distribution of the SA workforce is not dissimilar to that of Australia as a whole, with the largest shares employed in health care and social assistance (15 per cent), the retail trade (11 per cent); manufacturing (9 per cent), construction (8 per cent), accommodation and food services, education and training, professional, scientific and technical services, and public administration and safety (all 7 per cent each).

The accepted narrative about South Australia's economy is one of sustained underperformance relative to the other states, with the exception of Tasmania.

Figure 3.1 Gross state product by state/territory relative to 1989/90 (1989/90=100)

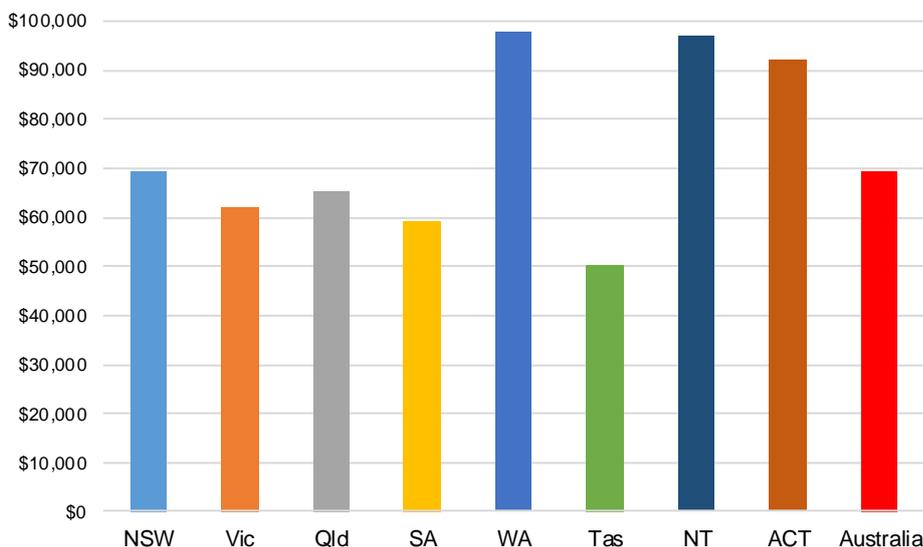


Source: ABS, 2016b.

This narrative is borne out by the headline data on economic performance (see Figure 2.1). For example, gross state product (GSP) grew at an average rate of 2.3 per cent per annum over the 24 years to 2014/15¹⁰, significantly lower than the national average over that period of 3.1 per cent per annum. Western Australia and Queensland drove national growth over this period with average growth rates in GSP of 4.7 per cent and 4.0 per cent respectively.¹¹

The level of GSP per capita similarly underperforms, with GSP per capita 86 per cent of the national average (although still reasonably respectable at \$57,371), and only 61 per cent of that produced by Western Australia (ABS, 2016b, see Figure 2.2).

Figure 3.2 Gross state product per capita by state/territory, 2015/16 chain volume measures



Source: ABS, 2016b.

However these indicators of relative weakness of total output largely reflect relatively weaker initial conditions and a slower than average population growth rate (although more recently there are signs of other sources of underperformance).

Over the past 21 years South Australia's population growth has been well below the national average growing at 0.7 per cent per annum compared to 1.4 per cent per annum, as well as disproportionately losing younger residents to interstate migration (see Section 3.2).

When we look at indicators of the *per capita* welfare of its residents, the recent performance of South Australia looks somewhat better. Growth in GSP per capita over these 25 years just below the national average at 1.6 per cent per annum compared to 1.7 per cent. Hence the relatively lower level of GSP per capita reflects longer term factors rather than any recent "shocks" or policy errors as it was at its current share of 85 per cent of the national average back in 1989/90 when GSP data first became available in the national accounts.

3.2 Population change and ageing, its economic effects

The SA population is amongst the oldest in Australia and is getting older over time, as well as decreasing as a proportion of the country's total population due to lower population growth rates. In the last three decades, the state's annual population growth rate of 0.74 per cent was just over half that of Australia's growth rate (1.37 per cent) (SACES 2016c).

Over the same timeframe and against the national trend, the state's youngest age groups (i.e. those aged 0-14, 15-19, and 20-24) have been decreasing in size as birth rates remained below the level required to maintain population levels and young people continue to leave the state. In 2013/14, the last year for which data is available, 36 per cent of SA's population was aged 50 or older, compared with an Australian average of 33 per cent.

¹⁰ Data on gross state product is only available in the national accounts produced by the Australian Bureau of Statistics (ABS) from 1989/90 onwards, due to limitations in the quality earlier data at the state/territory level. See ABS (2016b), 'Australian National Accounts: State Accounts, 2015-16', cat. no. 5220.0

¹¹ Although over the last two years with the end of the mining investment boom, NSW and Victoria have been the drivers of national growth growing at an average rate of 3.1 and 3.0 per cent respectively compared to SA which grew by 1.9 per cent (ABS 2016b).

The most significant potential effects of low population growth, particularly where, as is the case in South Australia, it is coupled with net interstate migration of relatively younger population cohorts it to reduce the labour force as a share of the population and thereby reduce potential economic activity.

Indeed, the weak performance in growth of economic output discussed above has been reflected in the labour market. Over the same time period, South Australia experienced the second lowest employment growth among the states at 1.3 per cent per annum with only Tasmania experiencing lower growth (1 per cent) and well below the national average of 2.1 per cent. The labour market participation rate in South Australia was only 62.4 per cent of the population aged over 15 compared to 65 per cent nationally. And over the last four year South Australia has had an unemployment rate below the national average in only 6 of the 48 months (ABS 2017).

The SA population is amongst the oldest in Australia and is getting older over time, as well as decreasing as a proportion of the country's total population due to lower population growth rates. In the last three decades, the state's annual population growth rate of 0.74 per cent was just over half that of Australia's growth rate (1.37 per cent) (SACES 2016c). Over the same timeframe and against the national trend, the state's youngest age groups (i.e. those aged 0-14, 15-19, and 20-24) have been decreasing in size as birth rates remained below the level required to maintain population levels and young people continue to leave the state. In 2013/14, the last year for which data is available, 36 per cent of SA's population was aged 50 or older, compared with an Australian average of 33 per cent.

As a consequence of the changes in the age distribution, the relative shares of the population by age cohort will change over time. This result is shown in Table 4 for the two states and Australia as a whole. In all age cohorts from 0-14 up to 35-39 the relative shares have declined from the shares held in 1981/82; for all age cohorts age 40-44 and above, the shares have increased with those for South Australia (reflecting the ageing of the population and the losses in younger cohorts) increasing more than for Victoria and Australia.

Table 3.1: Share of population by age group, South Australia, Victoria and Australia, 1981/82 and 2013/14, per cent

	South Australia		Victoria		Australia	
	1981/82	2013/14	1981/82	2013/14	1981/82	2013/14
0-14	23.3	17.6	24.4	18.3	24.7	18.8
15-19	8.6	6.2	8.6	6.1	8.5	6.3
20-24	8.8	6.8	8.7	7.2	8.8	7.0
25-29	8.2	6.8	8.2	7.7	8.3	7.4
30-34	7.9	6.6	8.0	7.5	8.1	7.3
35-39	6.9	6.1	7.0	6.8	7.1	6.6
40-44	5.5	6.8	5.7	7.2	5.7	7.1
45-49	4.9	6.7	5.0	6.6	4.9	6.6
50-64	15.2	19.3	14.3	17.8	14.1	18.1
> 65	10.8	17.1	10.1	14.8	9.9	14.7
Total ^(a)	100.0	100.0	100.0	100.0	100.0	100.0

Source: Australian Bureau of Statistics, Australian Demographic Statistics, December 2015. Cat. No. 3101.0. Tables 52, 54 and 59. Estimated Resident Population By Single Year of Age

There are three important factors behind this aggregate picture. The first is the impact of the State Bank financial crisis, the loss of headquartered companies around the same time and the loss of "mass manufacturing" employment (particularly in white goods, other consumer durables and textile/clothing) that accelerated in the early 1990s and which resulted in substantial out-migration (see later section: net interstate migration and Figure 1). The national recession of 1990/91 was also a contributing factor.

The second is the long-term decline in the fertility rate or population replacement rate, a trend seen across advanced economies.

The ABS (2015) estimate the national replacement fertility rate is 2.1 births per female aged 15-49 years. The current birth rate in South Australia is currently 1.85, in Victoria it is 1.73 and for Australia 1.8.

The third contributing factor is, compared with nationally, the lower rate of inward overseas migration to South Australia. A higher rate closer to above the national rate not only could contribute to the size of the population but have a positive effect on the working age population, the quality and quantity of human capital and add to the domestic consumer market. The recent Productivity Commission Inquiry concluded that:

"By increasing the proportion of people in the workforce, immigration can provide a demographic dividend to the Australian economy and reduce the impacts of population ageing." (2016, p.14)

The working age population – the sum of the 15-19 through to 50-64 age groups has not much changed in proportional terms (approximately 66 per cent) – except that it has simply got older.

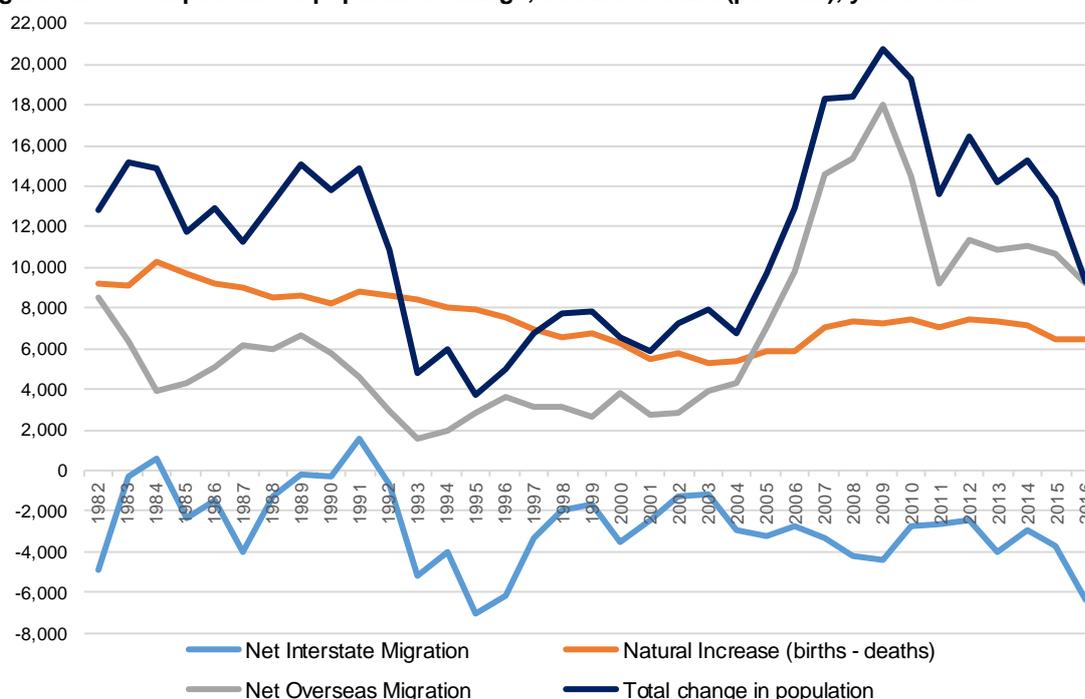
Demographic dividends and migration

A state or region can enjoy a 'demographic dividend' if conditions are such that an inflow of migrants is principally comprised of working age cohorts. This is well illustrated in the history of mining towns/regions where the workforce was generally younger, families were younger and incomes were high. A 'demographic deficit' is often the situation for smaller rural towns where post-school youth move to large centres/cities for education and in search of employment.

There are two sources of migration that influence the composition of the population along with natural increase. The first is interstate migration – people moving in and out of states or territories – with the final measure being 'net interstate migration'. That is to say, for South Australia is the trend positive (more people moving in) or negative (more people moving out)?

Figure 3.3 illustrates quite dramatically the immediate impact of the financial crisis experienced by South Australia in 1991/92. In the case of South Australia, outward migration was ten times higher in 1994/95 (7,100 persons) than it was in 1991/92 (658 persons) (ABS, 2016a). In both states, net overseas migration at that time was not sufficiently positive to be able to offset the interstate migration outflow from 1991/92 to 1995/96. Interestingly the most recent year for which data is available (2015/16) has seen a significant increase in net interstate migration out of South Australia. It is not yet possible to establish whether this is a one off increase or whether, like the early 1990s it represents a large movement of population out of the state.

Figure 3.3 Components of population change, South Australia (persons), year to June



Source: ABS, 2016a

South Australia's ageing population is reflected in the increase in the dependency ratio in the first two columns of Table 3.2 increasing by 10 percentage points since 1981/82. Columns 3 and 4 combining young and old dependents leads to an increase in the ratio, whereas for Victoria and Australia the ratio falls. The reason for the fall is that the proportion of particularly the younger working age in Victoria and Australia has increased, whereas it has marginally declined in South Australia.

Table 3.2: Comparison of dependency ratios: 1981/82 and 2013/14

	Dependency ratio for >65		Dependency ratio for 0-14 and >65 years	
	1981/82	2013/14	1981/82	2013/14
South Australia	16.3	26.1	51.6	53.2
Victoria	15.4	22.2	52.7	49.5
Australia	15.1	22.2	52.8	50.5

Source: ABS, 2016a

What this means – given that the higher the dependency ratio the more people who are not of working age and conversely the fewer who are in the productive sector of the economy – the greater is the support burden

carried by those in the labour force. We make a cautionary note at this point, as analysis of those over 65 years participating in the labour force will reveal, that many in this age group are working and are income self-sufficient so that they are not strictly dependent. However, it is the working population that pay most of the income and consumption taxes and higher dependency ratios do imply the direction and burden of taxes to fund retirement pensions, health costs, disability pensions, schools and other public services.

The greater part of South Australia's relative economic underperformance in GSP per capita is its relatively older population. If South Australia had the same age profile as Australia as a whole then it would have an employment participation rates of 64.4 per cent (for 2012/13), almost 2 percentage points higher than the actual participation rate, and only 0.7 percentage points below the national average¹², implying a lower unemployment rate and/or skill shortages (SACES, 2016b).

A frequent, albeit not inevitable consequence of population ageing are decreasing employment rates as economic activity declines with age. SA's share of national employment has been in steady decline since at least the early 1980s. These lower participation rates/higher age based dependency ratios also effect economic output. This effect occurs both directly through the smaller labour force available to local employers, and indirectly as older people typically consume a smaller share of their income and are less likely to participate in, or invest in, riskier activities as they have fewer working years to recoup any lost savings.

Recent immigration from overseas has more than compensated for the loss in population resulting from inter-state outflows from SA. Immigration statistics for the last year for which they are published (2014-15), show that, relative to its population or employment share, the state benefited from a disproportionately large share of migrants granted permanent residency visas under the demand driven Regional Sponsored Migration Scheme (RSMS) program. However, SA received and hosted only a small share of Temporary Work (Skilled) visa subclass 457 holders. Without this contribution from international migration South Australia's population would have been effectively static, and the age based dependency ratios considerably worse.

3.3 The age structure of the SA business community

Population ageing also affects business ownership and risks adverse implications for the management and sustainability of commercial establishments if businesses cannot identify appropriate successors within the business or identify appropriately skilled potential purchasers where not such internal successor is available. This is of particular concern for unincorporated enterprises whose ownership structure often makes them reliant on either internal family succession or sale of the business to cover the retirement of the existing manager, and on the existing owners for access to growth capital.

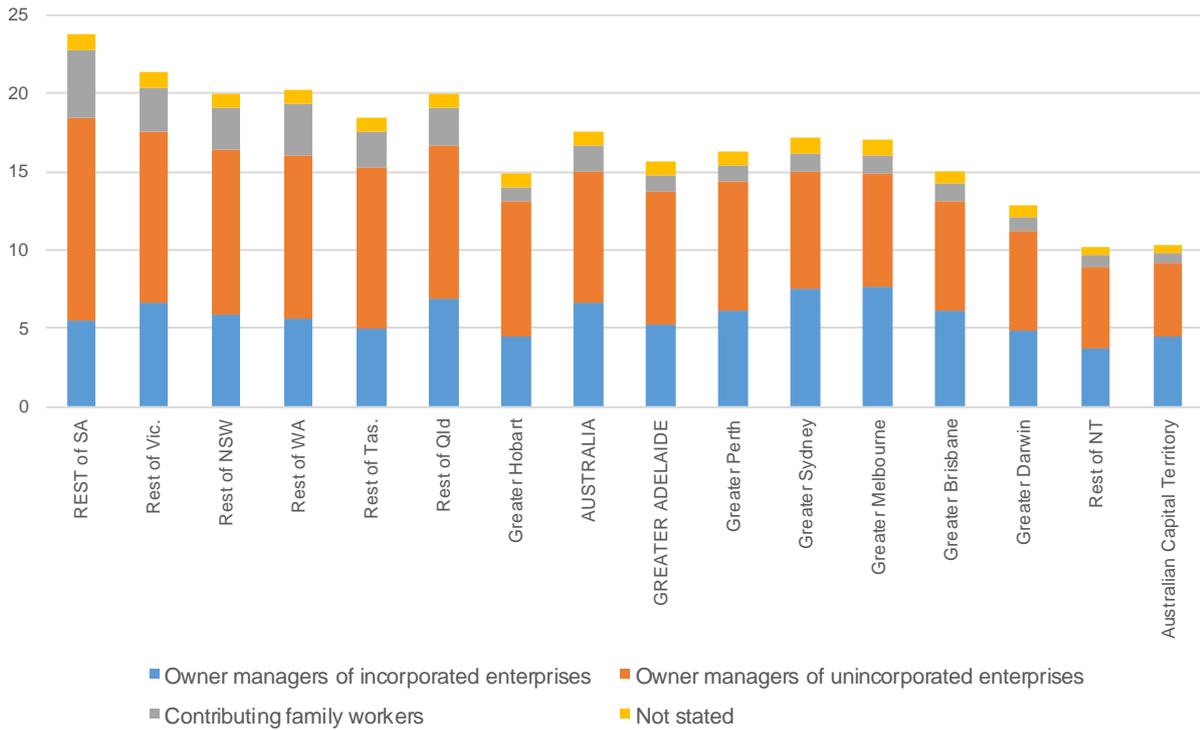
Adelaide and regional SA both have a relatively high share of unincorporated businesses, and consequently have a relatively high reliance on owner managers and contributing family to supply labour to the businesses (see Figure 2.4). This means that the South Australian economy is relatively more vulnerable to population ageing amongst its business owners, and to any administrative factors that make it harder to find potential buyers for businesses.

SA's unincorporated business owners are often older than those in the other Australian States and Territories. For instance, after regional Victoria (24 per cent), regional SA has the highest proportion of unincorporated business owners (23 per cent) aged 60 or over (Greater Adelaide: 18 per cent). A breakdown of the age distribution of unincorporated business owners in specific industries¹³ in Greater Adelaide and the Rest of SA shows similar patterns for agriculture, forestry and fishing, and health care and social assistance, although the owners of accommodation and food services businesses in the Greater Adelaide area are more likely to be aged under 50. The age profiles of business owners in these three sectors and both geographical areas are markedly skewed towards older cohorts when compared with that for all South Australian industry.

¹² This calculation changes the age mix but not participation rates within age bands. South Australians aged over 55 are less likely to be in the labour force. This accounts for 0.45 percentage points of the difference, and it may be due to a combination of higher rates of disability and early retirement due to a higher manufacturing employment share; plus higher rates of early retirement due to structural change. The participation rate for 15-19 year olds is the same as the Australian average.

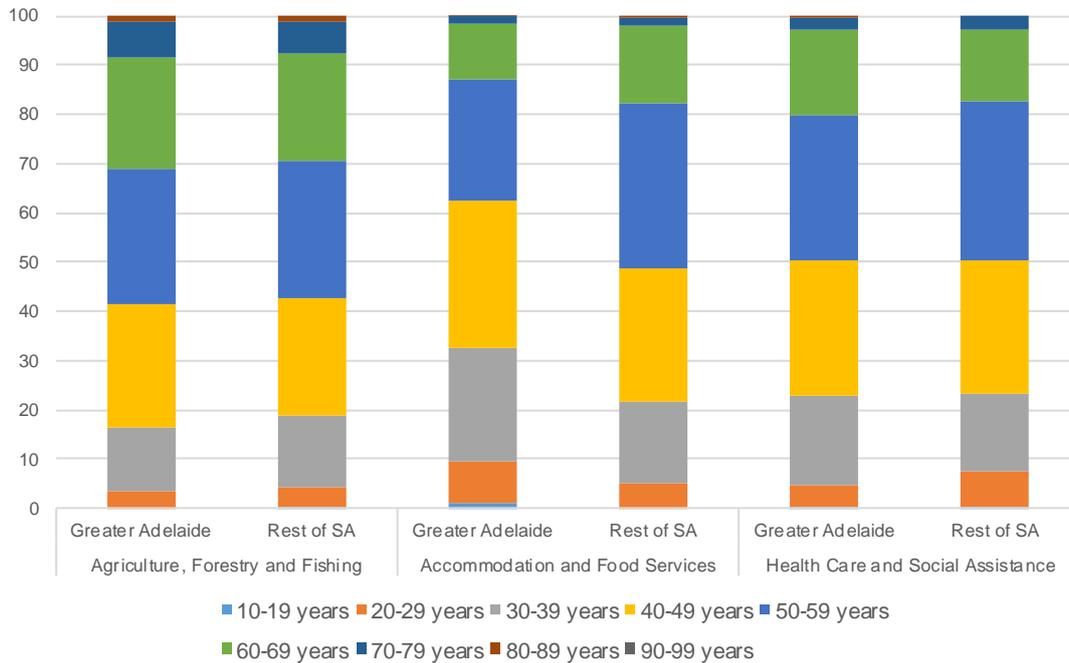
¹³ We focus here on the main sectors covered in the business interviews summarised in Chapter 4.

Figure 3.4 Percentage of owner managers and family workers in total labour force, by state or territory, 2011



Note: Data sorted in descending order of relative size of unincorporated business sector.
 Source: ABS TableBuilder database, Census 2011

Figure 3.5 Age distribution of unincorporated business owners in South Australia, by region, selected industries, 2011



Source: ABS TableBuilder database, Census 2011

4. Business Perspectives on Skills Shortages and the Visa System

Key findings:

- Despite high local unemployment, SA firms still report difficulty recruiting suitable employees.
- There was dissatisfaction with all three approaches used by governments to address skill needs, support offered to the unemployed, vocational education, and migration.
- For some businesses the difficulty in recruiting labour was severe enough that they had resorted to filling permanent positions with travellers on working holiday visas – requiring them to recruit, induct and train new employees every 6 months.
- There was a widespread view that the occupation lists used by the Department of Immigration and Border Protection did not accurately reflect industry's skill needs
- Skills most frequently sought were at a lower level of qualification than included in the current CSOL/SOL, which is used to determine work visa eligibility, or not included RSMS occupation list.
- The primary industry sector in particular noted a mismatch between its job titles and job contents and the ANZSCO definitions used during the visa assessment process, which inhibited the hiring of sufficient numbers of urgently needed migrant labour in light of insufficient supply from among the domestic labour force.
- TSMIT was also felt to make hiring on migrant labour on temporary visas uneconomical, and does not allow hiring of workers for positions whose guaranteed earnings are below the TSMIT even if the employer were willing to meet the TSMIT threshold (with the exception of food processing where the LMA does allow this, at the potential cost of creating earnings inequity between domestic and migrant workers).
- The current limitations in the migration system were generally felt to impact regional and remote areas more significantly than metropolitan areas due to a greater potential reliance on migrant labour arising from Australian resident's general unwillingness to move to regional and remote areas, and the generally lower wage levels which made 457 visas less suitable due to both employers not being able to afford to pay a wage equal to the TSMIT, and to a greater proportion of occupations having a market wage which is lower than the TSMIT (which precludes the use of a 457 visa except where exceptions are granted through LMAs).
- There was a commonly expressed view that the restoration of the 'Regional' 457 visa, or some similar set of regional concessions were needed to allow migration to support regional economies.

Whereas the Australian immigration system is focussed on attracting skilled labour, SA businesses in the primary industry and some of the services and manufacturing industries often rely on semi-skilled or indeed low skilled labour. Interviews with industry conducted for this study have highlighted concern about skill and labour shortages at the semi- or low skilled levels that are adversely affecting business operations now or are projected to do so in the near future. In this section, we summarise the views and suggestions of regional business owners and business and industry representatives collected during the interviews, including examples of specific skill shortages that were reported, the role and use of migrant labour to address them, and perceptions of and experiences with the Australian visa system.

SACES consulted with 17 businesses and business representative organisations from the primary (horticultural and agricultural), property and construction, catering, food product manufacturing (baking and meat and meat product manufacturing), and the age and community care sectors to explore these issue in more detail. In addition, one interview was conducted with the Mayor of a rural council, and SACES spoke with five RDAs and the Local Government Association of SA.

The five sectors and one sub-division (food product manufacturing) included in this review employed about 300,000 individuals or 37 per cent of usually resident workers in South Australia in early 2016, which was slightly above the proportion for the whole of Australia (35 per cent, Table 3.1). The agriculture sector and the health care and social assistance sectors are disproportionately large employers in South Australia; whereas property and construction are comparatively smaller. In 2013/14, these sectors contributed about 25 per cent to South Australia's GSP, which compared to a 22 per cent contribution to national GDP of these sectors across Australia. The difference was above all due to the greater relative size of agriculture, forestry and fishing in South Australia, where it accounted for almost six per cent of GSP, compared with two per cent in Australia. Health care and social assistance was also a relatively larger contributor to the South Australian economy (8.6 per cent) when compared to the Australian economy as a whole (6.4 per cent).

The interviewed industry peak bodies represented between 100 (AusVeg) and 3,000 (Livestock SA) members, often including a range of smaller and larger businesses. All acted as advocates for their members, contributed to the setting of industry awards, training standards and, where appropriate, provided advice on workplace relations.

4.1 Skill shortages and recruitment difficulties

Despite South Australia's unemployment rate reports of skills shortages and recruitment difficulties were widespread amongst the firms and peak bodies with which we consulted. This is interesting as it is at odd with findings of the Commonwealth Department of Employment skills in demand research which identified relatively few skills relevant to organisations we consulted with as being in demand.

There was significant dissatisfaction with the way in which all the mechanisms for meeting labour demand were functioning at the present time:

- It was felt that a significant proportion of jobseekers they are seeing have significant barriers to their work readiness that makes them unsuitable for employment. It was felt that the existing programs such as the Commonwealth Government's network of jobactive providers were not sufficiently addressing these barriers. Substance use (particularly methamphetamines) was mentioned by several consultees and was particularly of concern for employers in the food product manufacturing sector.
- It was felt that VET education, particularly since the end of 'Skills for All' was too expensive, too inflexible, and not targeted at regional skill needs; and
- The process of securing a 457 visa was too time consuming, bureaucratic and costly, and that for many of the employers covered by our consultation either the TSMIT and or the relevant skill lists meant that in many cases they could not use, or could only partly use, the migration system to address their unmet demand for skilled/semi-skilled labour.

It is of course possible that the firms and industry associations with whom we spoke were unrepresentative of their broader sectors. After all, firms have more incentive to participate in research of this type where they are facing problems than they do when their needs are being met by the existing policy settings. However it is worth noting that because of the involvement of peak industry bodies and RDAs our consultations covered a wide range of firms and their experiences.

An interesting consequence of this difficulty in recruiting suitable labour, which had not been apparent in previous work we had undertaken on skill shortages, is that firms are increasingly using working holiday visa holders – who can work for a given firm for no more than six months – to fill permanent positions. This results in significantly higher recruitment, induction and training costs for the firm than if they were able to fill the position with either a domestic worker or a migrant on a long-stay visa.

It also means that it is unlikely that these positions will be picked up in studies used to identify skill shortages which, amongst other things, feed into the list of occupations that are eligible for various long-stay skill category visas.

4.2 The skills most sought or currently in short supply in the sector

Most sectors reported shortages in semi-skilled occupations with few gaps at the higher skills end. The examples given of skills in short supply were typically very sector specific.

Horticulture and agriculture

The livestock industry reported to significant shortages in "leading hands" in areas such as **wool harvestry, shearing, and husbandry**. For the horticultural sector, essential skills such as ability and licence to drive a tractor or forklift, were in short supply; while there was also some demand for (higher level) **managerial skills**, for instance **crew team leaders**. **Irrigation experts** were also in demand. Overall, skill shortages were primarily reported with respect to **Certificate II level**, with little if any demand for Certificate III level qualifications. Employers preferred practical skills development through on the job training to off the job learning, although several employers stressed the need for workers to be **health and safety** aware and trained to that effect.

The agricultural sector also saw opportunities for greater employment of university-level qualified **agronomists, agricultural advisers and consultants**, as the industry was merging and concentrating into larger agro-businesses and increasingly, albeit still slowly, becoming more automated. However, at present, universities and large (multinational) agro-businesses proved more attractive employers to many agriculture science graduates. There were said to be few opportunities for university graduates on the typically smaller and low-tech agricultural and horticultural regional establishment, as they did not require that level of scientific expertise.

Food product manufacturing

An ageing workforce and imminent retirement were causing concern in the food product manufacturing sector and particularly in the businesses consulted for this study. The industry was struggling to attract new **apprentices** and semi-skilled workers more generally because of its atypical (“anti-social”) working hours and longer shifts, and comparatively high levels of physical fitness that it required. In regional areas, the prospect of drug screening was also said to deter potential recruits. Moreover, larger supermarkets that had traditionally supported apprenticeships in this sector (e.g. for their in-store bakeries) that stopped doing so, which was adversely affecting the industry generally.

The baking sector, which was especially affected by the supermarkets’ withdrawal from apprenticeships, was still seen to provide opportunities for **specialist, “artisan” baking skills** that were currently no longer trained, or not trained in sufficient numbers, causing bottlenecks in supplying sufficiently diverse produce.

Restaurant and catering

This sector was said to employ about 60 per cent of its workforce as casual labourers, and work was described as typically highly seasonal. Regional businesses were particularly reliant on casual work because of the few alternative or additional employment opportunities many of these areas offered. Access to a flexible and temporary workforce was thus critical, although the sector would typically prefer greater economic diversification in order to stimulate business all year round.

The sector faces a particular shortage in **chefs** and **cooks**, which has been a long standing issue (first identified in 1963). In addition, a shortage of **front of house managers** and **general front of house (waiting) staff** was noted. While the latter often require induction rather than full training, the former require an understanding of business management that is often learned on the job. Smaller and regional businesses were understood to be facing added challenges in filling these positions as their catchments areas were smaller and capacity to attract employers with higher pay packages limited.¹⁴

Aged and community care

The **aged and community care** sector was typically looking to hire **Registered Nurses**, i.e. nurses with University (BA) degrees. However, it did not experience an acute skills shortage, but one that was projected with the expansion of the National Disability Insurance Scheme and as a result of general population ageing.

Regional areas nonetheless faced some generic recruitment challenges, in particular as it found it difficult to attract **young career starters**. The undersupply of staff and services in rural and regional areas had however led to rural and regional residents seeking services in the metro areas. In turn, this had eased labour and service supply gaps in the regions, although a shortage amounting to perhaps 5 per cent to 10 per cent of the existing workforce was suggested.

Property and construction

Although the property and construction sector did not report any immediate skill shortages, the industry’s annual National Survey of Building and Construction highlighted a shortage of experienced **project managers, site managers, and foremen and supervisors**, in particular in South Australia.

4.3 Use of migrant workers

All participants with the exception of those representing the property and construction industry stressed the importance of migrant labour to member businesses, and all participants highlighted its importance to state economic development. Population ageing and regional depopulation were seen to increase the need for hiring (young) migrant labour in order to fill vacancies and to lift industry output and efficiency.

The **primary, catering and food product manufacturing** sectors were described as particularly heavily dependent on migrant and often temporary labour. In the sectors’ view, the supply of domestic labour was at present insufficient and unlikely to fill current or future vacancies. This compelled the sectors to hire migrant workers, although doing so had become more difficult in recent years. Backpackers remained a valuable source of educated and flexible labour, who, unlike domestic workers, often did not mind living in regional or remote areas (and who are provided with an incentive to work in regional areas by the visa system which allows them to apply for a second working holiday visa if they have worked in a regional area).

¹⁴ It was pointed out that the sector had also observed high levels of drop out from amongst those opting for hospitality related TAFE courses. Moreover, those completing their courses did not necessarily proceed to work in the hospitality sector, but opted for employment in event management or in aged and community care, which promised more regular and, importantly, *day time* working hours. As a result, course enrolment statistics presented an overly optimistic picture of labour supply that did not match reality.

In **food product manufacturing**, which was described as having a tradition of employing foreign labour, migrant workers were used in all aspects of businesses; in production, wholesale and ancillary, e.g. cleaning. Likewise, migrants were a critical source of labour in the **restaurant and catering** sector, whose employees were estimated to include 15 per cent from overseas (higher than average: 10 per cent; RCA 2016, p.7). The fourth sector relying on migrant labour was the **age and community care** sector, although exact proportions and origins could not be established.¹⁵

In contrast to these four sectors, the **property and construction** sector was said to be currently experiencing adequate supply of labour, albeit as a result of a reported slowing in commercial building activities, with skill shortages largely confined to individual projects or firms. The sector would also like to see a return to past South Australian government policy that pursued a more active population growth objective in order to stimulate construction activity.

4.4 The economic effect of skill shortages

The economic impact of skill shortages appeared not to have been systematically assessed, but the consultations generated impressionistic evidence of current constraints on achieving the full economic potential of the four industries.

The main challenge that **livestock and sheep farmers** faced were time constraints as a result of understaffing. With more staff, it was argued, the farmers and farm management could invest more time in improving the efficient running of their businesses, thus increasing growth potential. It was argued that improving labour supply would help the industry “service existing markets effectively”, but that the emphasis would not necessarily and rarely immediately be on market expansion. One outcome might be better produce, which would allow businesses to access higher end, higher margin markets, and increase profitability.¹⁶

This sentiment was echoed in **food product manufacturing**, where easing labour shortages was expected to provide opportunities for dedicating resources to product innovation or increasing the average quality of output, which in turn would help to retain market share, without necessarily entailing business expansion. In the case of meat and meat product manufacturing, the existence of the meat processing Labour Market Agreement (LMA) meant that skill gaps were expected to be addressed through migration but at the cost of either:

- a. paying migrant workers substantially higher rates than their colleagues with Australian residency (as the LMA allows workers to be brought in on a subclass 457 visa even if the normal salary for that position is below the TSMIT threshold, but requires the salary paid to the migrant worker to be at the TSMIT, which is the case for many of the level 3 and level 4 occupations, e.g. mutton boners), or
- b. through recruitment of workers on six-month working holiday visas, which increases recruitment, induction and training costs, decreases average skill and experience levels of the workforce, and in turn reduces the value of the industry output (e.g. through lower quality and smaller quantity of premium cuts; increased wastage etc.).

The **restaurant and catering** sector stressed the low profit margins typical for businesses in this industry, which limited its scope for attracting staff through higher pay and exacerbated its dependence on low cost labour. Without access to low cost labour, it was feared that the sector would struggle to develop or indeed sustain its current base. The industry representative pointed to a number of long established restaurants in the Adelaide area that had been seeking buyers to take over the business for 12 or more months. The challenge for businesses in the sector was often to retain the status quo, less so to grow and expand.

One owner of a regional hotel and restaurant business explained that the restaurant only opened if it had received group bookings to ensure an income as current penalty rates for weekend or late evening work were making alternative walk-in business unsustainable. In another location, a hotel and restaurant owner made a similar point, adding that, as a result of high wage costs, restaurants and bars were closing early (often long before 10pm), which had adverse knock on effects on commercial activities and the attractiveness of the area to visitors and local populations alike. A third restaurant owner explained that, in order to contain costs and rather than to pay penalty rates, the business had ‘time of in lieu’ arrangements with salaried staff who worked on Sundays or public holidays.

15 The 2012 Aged Care Workforce report estimated that 35 per cent of Australia's care workforce in residential facilities and 28 per cent of those in community outlets were born overseas (King et al. 2012).

16 In a report launched in April 2016, Livestock SA and the SA Sheep Advisory Group had set the industry's objective to “increase productivity and value by 20 per cent by 2020” (Livestock SA 2016, p. 4), to a large extent by improving labour efficiency. However, the report makes no direct reference to labour, migration or employment.

4.5 Strategic options for addressing skill shortage, including the role of migration

Sectors represented by the stakeholders were typically relying on the TAFE sector for the formal training of employees, although some saw opportunities for greater engagement of and with the tertiary education sector. Some also reported mixed experiences with TAFE training courses, arguing TAFE certificate courses did not teach sufficient practical skills that were instantly applicable in the workplace. Some stakeholders found Certificate II levels adequate and were critical of the public drive towards Certificate III level training.

In contrast, the **aged and community care** sector welcomed recent revisions to Certificate III level courses in personal and aged care, which now includes a new requirement to undergo 120 hours of on the job training. This change was expected to go some way towards satisfying the sector's desire for training to incorporate practical skills. Concerns remained as to whether the greater onus placed under the new WorkReady¹⁷ program on private RTOs to demonstrate links to employers would impact their ability to service the market.

At present, aged and community care providers tended to leave unfilled vacancies open without necessarily taking active steps to filling them. More common approaches were to redistribute work among the existing workforce through increased use of overtime working or (facilitating) delayed retirement. It was argued that the sector may eventually need to raise wages (which are comparatively low in this area of work) in order to attract the right workforce.

Other industry stakeholders also noted that a typical response to skill shortages amongst their members was to do little or nothing. For instance, **livestock** businesses, which were frequently small or indeed one person ventures, did not have the personal or organisational resources to actively source and/or train labour. The result, it was argued, was suboptimal running of businesses, where repairs were delayed and operational aspects of the businesses were neglected or conducted at the minimum level necessary. This then led to lower quality products and inability to access premium markets.

On the job training remained more highly rated than the acquisition of formal qualifications amongst employers in the **restaurant and catering** sector. Despite these preferences for on the job trained staff, stakeholders felt that the sector was reluctant to engage pro-actively in workforce training, facing the risk of contraction as a result.

Several industry stakeholders expressed concern about recent changes to the organising and funding of vocational training as, in their view, the transition from Skills for All¹⁸ to WorkReady increased the cost of training to the trainee. This was seen to be deterring especially younger people from seeking formal vocational training, the need for which was still emphasised despite the importance attached to practical skills acquisition.

The distance to some regional training centres that made attending block training difficult or costly was also noted by some businesses. A number of businesses were also critical of the lack of accreditation for on the job training delivered by owner-managers with proven skills, but not necessarily the formal qualifications of their trade or profession. Promoting and accrediting this type of learning and transfer of experience would deliver the required enhanced skill and, some argued, should be recognised as meeting the subclass 457 visa requirement to provide training (the 'training benchmark').

Hiring backpackers presented temporary solutions to labour demand for some in the primary sector, but at least one employer was reluctant to take on seasonal workers because of the costly "caretaker role" this would present to the business, notably providing accommodation and transport.

In contrast to the primary sector, the aged and community care, and the food product manufacturing sectors appeared more reliant on temporary skilled (457) migration.

The construction sector was reported to make very little use of temporary skilled (457) migration due the intermittent nature of labour needs within individual firms, driven as they are by the demands of individual projects. Instead, employers in the sector were said to address skill shortages by recruiting contractors from interstate or poaching labour from other SA firms.

A recurrent theme among employers consulted for this study was the lack of work motivation and reliability of local job seekers. This was typically in reference to native Australians, but in some instances other nationalities were also mentioned. Some employers estimated that two in ten applicants might prove suitable for an advertised job, but were not necessarily accepting offers or sustaining employment for more than a few weeks.

17 <http://www.statedevelopment.sa.gov.au/skills/workready>

18 See Skills for All evaluation at: http://www.acilallen.com.au/cms_files/0ACILAllen_SkillsForAll_2015.pdf

More nuanced accounts acknowledged the personal challenges that some more disadvantaged jobseekers were facing with respect to retaining work that was also often physically demanding.

4.6 Challenges concerning the visa system

The stakeholder consultations identified a number of concerns regarding the current visa system and its effect on business. Many of these concerns were sector specific, but there was also an emerging consensus that current processes and conditions were not supporting regional industry effectively. This was especially the case with respect to migration policy's emphasis on skilled labour, including the use of the Skilled Occupations List (SOL), the Consolidated Sponsored Occupations List (CSOL) and, in the case of the Regional Sponsored Migrant Scheme (RSMS), the relevant legislative instrument¹⁹ for identifying occupations eligible for permanent visas nominations.

Accessing and defining labour in short supply

Representatives from the **primary sector** most strongly argued for a review of the ANZSCO²⁰ categories that were used to define skills in short supply via the CSOL, SOL and the RSMS Occupations List. The ANZSCO categories and, importantly, their job content descriptions that are currently being used for identifying visa-eligible occupations were seen to be ill-aligned with the experiences and daily working practices of the sector. This effectively prevented the hiring of migrant workers in occupations reported to suffer significant and acute local labour supply shortages. This was on top of concerns shared by other sector stakeholders that TSMIT had been set too high for the types of skills that businesses required and wanted to hire. Market salary rates in regional SA were typically (much) below TSMIT, even for some of the visa eligible occupations identified in the aforementioned lists. This made hiring temporary migrants impossible for most sectors as the prevailing wage is below the TSMIT and therefore the position is not eligible to be filled by a worker of a 457 visa. And even for the meat industry, whose labour agreement (MILA) permits firms in the sector employ temporary workers for positions whose prevailing wage is below the TSMIT so long as they pay the temporary workers a wage equal to or above the TSMIT, the level of the TSMIT makes it uneconomical to some businesses or creates unwelcome earnings inequities between domestic and migrant workers.

Looking ahead, some in the primary sector did acknowledge a likely need for higher level skills in the longer term as the industry turned towards greater utilisation of technology and, hence, required a greater supply to technical, but also managerial skills. But higher technical and managerial skills were not a priority for the sector at this point in time as many of the typically smaller farmer were not (yet) turning to automate more of their operations. Agriculture and horticulture remained relatively labour intensive and continued to require workers for long term positions, but could not recruit these in sufficient numbers solely from domestic labour. At the same time, current reliance on CSOL and SOL, and ANZSCO derived job definitions for visa nominations was seen to be preventing access to the volume of migrant labour with lower level skills that was deemed necessary for filling current and potential future vacancies.

For some with more *seasonally fluctuating* labour demand, such as in parts of the **agriculture and horticulture sector**, temporary labour provided by backpackers on working holiday visa offered the means for managing these variations. But the sector expressed worry about the then prospect²¹ of backpackers being taxed as non-residents following a ruling from the Administrative Appeals Tribunal, e.g. having to pay income tax on all of their earnings rather than only on earnings in excess of the tax free threshold. This was feared to make visiting Australia on a working holiday visas to take on jobs in the sector uneconomical. In light of the general shortage of labour in regional agriculture and horticulture, any reduction in the number of backpackers was expected to have far reaching, adverse effects on the harvesting and production output. South Australia farmers would also like rules for hiring backpackers to be relaxed. In particular, they would like the maximum number of months that backpackers may remain with an employer to be increased from the currently six to 12 months (matching a rule already in place in the Northern Territory).

A **food product manufacturing** stakeholder argued that the now abolished 'Regional' 457 visa, which incorporated regional concessions including a broader range of occupations eligible for visa nomination, had provided a good platform for recruiting and training skilled labour until these concession were removed in 2009.

The **restaurant and catering** sector had recently finalised a Fine Dining Labour Agreement, which covers the hiring of cooks, chefs and 'trade waiters' (effectively highly skilled waiters) on subclass 457 visas, and which allows a 10 per cent discount of the current TSMIT. While reactions were generally positive, the Agreement

19 Migration Regulations 1994 - Specification of Occupations and Assessing Authorities - IMMI 12/096

20 Australia and New Zealand Standard Classification of Occupations

21 This policy has now been introduced, albeit in a somewhat modified form, with those on working holiday visas facing higher taxes than Australian residents but lower taxes than non-residents. Whether this change in tax treatment has an impact on the number of people willing to work on a working holiday visa is not yet clear.

did not help the sector with addressing its other (lower) skill shortages, notably affecting front of house staff outside of 'fine dining' restaurants, because they were not covered by the Agreement. Moreover, if the conventional subclass 457 visa route were used for these staff, TSMIT would currently be well above their market rate, again making hiring migrant labour for these positions not possible.

Costs and bureaucracy

A point repeatedly made was that, whereas the current visa system allowed the recruitment of migrant workers on temporary visas, industry vacancies were typically for permanent positions. Some employers felt they were effectively asked to submit two visa applications: an initial application for a temporary visa and, a few years later, a second application for a permanent visa. The costs of this process were described as unnecessarily high. One stakeholder suggested that a lower cost "conversion fee from (visa subclass) 457 to a permanent skill visa" be introduced to keep costs in perspective and to make the pathway to permanent residence affordable for both employers and workers.

Employers with a range of skill needs were also critical of the investment needed to customise visa applications to specific occupations and to provide case specific supporting evidence (e.g. labour market testing). Several mentioned that the bureaucratic challenge acted as a deterrent to lodging (further) visa nominations. Some larger businesses consulted for this study noted that visa nominations were best administered by dedicated personnel, but that this would only make commercial sense if the businesses employed or sought to employ at least in the region of 80 to 120 migrant workers.

The stakeholder consultation encountered some evidence of concern about the time it takes to prepare a visa sponsorship application and then to receive a decision on the application from Government. The point was made that businesses needed certainty to make commercial decisions in a timely manner and that a quick decision on visa applications was essential. In the words of one stakeholder: "A quick 'no' (to a visa application) is often preferred to a slow 'yes'".

Conditions

Other concerns expressed with regard to the current visa system was the need, under the subclass 457 provisions, for employers to demonstrate investment in training or be charged a training levy. Some businesses felt that this requirement did not correspond to how the sector was providing training. Moreover, the need to provide evidence of investment in training was seen as an added administrative burden, which made some employers reluctant to use this visa subclass.

Migration as a tool for economic development

Most stakeholders and, in particular, the rural council Mayor who was interviewed, pointed to the potential value of labour migration as part of an integrated approach of economic development. Unlike temporary (including backpacker focused) migration, a strategic approach to facilitating immediate permanent migration was seen to reap added benefits as migrants would typically be settling long-term and thus retain and reinvest earnings in the local economy.

In one instance, however, it was pointed out that using migration as a strategic tool to stimulate economic growth could have its downside, such as, rapidly rising house and rental prices if population increases outpaced housing construction.

More immediately concerned with development opportunities in metropolitan rather than regional areas, the property development and construction sector stakeholders would welcome the more active promotion of Adelaide to international students, and a greater facilitation of post-study work rights. International students were seen as a source for stimulating the property market in Adelaide's CBD and thus as contributing to a state government planning priority. The sector would also welcome a lowering of the investment threshold for significant investor visas (currently \$5m) for Adelaide or the state as a whole, as this should have positive economic spinoffs. This change in visa regulation should be supported by additional measures to stimulate the local and regional economy, such as more vigorous marketing of the city as a convention centre.

While this study encountered enthusiasm for a more proactive use of migration to address labour demand issues, including specific skill shortages, a few participants also acknowledged the managerial challenges that integrating different nationalities and cultures in one workplace poses. This was in addition to the risk of disquiet among workers that might result from differential pay rates due to the application of TSMIT. Another potential source of inequities, but at the expense of migrant workers, was the risk of labour hire companies skimming workers' wages as regional businesses turned to these companies to meet their demand for labour.

5. International Education

International education is an important driver of the SA economy, and also the state's most important service export. Education related personal travel services were worth \$1.1 billion in 2015/16 (an increase of 7.3 per cent on the previous financial year, ABS, 2016c). This contribution comes from just over 30,000 enrolments half of which are in higher education and 15 per cent in the VET sector, e.g. roughly 4,800 international students (see Table 5.1).

South Australia performs only slightly below its population share in international higher education enrolments 6.1 per cent of the national total, compared to a population share of 7.1 per cent (Department of Education and Training 2016, ABS 2016a)). And the higher education subsector of international education is expected to continue to grow strongly with Deloitte Access Economics (2016, p. 31-2) projecting that national enrolments will grow at an annual average rate of 3.7 per cent over the next 10 years, and that South Australian enrolments will increase at an average rate of 4.0 per cent over the same period, leading to a small increase in South Australia's market share.

However, the share of national VET enrolments is very low at 2.8 per cent. It is not clear why South Australia has such a low share of national VET enrolments, although Deloitte Access Economics note that the key source countries for South Australian based VET providers have seen their international VET student numbers in Australia grow at a below average rate (2016, p. 32). This should suggest that there should be a potential upside for South Australia to increase its market share closer to the share of international higher education enrolments (even doubling enrolments through an increase of 4,800 international students wouldn't reach the share of national enrolments that higher education has achieved). Given each international VET student is estimated to add \$16,800 per annum to the South Australian economy (Deloitte Access Economics 2016, p. 25), increasing enrolments could have a substantial impact on local economic activity.

However our consultations with the sector suggest that there are significant barriers in even *maintaining* the current share of national enrolments, a fear borne out by the fact that South Australia's share of international VET student *commencements* in 2015 was even lower than the share of enrolments (2.4 per cent of the national total compared to 2.8 per cent, see Table 5.1). Similarly Deloitte Access Economics project that international VET enrolments in South Australia will grow at a much slower rate than the national average, an annual average rate of 2.9 per cent over the next ten years compared to 3.8 per cent nationally (2016, p. 32). The most important factors underlying this concern about continued loss of market share are a series of recent policy changes that are believed to have disproportionately affected South Australian VET providers, and weakened the ability of international VET students to contribute to addressing skill shortages in South Australia.

Impact of recent changes

Our consultations also encountered apprehension among industry bodies and VET providers as to how recent reforms to post-study work rights and the introduction of Streamlined Visa Processing (SVP), particularly the Genuine Temporary Entrant test for potential students, might affect VET providers and, more broadly, the supply of locally trained migrant workers.

Since 2013, post-study work rights have been more strictly controlled, with access to the Post-Study Work stream restricted to those completing a qualification at Bachelors' degree level or higher (there is a shorter duration 'Graduate Work' stream of the Temporary Graduate visa (subclass 485) available to those completing diploma or trade qualifications but they must have undertaken two years of study in Australia and their qualification and their nominated occupation must relate to an occupation on the SOL). Industry representatives were concerned that these changes were already adversely affecting international student enrolments in VET in SA and that, in turn, this would further reduce an already insufficient pool of sufficiently trained and qualified workers in the state.

More recently introduced changes to student visa processing were anticipated to have a more direct and immediate effect on VET *providers* who are now expected to screen students in order to ensure they are "genuine temporary entrants" to Australia solely for the purpose of completing their studies. VET providers expressed concern about the immigration risk rating they will receive twice a year from the Department of Immigration and Border Protection (DIBP) on the basis of the proportion of their students who might subsequently have their visa applications refused, visas cancelled or who become "unlawful non-citizens" (DIBP not dated - c, p. 3). The risk rating will determine the financial and English evidentiary requirements for student visa applicants, as well as making it more difficult to get visa applications approved.

It was feared that the risk rating might disadvantage providers who have traditionally drawn on international students from countries known to attract more 'high risk' student visa applicants. Prospective students might

subsequently choose to study at education institutions with lower risk rating as this would reduce the burden of evidence²² the student must provide in support of his or her visa application to the DIBP.

There was also concern amongst some VET providers that the implementation of the Genuine Temporary Entrant (GTE) test, introduced in 2011, was leading to an increase in the number of student visa applications being rejected. The GTE test is conducted by the DIBP in order to determine that student visa applications are truly for attending CRICOS²³ accredited courses and that the applicant "genuinely intends to stay in Australia temporarily"²⁴. Some in the sector felt that the rationale for GTE decisions was unclear and judgement possibly applied subjectively rather than based on clearly defined criteria. This was adding uncertainty to the sector and to student visa applicants, with some VET provider reported to be experiencing a drop in international student enrolments.

²² Student visa applicants must either declare or factually demonstrate financial independence and English language capability.

²³ Commonwealth Register of Institutions and Courses for Overseas Students

²⁴ Commonwealth of Australia, Migration Act 1958, Direction Number 69 – Assessing the Genuine Temporary Entrant criterion for student visa and student guardian visa applications, (Section 499)

Table 5.1 International Student Enrolment and Commencements, by state or territory

	2012	2013	2014	2015	2012	2013	2014	2015
	Enrolments (per cent of Australian Grand Total)				Commencements (per cent of Australian Grand Total)			
A. Australia								
Higher Education	44.8	43.9	42.4	42.2	31.9	31.6	30.7	30.7
VET	28.1	25.6	25.4	26.3	30.4	27.6	28.2	29.1
Schools	3.6	3.4	3.1	3.2	3.0	2.9	2.7	2.9
ELICOS	18.6	21.8	23.2	22.5	27.3	30.3	30.4	29.6
Non-award	4.9	5.3	5.8	5.8	7.4	7.6	8.0	7.7
Grand Total (N)	513,401	524,984	587,365	645,185	276,904	301,103	351,196	377,973
	Enrolments (per cent of South Australian Grand Total)				Commencements (per cent of South Australian Grand Total)			
B. South Australia								
Higher Education	54.0	51.9	50.3	50.8	41.0	38.4	38.3	39.4
VET	20.5	18.9	16.1	15.0	22.5	20.1	16.3	15.7
Schools	6.4	6.5	5.9	6.7	6.4	7.2	6.2	7.4
ELICOS	13.5	15.7	18.8	18.8	21.3	23.8	26.7	26.1
Non-award	5.6	7.0	8.8	8.8	8.8	10.5	12.4	11.5
Grand Total (N)	28,094	28,328	30,661	32,089	13,301	14,336	16,456	16,908
	Enrolments (per cent of Australian Grand Total)				Commencements (per cent of Australian Grand Total)			
C. South Australia								
Higher Education	6.6	6.4	6.2	6.1	6.2	5.8	5.8	5.7
VET	4.0	4.0	3.3	2.8	3.6	3.5	2.7	2.4
Schools	9.7	10.3	9.9	10.4	10.1	11.8	10.7	11.3
ELICOS	4.0	3.9	4.2	4.2	3.8	3.7	4.1	3.9
Non-award	6.2	7.1	7.9	7.5	5.7	6.6	7.3	6.7
Grand Total (per cent)	5.5	5.4	5.2	5.0	4.8	4.8	4.7	4.5

Note: VET = Vocational education and training; ELICOS = English Language Intensive Courses for Overseas Students
Source: NCVET, own calculations.

6. Business Formation and Entrepreneurship

Innovation is an important determinant of productivity growth within an economy (and within the individual firm), which in turn is the most sustainable cause of long-term economic growth. Innovation can also lead to less tangible benefits such as improved quality of life.

Current approaches to understanding how innovation occurs emphasise systemic issues focussing on flows of knowledge and capabilities. The characteristics of the local innovation system are a key factor in determining the potential for benefits to arise from the presence of an innovation active firm or publicly funded basic research, and they also influence the nature of the innovation that will be implemented.

At the heart of the innovation systems approach to understanding innovation are individual entrepreneurs or innovation active enterprises. However, these driving forces of innovation do not exist in a vacuum, and many of the factors which influence the nature of, and outcomes from, innovation are driven by elements of the innovation system outside of the innovative firm.

It is difficult to readily identify the scale of entrepreneurship between different states directly from national data, as that simply records business registrations. Whilst some business registrations will reflect the establishment of a business to put a business idea into practice, businesses are also established to manage investment funds or by individuals who are being contracted to a project as a sole trader rather than as an employee (a practice that is now common in the transportation and constructions sectors).

Notwithstanding these limitations in the data, new business registrations should provide a reasonable first measure of innovation through the establishment of new firms. This data shows that South Australia is recording a lower rate of business formation (at 5.4 per cent of the national total) than either its share of the population (7.1 per cent) or its share of employment (6.9 per cent), see Table 6.1. And this relative underperformance is somewhat worse when it comes to firms with higher turnovers (5.0 per cent of new firms with turnover of \$200,000 per annum or more).

Table 6.1 New business registrations, by state or territory and business turnover size ranges, number and share of the Australian total, 2015/16

Annual turnover	\$0 < \$50k		\$50k < \$200k		\$200k < \$2m		\$2m or more		Total	
	No.	% of Aus total	No.	% of Aus total	No.	% of Aus total	No.	% of Aus total	No.	% of Aus total
NSW	25,315	32.9	50,646	34.2	30,026	37.1	1,727	36.2	107,919	34.8
Vic	20,511	26.7	40,262	27.2	20,579	25.4	1,324	27.8	82,636	26.6
Qld	15,601	20.3	28,684	19.4	15,720	19.4	831	17.4	60,895	19.6
SA	4,433	5.8	8,230	5.6	4,001	4.9	255	5.3	16,861	5.4
WA	8,398	10.9	15,248	10.3	7,602	9.4	453	9.5	31,720	10.2
Tas	1,174	1.5	1,801	1.2	1,094	1.4	49	1.0	4,059	1.3
NT	423	0.5	932	0.6	613	0.8	25	0.5	1,991	0.6
ACT	1,007	1.3	1,957	1.3	1,193	1.5	60	1.3	4,154	1.3
Other/Unknown	66	0.1	112	0.1	78	0.1	43	0.9	287	0.1
Total	76,928		147,872		80,906		4,767		310,522	

Source: ABS 2017b, own calculations.

This would suggest that South Australia is experiencing less innovation and productivity increase through new firm formation than the Australian average further exacerbating our relative economic underperformance.

It may be that South Australia's demographics are playing a role in the lower rate of firm formation, with entrepreneurs (whilst they are demographically very diverse) being on average somewhat younger and better educated than the broader labour force (Department of Industry, Innovation, Science, Research and Tertiary Education, 2012, p. 9).

In theory skilled migration programs could be an important way to increase South Australia's entrepreneurialism, but there are several potential barriers. As shown in Table 1.1, South Australian only receives 4.2 per cent of the visa outcomes for the Business Innovation and Investment Program. And even within that program, most of the strands are not targeted so much at those planning to operate businesses within Australia, but rather at high net worth individuals willing to invest in Australia (with many of the complying investment categories being in categories such as shares and government bonds, which do not help the individual business person to build a business in Australia, see Appendix 1.3 for details).

The most promising stream of the BII Program is the entrepreneur stream, but even that has elements which make it difficult for potential entrepreneurs to access, most notably the requirement that the applicant has an enforceable funding agreement for an investment of at least \$200,000 from one of the following:

- Commonwealth Government agency
- State or Territory Government
- Publicly Funded Research Organisation
- Investor registered as an Australian Venture Capital Limited Partnership or Early State Venture Capital Limited Partnership
- Specified Higher Education Provider

Research in South Australia suggests that immigrant entrepreneurs experience more difficulty in accessing elements of the innovation support system such as government grants and venture capital funding (O'Connor and Reed, 2015).

The restrictions on the form of funding also does not reflect the way in which entrepreneurs typically receive their funding, with 72 per cent of 'nascent firms' and 51 per cent of 'young firms' using personal savings as a major source of funding (more than 20 per cent of required funding), with personal credit cards and personally secured back loans as the next most common major sources of funding. Only 2 per cent of new firms reported that government grants were a major source of their funding and only 1 per cent reported private investors (such as business angels) as a major source of funding. Almost no firms (only 2 in total in the survey sample) reported venture capital as a major source of funding. (Department of Industry, Innovation, Science, Research and Tertiary Education, 2012, p. 14).

This suggests that many typical entrepreneurs would not be able to access the Entrepreneur stream of the BIIP, meaning that it too in its current form may not allow migration to fulfil its potential in increasing the rate of entrepreneurship in South Australia.

References

- Australian Bureau of Statistics (ABS) (2013), 2011 Census of Population and Housing, Tablebuilder database
- _____ (2015), Births, Australia, 2014, cat. no. 3301.0.
- _____ (2016a), 'Australian Demographic Statistics', cat. no. 3101.0
- _____ (2016b), 'Australian National Accounts: State Accounts', cat. no. 5220.0
- _____ (2016c), International Trade: Supplementary Information, Financial Year, 2015-16, cat. no. 5368.0.55.003
- _____ (2017a), 'Labour Force, Australia', cat. No. 6202.0
- _____ (2017b), 'Counts of Australian Businesses, including Entries and Exits, Jun 2012 to Jun 2016', cat. No. 8165.0
- Breunig, R., N. Deutscher, H.T. To (2015) The relationship between immigration to Australia and the labour market outcomes of Australian-born workers. Migrant Intake into Australia. Draft Report, Technical Supplement C., Canberra. Productivity Commission.
- Card D. (2005) Is the new immigration really so bad?, *Economic Journal*, 115, 300-323.
- Cully, M. (2012) More than Additions to Population: The Economic and Fiscal Impact of Immigration, *Australian Economic Review*, 45(3), 344-349.
- D'Amuri F., Ottaviano G. and Peri G. (2010) The labor market impact of immigration in Western Germany in the 1990s, *European Economic Review*, 54(4), 550-570.
- Deloitte Access Economics (2016), 'International education in South Australia', report prepared for the South Australian Department of State Development.
- DIBP (not dated - a) Subclass 457 quarterly report quarter ending at 31 December 2015. Canberra: Department of Immigration and Border Protection.
- _____ (not dated - b), State and territory migration summary - 30 June 2015. Canberra: Department of Immigration and Border Protection.
- _____ (not dated - c), The simplified student visa framework (SSVF) - Explanatory notes for immigration risk reports. <http://www.mia.org.au/documents/item/890>. Accessed 24 October 2016.
- _____ (2015), Future directions for streamlined visa processing. Report and recommendations. Canberra: Department of Immigration and Border Protection.
- Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) (2012), Australian Small Business Key Statistics and Analysis. Department of Industry, Innovation, Science, Research and Tertiary Education.
- Department of Education and Training (2016), 'Selected Higher Education Statistics – 2015 Student data', available at: <https://www.education.gov.au/selected-higher-education-statistics-2015-student-data>
- Department of Employment (DoE) (2016), Australian Jobs 2016. Canberra: Department of Employment.
- Jean, S. and M. Jiménez (2011) The unemployment impact of immigration in OECD countries, *European Journal of Political Economy*, 27(2), 241–256
- Kerr, S. P. and W. R. Kerr (2011) Economic Impacts of Immigration: A Survey. Working Paper 09-013. Harvard Business School
- Livestock SA (2016), The South Australian Sheep Industry Blueprint – 2015 to 2020 and beyond. Livestock SA and the SA Sheep Advisory Group. Available for download at www.livestocksa.org.au/blueprint.
- MCA (2016) The economic impact of migration. Canberra: Migration Council Australia. Productivity Commission (2016) Migrant Intake into Australia: Inquiry Report, Australian Government
- Massey, S. and N. Parr (2012) The socio-economic status of migrant populations in regional and rural Australia and its implications for future population policy, *Journal of Population Research*, 29(1), 1–21
- Nathan, M. (2014) The wider economic impacts of high-skilled migrants: a survey of the literature for receiving countries. *IZA Journal of Migration*. 10.1186/2193-9039-3-4
- NCVER (2016a), Government-funded students and courses, January to June 2016. Adelaide: National Centre for Vocational Education Research Ltd

- _____ (2016b), Australian vocational education and training statistics. Total VET students and courses 2014. Adelaide: National Centre for Vocational Education Research Ltd
- Nickell, S. and J. Saleheen (2015) The impact of immigration on occupational wages: evidence from Britain. Staff Working Paper No. 574. London: Bank of England
- O'Connor, A. and G. Reed (2015), 'South Australia's Entrepreneurial Ecosystem: Voice of the Customer Research Report', report prepared for the SA Government Department of State Development by the Entrepreneurship, Commercialisation and Innovation Centre (ECIC), University of Adelaide
- Parham, D., H. To, N. Ratna, S. Regan and Q. Grafton (2015) Migration and Productivity in Australia, Australian National University: Canberra.
- Productivity Commission (2016), 'Migrant Intake into Australia, Inquiry Report No. 77, Canberra: Productivity Commission
- Restaurant & Catering Australia (2016), State -nominated Occupation List. Industry skills requirement through state Industry skills requirement through skilled migration. Restaurant & Catering Australia: Surrey Hills, NSW.
- King, D., K., Mavromaras, Z. Wei, B. He, J. Healy, K. Macaitis, M Moskos and L. Smith (2012) The Aged Care Workforce, 2012 – Final Report. Adelaide: National Institute of Labour Studies, Flinders University
- SACES (2016a), *Economic Briefing Report* June, South Australian Centre for Economic Studies, University of Adelaide.
- _____ (2016b), 'Should South Australians Really Be Down in the Mouth? Macroeconomic Performance', Economic Issues No. 44, South Australian Centre for Economic Studies, University of Adelaide.
- _____ (2016c), "The aged structure of the population and economic growth – does it matter?" Economic Issues No. 47, South Australian Centre for Economic Studies, University of Adelaide.

Appendix A

A1. Current Migration Policy Settings

Australia operates a complex system of national and regional temporary and permanent migrant visas, for both employees and employers, which is separate from provisions for refugee and humanitarian migration. Immigration is centrally administered by the Australian Government Department of Immigration and Border Protection (DIBP). Important elements of the visa regulatory system are the Skilled Occupation List²⁵ (SOL), the Consolidated Sponsored Occupation List²⁶ (CSOL) and the RSMS Occupation List. The SOL and CSOL identify skilled occupations considered to be in short supply in the Australian economy. Visa applicants seeking a temporary and/or permanent work visa or general skilled migration visa must demonstrate that they have qualifications and/or work experience in those occupations. Besides the principal work and general skilled migration visas, visas are also available for business and investment interests and international students who have graduated with appropriate qualifications from an Australian university or VET college. Concessionary rules apply to permanent employer sponsored work visas for regional parts of Australia. This chapter describes features of these visas, which are the main actual and potential sources for hiring skilled migrant labour medium to long term to work in Australia.

A1.1 Temporary worker visas

The Temporary Work (Skilled) Visa **Subclass 457** is the main Australian temporary work visa. It was introduced on 1 August 1996 and currently allows successful applicants to remain in Australia for up to four years to undertake sponsored employment in a nominated occupation.

Employers' sponsorship of 457 visas was subjected to greater scrutiny following the 2008 Visa Subclass 457 Integrity Review (the Deegan Review). It had concluded that, at the time, overseas workers were frequently being paid less than Australians doing the same job, while at the same time facing higher costs of living (notably as a result of compulsory private health insurance). In order to curtail this practice, a new **market salary requirement** for positions paying up to \$180,000 per annum was legislated in 2008/09.²⁷ In 2013, the threshold was raised to \$250 000 per annum. The market salary may be demonstrated with reference to an equivalent position in the same location or, where this is not possible, with reference to relevant industry awards, recent jobs ads, ABS earnings data or union or employer association estimates. In addition, in order to meet the eligibility criteria for the 457 temporary visa, the market salary rate for a nominated occupation has to match or be above the so-called **temporary skilled migration income threshold (TSMIT)**, which is currently set \$53,900. If *guaranteed* annual earnings are above the market base rate, these may be considered instead when determining whether a position may be eligible for the subclass 457 program. Earnings calculations may then include *guaranteed* non-salary related earnings, such as allowances or fringe benefits.²⁸

Since late 2013, employers intending to nominate skilled workers in certain specified occupations have also been required to provide evidence that they have sought to fill their nominated position by recruiting an Australian permanent resident or eligible temporary visa holder in the local labour market, prior to lodging a nomination (**labour market testing**).

Legislation also requires sponsoring employers to meet annual '**training benchmarks**'. Employers either need to provide an agreed level of workforce training or pay a training levy. They also need to pass a '**genuineness**' test. The test requires evidence that the position an employer seeks to nominate fits the scope and scale of the business and is necessary to the operations of the business.

A1.2 Post-study work rights

Opportunities for graduates to remain in Australia after completing their studies were significantly revised in 2013 with the introduction of the **Post-Study Work (PSW)** stream to the Temporary Graduate visa (subclass 485). Access to this visa is strictly regulated and open only to students who had applied for and were granted their first student visa on or after 5 November 2011. The visa allows international graduates holding an Australian bachelor, masters or doctoral degree to remain in the country for up to four years, but duration varies with the students' type of qualification. A shorter 18-month visa is available under the **Graduate work stream** to international students whose graduate skills and trade, diploma or degree qualifications relate to an occupation on the SOL.

25 Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); a Family Sponsored Points Tested visa; and Temporary Graduate visa (subclass 485) - Graduate Work stream.

26 Relevant for applicants for points-based skilled migration (nominated by a state or territory government agency); the Employer Nomination Scheme (ENS), Temporary Work (Skilled) visa (subclass 457); and Training and Research visa (subclass 402).

27 <https://www.border.gov.au/ReportsandPublications/Documents/discussion-papers/discussion-paper-tsmitt.pdf>

28 See <https://www.border.gov.au/ReportsandPublications/Documents/discussion-papers/discussion-paper-tsmitt.pdf>

The introduction of the PSW stream is one of a range of measures introduced following a review of the student visa system in 2011 (the Knight Review), which included the Genuine Temporary Entrant (GTE) requirement and Streamlined Visa Processing (SVP). The GTE assesses whether a student visa applicant's entry request is genuinely intended only for a temporary stay in Australia; this assessment is based on information gained about the applicant's personal circumstances and his or her immigration history. While the GTE is part of the check undertaken by the DIBP, when assessing student visa applications, education providers are encouraged²⁹ to implement their own GTE check as part of their due diligence when considering applications for admission by international students.

From 1 July 2016, a Simplified SVP (SSVF) was put into place, reducing the number of student visa subclasses and, importantly, introducing a single immigration risk framework for all students regardless of their intended course program. The new system combines a country immigration risk assessment, which rates students, and an education provider immigration risk assessment, which rates providers according to their track record in hosting students from what are considered high or low risk countries of origin. The combined rating determines whether a student will be required to provide detailed evidence of financial capacity and English language capability in addition to satisfying the DIBP that his or her true reason for seeking a visa is to temporarily stay in Australia in order to pursue a CRICOS accredited education.

Education provider ratings are to be reviewed and updated regularly, based on recent student intakes.

A1.3 Business Innovation and Investment, and Talent Programmes

A1.3.1 Business Innovation and Investment (Provisional) visa (subclass 188)

The Business Innovation and Investment (Provisional) visa (subclass 188) is available to people who want to:

- own and manage a business in Australia (the Business Innovation stream)
- conduct business and investment activity in Australia (the Investor stream, the Significant Investor stream and the Premium Investor stream).
- undertake an entrepreneurial activity in Australia (Entrepreneur stream).³⁰

More specifically, the five streams' eligible population are:

- Business Innovation stream: people with business skills who want to establish, develop and manage a new or existing business in Australia; applicants must be able to transfer a minimum of \$800,000 in business or personal assets to Australia within two years of visa approval.
- Investor stream: people who want to invest at least \$1.5 million immediately and maintain business and investment activity in Australia; applicants must invest in government securities for at least four years and must be able to transfer at least \$2.25 million in assets to Australia within two years of visa approval.
- Significant Investor stream: people who are willing to invest at least \$5 million and want to maintain the complying significant investment in Australia; investments must be kept for at least four years and be spread across the designated categories in the required proportions.
- Premium Investor stream: people wanting to invest at least \$15 million and to maintain the complying investment in Australia; investments must be in one or more of the approved categories which include government or corporate bonds, deferred annuities, philanthropic contributions and commercial or industrial property. Premium investors must be nominated by the Australian Trade Commission (Austrade).
- Entrepreneur stream: people with third party funding agreements of at least \$200,000 with a view to commercialise a product or service or develop "complying entrepreneur business" in Australia.

Subclass 188 applications must be submitted through the **Skilled Migrant Selection Register** (SkillSelect; see A1.5),

29 DIBP (not dated) Managing Immigration Risk. Strategies for education providers. Accessed from <http://www.mia.org.au/documents/item/891>, 4 August 2016.

30 See <https://www.border.gov.au/Trav/Visa-1/188-#>.

A1.3.2 Business Innovation and Investment (Permanent) visa (subclass 888),

Subclass 188 holders may subsequently apply for permanent residence under the Business Innovation and Investment (Permanent) visa (subclass 888), providing applicants have fulfilled the requirements of their provisional visa, can meet subclass 888 requirements and can demonstrate that the government entity that had nominated the applicants for their provisional visa (subclass 188) has not withdrawn that nomination. Additional conditions apply for holders of a Special Category visa (subclass 444) for New Zealand citizens.

A1.3.3 Business Talent (Permanent) visa (subclass 132)

The Business Talent (Permanent) visa (subclass 132) is designed for “high calibre”³¹ business owners or part-owners, and those with access to venture capital. Expressions of Interest must be submitted via SkillSelect (see A1.5) and followed by an invitation to submit a visa application by a state or territory government. The visa allows successful applicants to establish a new or develop an existing business in Australia.

Visa applicants under the **Significant Business History stream** of this visa subclass must have net business and personal assets of at least \$1.5 million and an annual business turnover of at least \$3 million. Those seeking visa subclass 132 via the **Venture Capital Entrepreneur stream** must have sourced venture capital funding from an Australian Venture Capital Association Limited (AVCAL) member to the value of at least \$1 million with the intention to commercialise and develop of a high-value business idea in Australia.

A1.4 The regional migration policy settings

All of South Australia currently qualifies for regional visas, with no distinction made between the State's rural, regional or metropolitan parts.

Until a few years ago, skilled migration to regional Australia was primarily facilitated by the Regional Sponsored Migration Scheme (visa subclass 857 for onshore and 119 for offshore applicants) and Skilled – Regional Sponsored visas (subclass 487), in addition to skilled migration visas that did not specifically targeting regional areas. The two schemes were closed to new applications in 2012, and replaced with the **Regional Sponsored Migration Scheme (RSMS) visa (subclass 187)** and the **Skilled Regional (Provisional) visa (subclass 489)**.

The Skilled Regional (Provisional) visa is intended for skilled worker who has been nominated by an Australian state or territory government agency or sponsored by an eligible relative living in a *designated area*, which in the case of SA is again the entire state (“Invited pathway”). The invited applicant's occupation must be included in the Skilled or Consolidated Sponsored Occupation List. A skills assessment is also required. In addition, holders of now closed regional and designated area visa subclasses (475, 487, 495, 496) may apply for this visa subclass under its “Extended pathway”. In both instances, this visa offers temporary residency for up to four years.

In contrast, the RSMS is a permanent residency visa for skilled workers in regional Australia, and operates under three streams. The Temporary Residence Transition stream is for holders of a Temporary Work (Skilled) Visa subclass 457 for two years who have been nominated by their employer for a permanent position. The Direct Entry stream is for employer nominated applicants who have never, or only for a short time, worked in Australia, and do not qualify for the Temporary Residence Transition stream. Finally, the Agreement stream covers subclass 457 visa holders who are nominated by their employers under a company-specific or industry labour agreement, a project agreement or a designated area migration labour agreement.

Direct Entry stream applicants must demonstrate that their nominated occupation is listed on the relevant legislative instrument³² and that they have relevant qualifications and/or work experience. Failing that applicants must “demonstrate that [they] have the qualifications listed in ANZSCO as necessary to perform the tasks of [their] occupation”³³. Employers, on the other hand, must obtain formal advice from their regional certifying body in support their nomination. In the case of SA, the certifying body is Immigration SA.

Designated area agreements may, in principle, consider occupations at ANZSCO Skills Level 1- 4 for nomination, that is, AQF Certificate II or III, and higher.

A1.5 Skilled Migrant Selection Register (SkillSelect)

The Skilled Migrant Selection Register (SkillSelect) is an online registration tool by which skilled migration applicants and business people who would like to migrate to Australia can submit an Expression of Interest to

31 see <https://www.border.gov.au/Trav/Visa-1/132-#>

32 Migration Regulations 1994 - Specification of Occupations and Assessing Authorities - IMMI 12/096.

33 see <https://www.border.gov.au/Trav/Visa-1/187-#>.

the DIBP to be considered for a skilled visa. Those lodging an EoI are asked for information about themselves (e.g. age, nominated occupation, education, qualifications; work, business and/or investment experience; English language competency). This information is used to score each EoI. An invitation to submit a visa application may then be issued to those reaching a minimum score and, where relevant, subject to an occupation ceiling, which limits the selection of EoI in comparatively heavily subscribed occupations. State and territory governments, employers and, in the case of BIIP, Austrade acting on behalf of the Australian government, may use SkillSelect to identify and nominate skilled workers, or business people or investors.