

Fixing temporary skilled migration

A better deal for Australia

Brendan Coates, Henry Sherrell, and Will Mackey

March 2022



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Overview

Australia is increasingly squandering the benefits of temporary skilled migration. Temporary skilled migration is unpopular, and politicians have responded to this by restricting sponsorship to fewer, often lower-skilled jobs.

Employers can sponsor fewer high-wage migrants than they could in the past, and sponsorship is now both more costly and less certain. Today, more than half of sponsored workers earn less than the typical full-time Australian worker, up from 38 per cent in 2005. The freezing of the minimum salary threshold at \$53,900 a year since mid-2013 means employers are sponsoring a growing number of low-wage workers with few skills. Exploitation of sponsored workers abounds, which further undermines public confidence in the program. Australia has been left with the worst of both worlds.

To get a better deal, Australia must rethink its approach. Temporary skilled migration sponsorship is currently restricted to jobs in occupations classified as ‘in shortage’. Yet it is practically impossible to quickly and reliably identify skills shortages in individual occupations. Targeting skills shortages also opens the door to sponsoring many low-wage workers at risk of exploitation.

Instead, temporary sponsorship should be reserved for higher-wage jobs in any occupation. Targeting higher-wage migrants will better address most genuine skills shortages that emerge. Restricting sponsorship of low-skilled migrants would reduce the risks of exploitation, so the program would become more politically palatable. High-skilled migrants also bring more knowledge and ideas, and they pay more in taxes than they receive in public services and benefits. Targeting high-skilled migrants on temporary sponsorship would also improve Australia’s permanent skilled migrant intake, because it would increase the pool of high-quality applicants.

This report calls for a new visa, the Temporary Skilled Worker (TSW) visa, to replace the existing Temporary Skill Shortage (TSS) visa. Employers would use the Temporary Skilled Worker visa to sponsor workers in any occupation, provided the job pays more than \$70,000 a year and the worker is paid at least as much as an Australian doing the same job. Labour agreements, which permit sponsorship for lower-wage jobs, would also be abolished. We calculate that under our plan, the number of full-time jobs eligible for temporary sponsorship would rise from about 44 per cent today to up to 66 per cent.

The new TSW visa should be made portable, so temporary skilled migrants could more easily switch sponsoring employers should they find a better job once in Australia. This would enable migrants to walk away from employers who mistreat them.

The federal government should better enforce the rules on temporary sponsorship, and uphold the labour rights of sponsored workers. Enforcement today appears almost non-existent. Compliance activities must increase to weed out bad-faith employers who abuse their workers. The Department of Home Affairs should conduct more random audits and invest more capacity in data-matching, to ensure employers are paying sponsored workers what they were promised.

Exclusively targeting high-wage jobs for temporary sponsorship would mean sponsorship could be simplified for employers. A monthly fee should replace most upfront costs. Labour-market testing doesn’t work and should be scrapped. Sponsorship should be streamlined for accredited employers who sponsor especially high-wage workers.

A better-targeted, streamlined temporary skilled work visa would lift Australians’ living standards, attract global talent, boost the budget, and reduce exploitation of workers. That’s a good deal for all Australians.

Recommendations

1. Target temporary skilled migration at high-wage jobs in any occupation.
2. Create a new visa, the Temporary Skilled Worker (TSW) visa, to replace the existing Temporary Skill Shortage (TSS) visa, using the same employer-sponsorship model.
3. Make all jobs paying above \$70,000 a year eligible for temporary sponsorship.
4. Improve visa portability:
 - Allow workers holding a TSW visa to switch jobs without losing their visa should they find better opportunities in Australia.
 - Allow TSW visa-holders who become unemployed to stay in Australia for up to 90 days.
5. Replace all upfront costs with a \$1,000 nomination fee and ongoing monthly fee based on the number of workers sponsored.
6. Exempt sponsored workers earning more than \$120,000 a year from having to prove English language proficiency, and exempt employers paying a sponsored worker more than \$158,500 a year from complying with the annual market salary rate for that job.
7. Index all wage thresholds to average weekly ordinary time earnings (AWOTE).
8. Offer accreditation to employers that sponsor high-wage workers, and give accredited sponsors benefits such as five-day visa processing and fewer checks on intra-company transfers.
9. Abolish labour-market testing.
10. Better enforce the rules, with more compliance activity dedicated to random audits and continued investment in data-matching.
11. Offer TSW visa-holders on more than \$80,000 a year a clear pathway to permanent residency by reforming permanent employer-sponsored visas, as set out in our 2021 report *Rethinking permanent skilled migration after the pandemic*.

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1 Temporary skilled migration needs fixing

This report shows how to fix Australia's temporary skilled migration program.¹ Temporary skilled migration is a small but important part of Australia's overall migration program. Recent changes have taken the visa in the wrong direction.

Employers now face big costs and higher barriers to sponsoring skilled migrants for higher-wage jobs, and some critical sectors are shut out of the program entirely. The number of temporary skilled migrants in Australia has shrunk in recent years as the visa has become more restrictive. The typical temporary skilled visa holder now earns less than the typical full-time Australian worker, and a growing share of TSS visa holders earn especially low wages.

These changes to restrict temporary skilled migration reflect growing public concerns that temporary skilled migrants compete with Australian workers for jobs and suppress their wages. These concerns are fuelled by frequent revelations of worker exploitation. Yet despite the policy changes, exploitation and mistreatment of migrants persists, leaving Australia with the worst of both worlds. Continuing exploitation threatens public support, not just of temporary skilled migration but of migration more broadly.

This report shows how temporary skilled migration can be reformed to offer a better deal for Australia. A more effective, streamlined skilled visa would bring substantial benefits to Australians and rebuild public support for temporary skilled migration.

1. For the purposes of this report, temporary skilled migration refers to holders of Temporary Skill Shortage (TSS) visas. It does not include the Temporary Graduate (subclass 485) visa available to graduating international students, the Pacific and Agricultural entry-level work visas, or visas where migrants have work rights, such as the Working Holiday or International Student visa.

1.1 Temporary skilled migration is relatively new to Australia

Until recent decades, Australia's immigration policies almost exclusively emphasised permanent settlement. Before the mid-1990s, temporary skilled migration to Australia was highly regulated. The available visas offered only short-term stays, and were not widely used.²

That changed in 1996 when the Howard Government introduced the 457 visa subclass, which allowed skilled migrants to come to Australia to work for an approved employer, accompanied by their immediate families, for up to four years.³ The visa was a step-change in policy, empowering employers to seek skilled migrants abroad, with the offer of a multi-year stay in Australia, and subject to relatively little regulation.⁴ The new 457 skilled worker visa proved popular. The number of visas issued almost doubled from introduction in 1996-97 to 2005-06 (Figure 1.1).

But the new system of temporary migration proved difficult to administer, with employers finding the rules too subjective.⁵ There was no list of occupations. Instead, employers were required to differentiate between jobs that undertook 'key' and 'non-key' activities in their

-
2. There were a range of temporary residence and business visitor visa classes and subclasses available in the early 1990s for business people and specialists to enter Australia to work on a temporary basis. These visas were not widely used. In 1993-1994, for example, only about 13,000 visas were issued for the Exchange (subclass 411), Independent Executive (subclass 412), Executive (subclass 413), and Specialist (subclass 414) temporary resident visas.
 3. While the Howard Government introduced the visa, the Keating Government commissioned the review which led to its introduction. See Migration Council Australia (2013, Chapter 6).
 4. External Reference Group Temporary Residence Review (2002).
 5. Migration Council Australia (2013).

business.⁶ Understanding what was a ‘key’ activity proved difficult for both employers and the Department. The vague rules fuelled concerns that employers were re-classifying entry-level jobs as skilled work.⁷

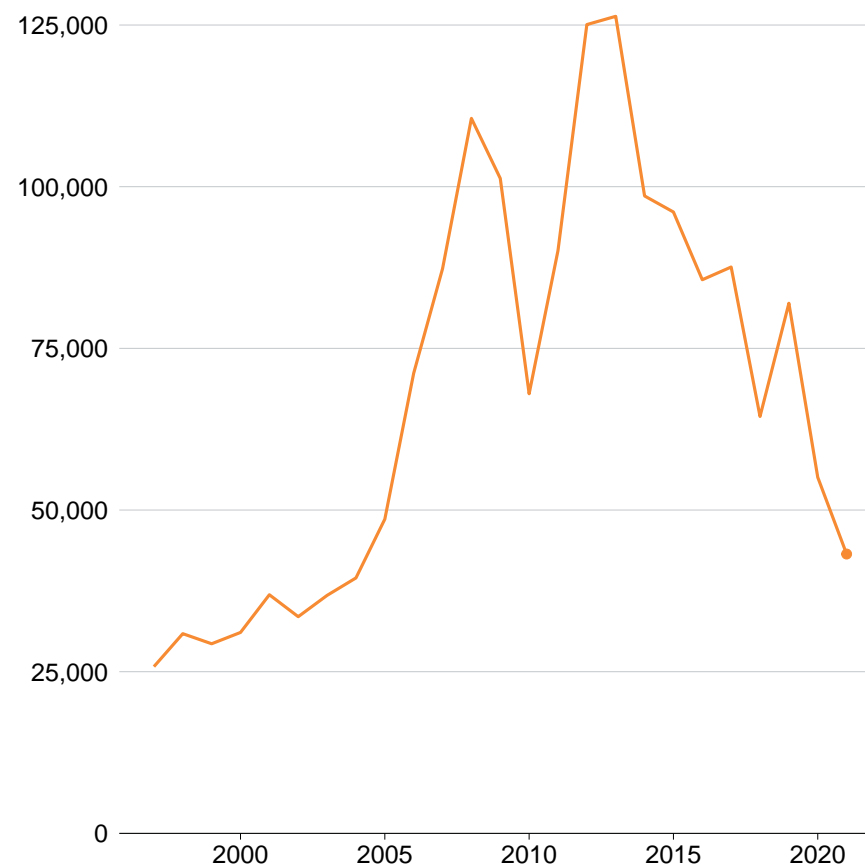
In 2001, the Howard Government sought to streamline administration of the 457 visa by introducing new requirements on skills and salary.⁸ A de-facto occupation list was introduced, as the government assumed all workers were skilled if the occupation they worked in required some form of post-school education or experience.⁹ A salary threshold was introduced as a safeguard to prevent employers from sponsoring migrants into jobs with low salaries in occupations classified as skilled. These changes streamlined and promoted employer sponsorship of trades workers, nurses, and cooks, occupations that previously were more difficult to sponsor. This approach – a list of eligible occupations coupled with a salary threshold – remains core to the visa today.

The number of new 457 visas issued rose strongly through the first mining boom, dipped during the Global Financial Crisis, then resumed strong growth in the second mining boom (Figure 1.1). Employers across many industries, not just construction and mining, sought migrants as the labour market tightened. Temporary skilled migrant numbers have since fallen sharply in the aftermath of the mining boom, and following 2017 changes by the Turnbull Government to restrict the jobs eligible for employer sponsorship, which renamed the visa to the Temporary Skill Shortage (TSS) visa (Section 1.5).

6. Positions assessed as satisfying the ‘key activity’ criteria – that is, activities defined as essential to the operations of the business – were not subject to labour-market testing.
7. Migration Council Australia (2013).
8. Ibid.
9. These 2001 changes introduced the Australian Standard Classification of Occupations (ASCO) as a central tool of temporary visa policy. ASCO later became ANZSCO – the Australian and New Zealand Standard Classification of Occupations.

Figure 1.1: Temporary skilled work visas grew over time before declining in recent years

Number of temporary skilled migrant visas granted annually



Source: Department of Home Affairs (2022a).

1.2 How the Temporary Skill Shortage visa works today

The Temporary Skill Shortage (TSS) visa allows employers to sponsor migrants on a temporary basis. The process is set out in Table 1.1. An employer, approved by the federal government after meeting a set of conditions, must nominate a job in their organisation. After a job has been approved, a visa can be granted to someone to work in that position.

Sponsored workers are granted the right to stay and work in Australia for up to two years (short-term stream) or four years (medium-term stream) (Table 1.2 on the following page). However, workers are bound to the employer and required to work only in the nominated job as a condition of their visa.¹⁰

Employers can only sponsor workers in eligible occupations. Eligible occupations vary between the short- and medium-term streams, but typically exclude most occupations where average pay is low and there are few education or experience barriers. However, many high-wage jobs are also excluded (Chapter 4). The salary for the job must be above the Temporary Skilled Migrant Income Threshold (TSMIT), which has been \$53,900 since 1 July 2013 – although some labour agreements permit employers to sponsor workers at an annual salary as low as \$48,510 a year (Table 1.2). In addition, the nominated salary must be the same as the Annual Market Salary Rate (AMSR) for that occupation – what the employer pays, or would pay, an Australian working in an equivalent role. Employers must pay a nominating fee of \$330 and a training levy, the Skilling Australia Fund levy, worth \$4,800 or \$7,200 for a four-year visa. Employers must test the local labour

10. Spouses of sponsored workers, termed 'secondary' migrants (see Figure 1.4), enjoy more expansive work rights than those sponsored. Spouses have an unrestricted right to work in Australia and are not subject to restrictions based on occupations, skills, or wage. They are free to switch jobs as they wish. These migrants are not the focus of this report and excluded from the analysis.

Table 1.1: Process for sponsoring a worker for a Temporary Skill Shortage visa

| Employer: become an eligible sponsor | Employer: nominate a job | Migrant: apply for a visa |
|--|--|---|
| <ul style="list-style-type: none"> • Fee: \$420 • Legal and operating business • No adverse information • Demonstrated commitment to employing local labour • Meets the sponsorship obligations | <ul style="list-style-type: none"> • Fee: \$330 • Must be an eligible occupation • Must have a market salary rate • Must conduct labour-market testing (unless exempt) • Must pay above the Temporary Skilled Migrant Income Threshold • Must pay Skilling Australian Fund levy (\$1,200 or \$1,800 per year, depending on business revenue) • Position must be genuine | <ul style="list-style-type: none"> • Fee: \$1,290 / \$2,690 • Must show English proficiency (IELTS 5.0) • Must have the skills to perform the role • Must have minimum work experience • Must work in the job nominated by the sponsor |

Source: Grattan analysis of Department of Home Affairs (2022b), Department of Home Affairs (2022c), Department of Home Affairs (2022d) and Department of Home Affairs (2022e).

Table 1.2: Eligibility criteria for the Temporary Skill Shortage visa (subclass 482)

| | Short-term stream | Medium-term stream | Labour agreement stream |
|------------------------------------|---|---|--|
| Nominated wage | At least \$53,900 per year | At least \$53,900 per year | At least \$48,510 per year |
| Fees | From \$1,290 | From \$2,690 | From \$2,690 |
| Age threshold | Any age | Any age | Any age |
| Eligible occupation list | Short-term Skilled Occupation List | Medium-term Strategic Skills List, Regional Occupation List | Occupation defined within labour agreement |
| English | IELTS 5 (Vocational English), minimum 4.5 for any one component | IELTS 5 (Vocational English), minimum 5.0 for any one component | IELTS 5 (Vocational English), concession for lower proficiency available |
| Work experience | Two years in nominated occupation | Two years in nominated occupation | Two years in nominated occupation |
| Skills assessment | As required for nominated occupation | As required for nominated occupation | As required for nominated occupation |
| Visa duration | Up to two years | Up to four years | Up to four years |
| Permanent residency | No pathway | Pathway available | Subject to terms of labour agreement |
| Renewable | Once | Unlimited | Subject to terms of labour agreement |
| 'Genuine temporary entrant' | Yes | No | No |

Notes: Only employers outside Sydney, Melbourne, and Brisbane can sponsor occupations on the Regional Occupation List. Hong Kong passport-holders may stay up to five years on any Temporary Skill Shortage visa stream.

Source: Department of Home Affairs (2022d).

market – by advertising jobs locally – before applying to sponsor a worker.

Sponsored migrants must be proficient in English, demonstrate they have the skills to perform the role, have a minimum of two years experience, and remain in the job unless they are subsequently sponsored by a different employer (Table 1.2).

Employers can also sponsor workers for TSS visas where a labour agreement is in place between the employer and the federal government. Most labour agreements permit employers to hire workers in occupations not eligible under the standard program, and in some cases on wages below the TSMIT of \$53,900 a year.¹¹

1.3 Temporary skilled migration today is a small part of Australia's overall migration program

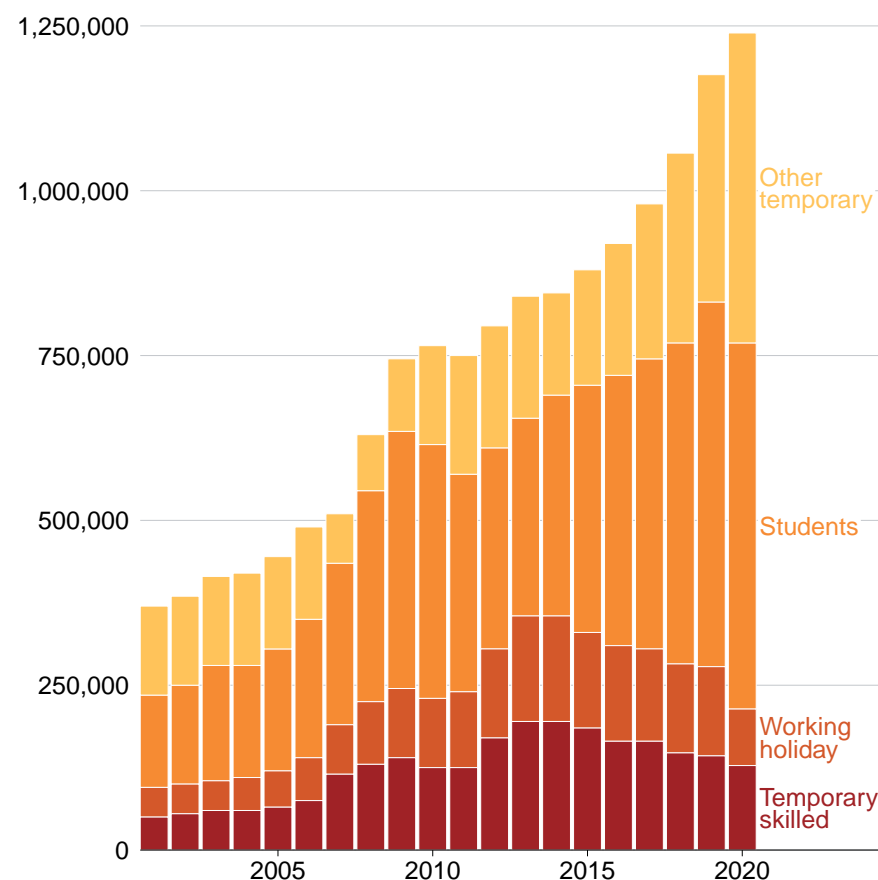
Temporary skilled migration today accounts for only a small share of Australian migration, or even temporary migration (Figure 1.2). The total number of temporary *skilled* migrants in Australia – those holding the TSS visa – fell from about 110,000 in 2014 in the aftermath of the mining boom, to just 60,000 in 2021. TSS workers today account for just one in every 200 workers in Australia, down from a peak of about one in every 90 workers in 2014.

Temporary skilled migrants account for a small share of workers in *all* industries (Figure 1.3 on the next page). One in every 45 workers in professional, scientific, and technical services is a TSS visa holder, followed by one in every 56 workers in accommodation and food services, and one in every 77 workers in information media and telecommunications. Temporary visa holders do account for a large share of workers in some industries, primarily due to New Zealand citizens, international students, and working holiday makers.

11. Employers can apply for a TSMIT of \$48,510 when seeking a labour agreement.

Figure 1.2: Temporary skilled workers are a small proportion of people who hold a temporary visa

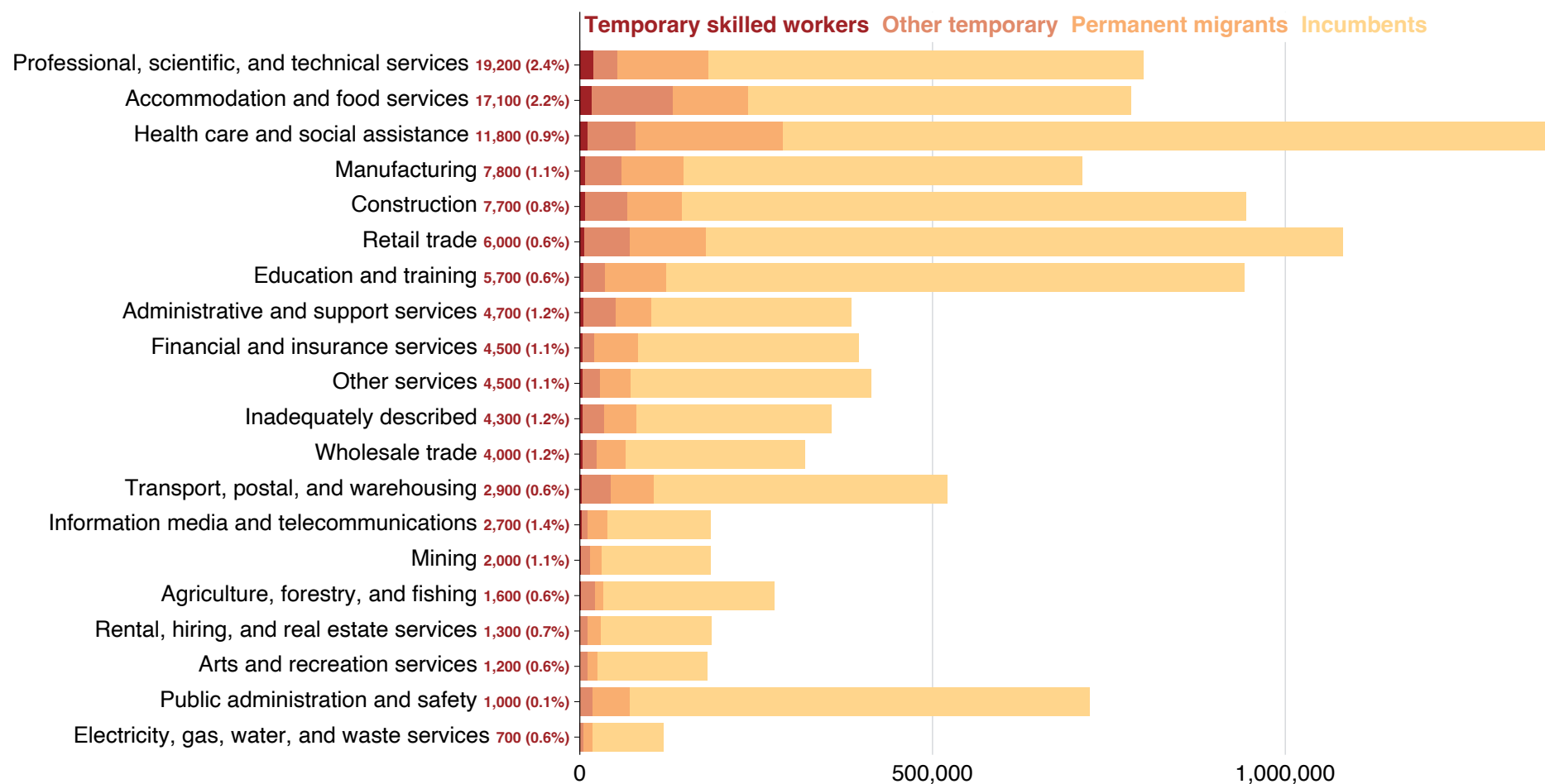
Stock of temporary migrants, excluding New Zealand temporary visa holders and tourists



Note: 'Other temporary' includes people on bridging visas and temporary graduates.

Source: Grattan analysis of Department of Home Affairs (2022f).

Figure 1.3: In most industries, Temporary Skill Shortage visa holders make up less than 1 per cent of the labour force



Note: 'Other temporary' includes working holiday makers, students, NZ citizens, and people on bridging visas.

Source: Grattan analysis of ABS (2016a), ABS (2016b) and ABS (2016c).

But the TSS visa is nonetheless important. It is the main visa used for long-term skilled work by people who are not Australian citizens or permanent residents. In particular, it facilitates a large share of future permanent skilled visas (see Chapter 4).

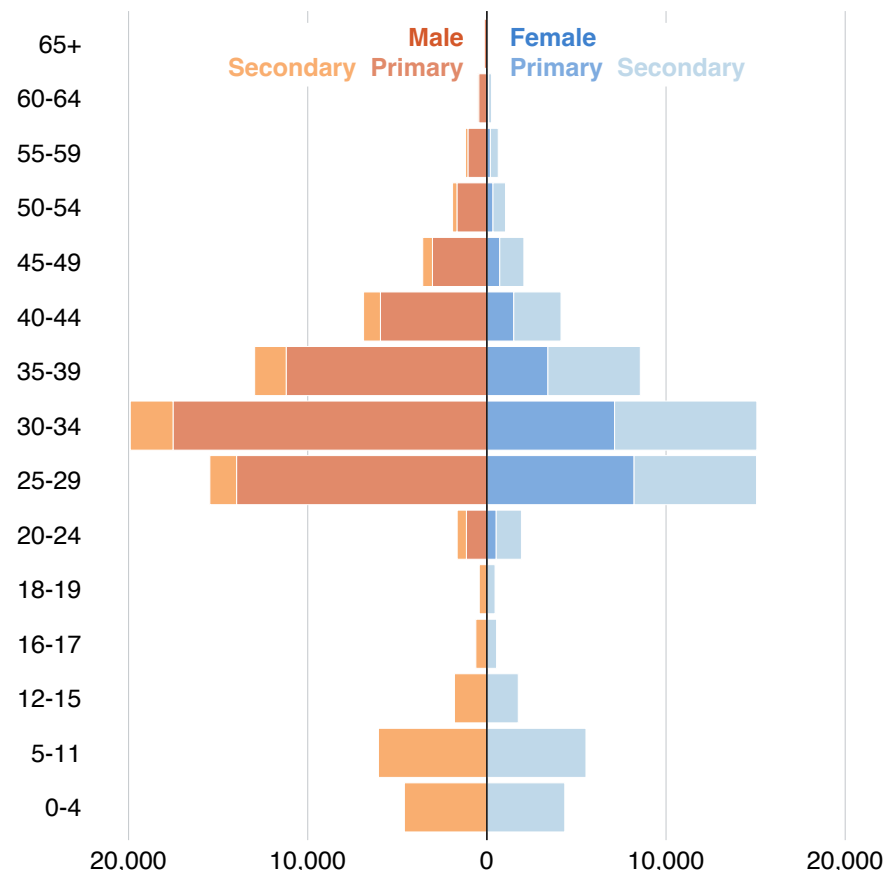
1.4 Some TSS visa holders earn high incomes, but the share of visa holders earning low wages is rising

Current TSS visa holders are typically young, skilled, and earn comparatively high wages in the Australian labour market. Most primary applicants for TSS visas are men between the ages of 25 and 44 (Figure 1.4).¹² Secondary applicants – those who are provided a visa alongside a primary applicant – are more likely to be women or children.

Yet the average wages of temporary skilled migrants in Australia have fallen over time relative to wages among Australian workers (Figure 1.5 on the following page). After adjusting for inflation, the typical TSS visa holder today earns about \$75,000, no more than the typical 457 visa holder did 2005, despite the wages of the average full-time Australian worker rising by about 20 per cent above inflation in that time.¹³ A growing share of TSS visa holders are employed on low wages. Today more than half of TSS visa holders earn less than median full-time earnings (\$82,000 a year), compared to just 38 per cent of temporary skilled visa holders in 2005.

The declining wages of TSS visa holders reflects, in part, the failure to index the Temporary Skilled Migrant Income Threshold (TSMIT) to changes in either prices or wages since 2013. The current TSMIT of \$53,900 is lower than the wages earned by more than 80 per cent

Figure 1.4: Temporary skilled migrants tend to be young and male
Temporary Skill Shortage visa holders by age, gender, and applicant



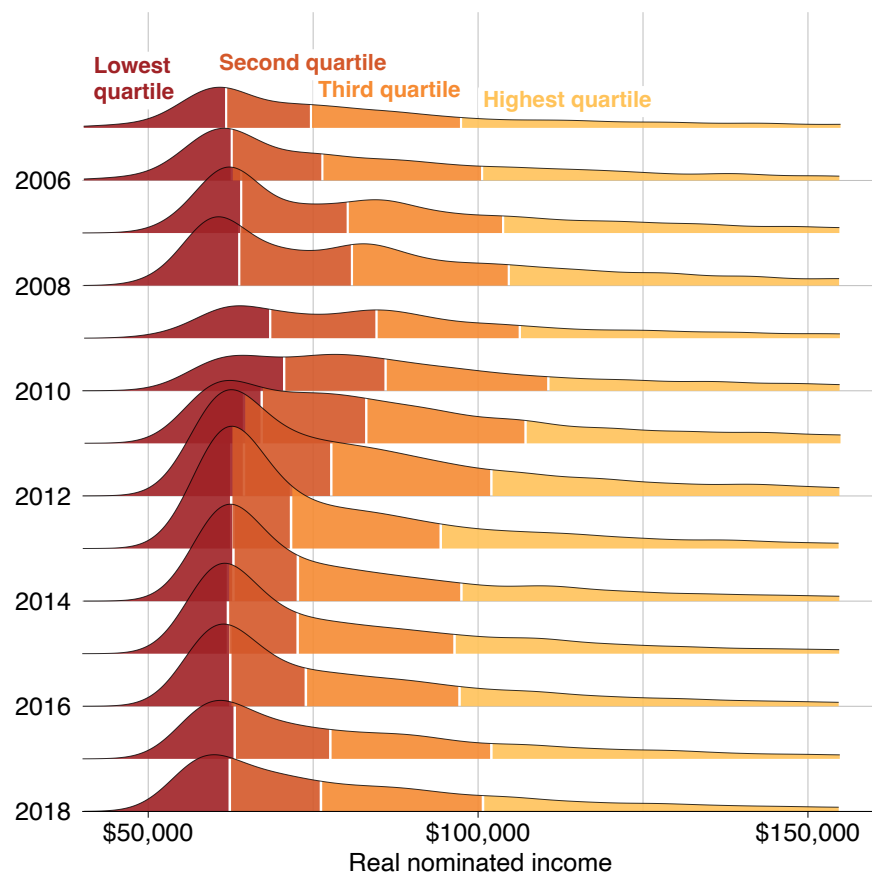
Note: As at 2019Q3.

Source: Department of Home Affairs (2022a).

12. Part of the skew in primary TSS visa holders towards men reflects bias in occupations eligible for sponsorship under the visa. For example, many trades occupations are eligible, whereas almost all care occupations are ineligible.

13. As measured by Average Weekly Ordinary Time Earnings (AWOTE).

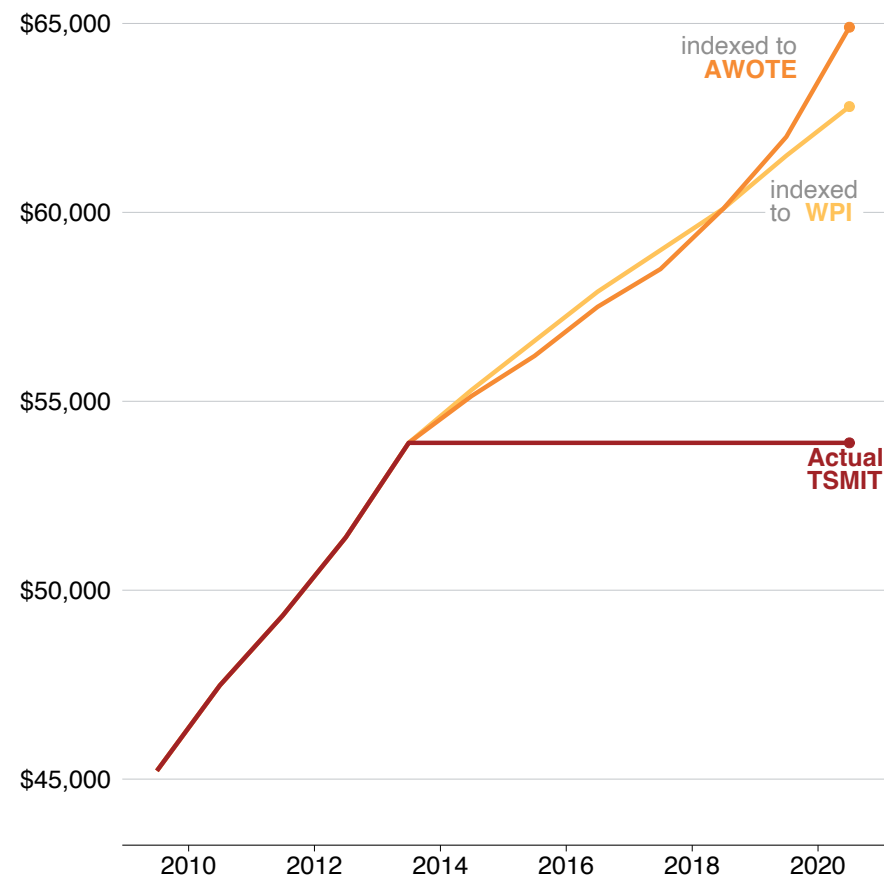
Figure 1.5: The real nominated incomes for Temporary Skill Shortage visa holders have fallen in recent years



Note: Inflated to \$2021 wages using CPI (consumer price index).

Source: Grattan analysis of ABS (2021a).

Figure 1.6: The Temporary Skilled Migration Income Threshold would be about \$10,000 higher if it had been indexed to wages growth since 2013
Actual TSMIT rates and if indexed



Notes: TSMIT = Temporary Skilled Migrant Income Threshold. AWOTE = Average Weekly Ordinary Time Earnings. WPI = Wage Price Index.

Sources: Legal and Constitutional Affairs References Committee (2019), ABS (2022a) and ABS (2022b).

of full-time workers. A 2017 review suggested indexing the TSMIT to the seasonally-adjusted Wage Price Index (WPI).¹⁴ Figure 1.6 on the previous page shows that the TSMIT would be about \$65,000 today if it had been indexed to the WPI, or the Average Weekly Ordinary Time Earnings (AWOTE), since 2013. As a result, an additional 500,000 full-time jobs in eligible occupations with salaries between \$53,900 and \$65,000, or an extra 5 per cent of all full-time jobs, are now eligible for temporary sponsorship.¹⁵

Most Temporary Skill Shortage visa holders work in industries with higher-than-average wages, such as healthcare, information technology, and professional, scientific, and technical services (Figure 1.7). Few work in particularly high-wage industries, such as mining, or financial and insurance services. But a substantial share of TSS visa holders – about one in five – work in lower-wage sectors such as accommodation and food services, and agriculture.

TSS visa holders typically work in skilled occupations. Figure 1.8 on the following page shows the number of TSS visa holders in Australia in 2019 by their occupation.¹⁶ The left panel shows that TSS visa holders are concentrated among the first three major classifications: managers, professionals, and technicians and trades workers. Managers are largely specialist managers – such as ICT and engineering managers, shown in the right panel – or hospitality and retail managers. Professionals – jobs that require a university degree or substantial relevant experience – are drawn from business, engineering, ICT, and health occupations. Of these classifications, software programmers has the largest concentration of TSS visa holders. Technicians and trades

14. Azarias (2016, p. 6).

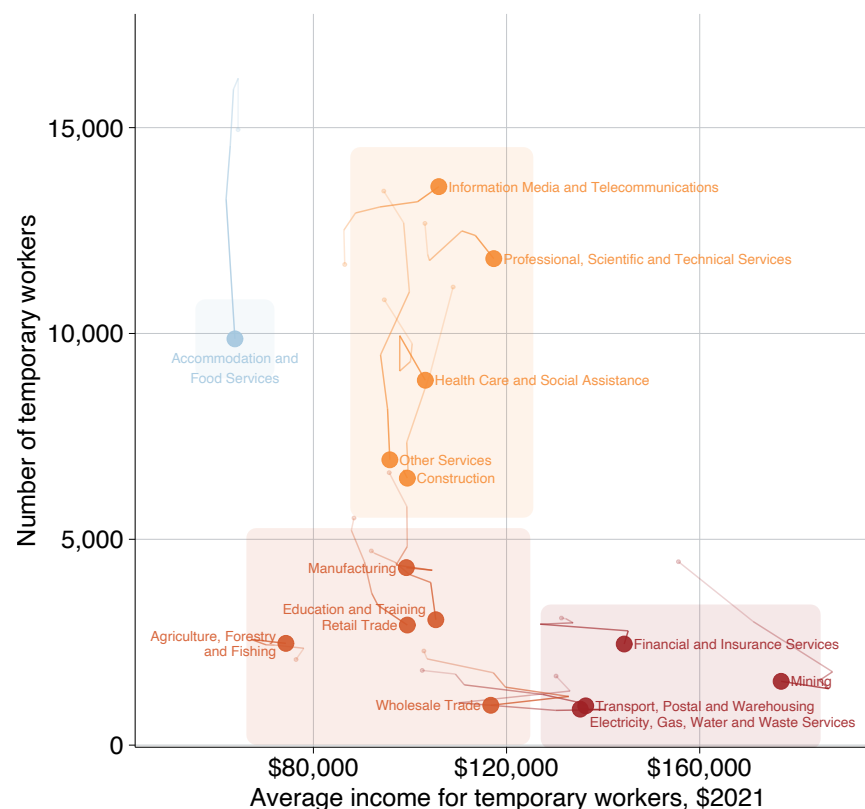
15. See Appendix B.

16. At September 2019. In this report we consider the end of 2019 to be the final pre-COVID 'normal' date for temporary skilled migration stocks and flows. Equivalent information is not available for secondary applicants. See: Department of Home Affairs (2021a).

Figure 1.7: High-wage industries have fewer groups of temporary skilled workers

Temporary workers and average income by industry from 2014 to 2019

Defined groups: high count, low wage; high count, middle wage; low count, middle wage; low count, high wage



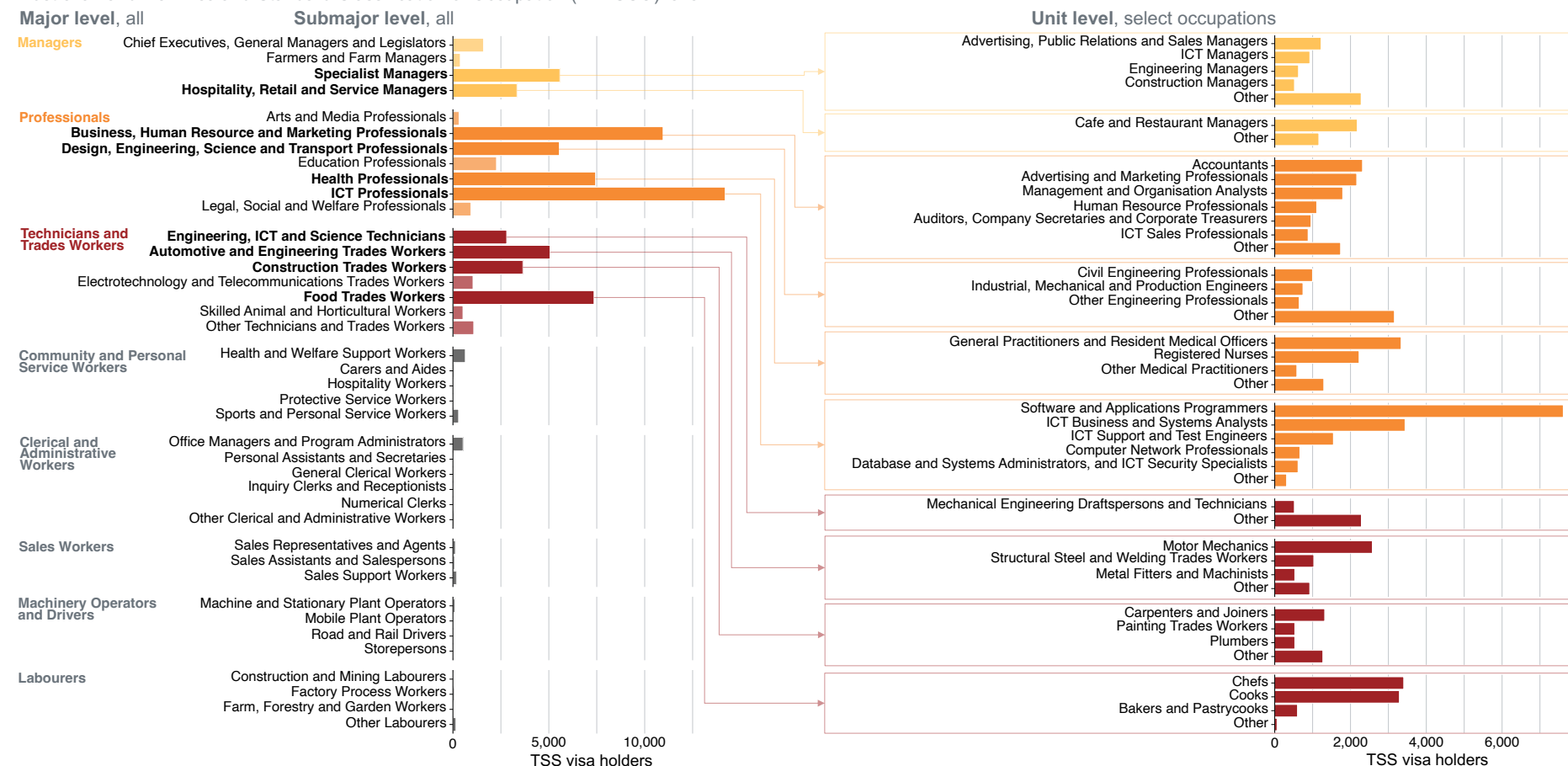
Notes: These wages are an average of all visas granted each financial year in each industry. Wages are inflated to 2021 with CPI. These base wages do not include additional non-salary remuneration. While non-salary remuneration can be high in individual circumstances, it added \$1,100 on average per visa granted in 2018-19. Industry assignment is done by businesses applying for TSS visas and therefore may not be directly comparable to ABS industry counts, e.g. in Figure 1.3.

Source: Grattan analysis of Department of Home Affairs (2022a).

Figure 1.8: Temporary Skill Shortage visa holders are concentrated in particular occupations

Number of TSS visa holders in Australia, 2019

Australian and New Zealand Standard Classification of Occupation (ANZSCO) level



Notes: TSS visa holders as at September 2019. All ANZSCO major and submajor levels are shown. ANZSCO unit-level occupations for submajor levels with more than 2,500 people are shown. Unit levels with fewer than 500 people are grouped in 'Other'.

Source: Department of Home Affairs (2021a).

workers are made up of motor mechanics, carpenters, and a significant number of chefs and cooks.

1.5 Recent changes to temporary skilled migration restricted temporary sponsorship and increased its costs

The decline in the number of temporary skilled migrants in Australia, the decline in the wages they earn, and the growing concentration of temporary skilled migrants in lower-wage occupations, reflect the end of the mining boom but also recent changes to temporary skilled visas.

In 2017, the Turnbull Government established the Temporary Skill Shortage (TSS) visa, replacing the 457 skilled worker visa.¹⁷ The shift to the TSS visa further restricted the number of occupations that could be sponsored on the visa.¹⁸ The shift also limited pathways to permanent residency for some sponsored workers,¹⁹ and expanded labour market testing requirements, among other changes. The decision was justified on the basis that it would better protect Australian workers from competition.²⁰

Table 1.3 shows that the share of full-time jobs in Australia open to temporary sponsorship fell from 4.7 million (52 per cent) in the 457 era, to 4 million under the TSS visa (44 per cent). Unsurprisingly, the changes coincided with further falls in the number of temporary skilled migrants in Australia, shown in Figure 1.1. The number of jobs eligible for temporary skilled sponsorship would have fallen further – by another 300,000 to 41 per cent – if the TSMIT had been benchmarked to wages since 2013.

17. Turnbull and Dutton (2017).

18. 216 occupations were removed from the eligibility lists. See Mares (2017).

19. Migrants on the new 'short-term' TSS visa could not apply for permanent residency and had to attest to being a 'genuine temporary entrant' – that is, to having no ambition to stay long-term.

20. Turnbull and Dutton (2017).

Table 1.3: Replacing the 457 with the TSS visa reduced the number of jobs open to temporary skilled migrants

| Temporary skilled migration visa conditions | Full-time jobs in Australia open to temporary skilled migration | Share of all full-time jobs |
|---|---|-----------------------------|
| 457 era | 4.7m | 52% |
| TSS era | 4.0m | 44% |
| TSS era today if TSMIT was set at \$65,000 | 3.7m | 41% |

Notes: See Appendix B.

Source: See Appendix B.

Changes introduced with the TSS visa in 2017 mean employers face greater barriers in sponsoring skilled migrants for higher-wage jobs. Some employers have been cut off from sponsoring highly-skilled workers, because the occupation they need has become ineligible for the visa. Other employers struggle to attract skilled migrants because they can only offer a two-year, once-renewable visa.²¹ Employers in Perth and Adelaide can sponsor certain workers, but employers in Sydney and Melbourne cannot sponsor the very same workers.²²

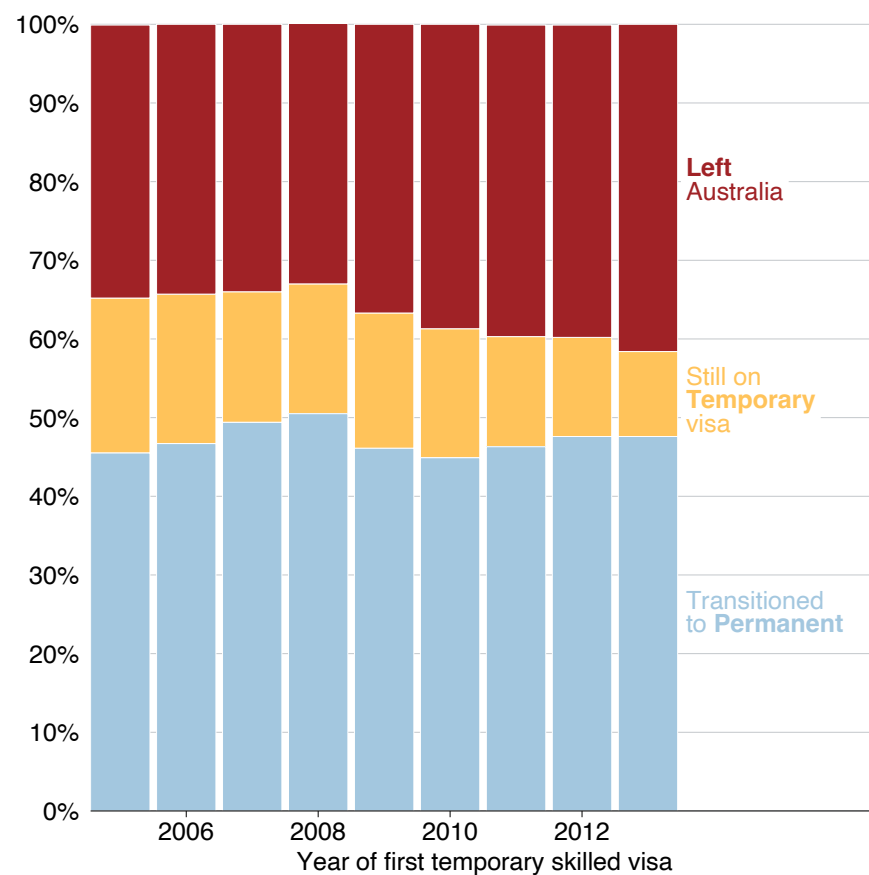
Today, fewer migrants on temporary skilled work visas are eligible for permanent residency than in the past. From 1996 to 2017, there was an implicit pathway to permanent residency for almost all people on a temporary skilled visa. Historically, about half of all temporary skilled visa holders transition to a permanent visa (Figure 1.9). Since 2017, many occupations have a much more restricted pathway.

21. For instance, data scientists and mathematicians are only eligible for temporary sponsorship under the short-term TSS visa stream.

22. For example, procurement managers, human resource advisers, and dentists are restricted to the Regional Occupation List.

Figure 1.9: Many people on temporary visas become permanent residents in Australia

Status of temporary skilled visa holders five years after first visa

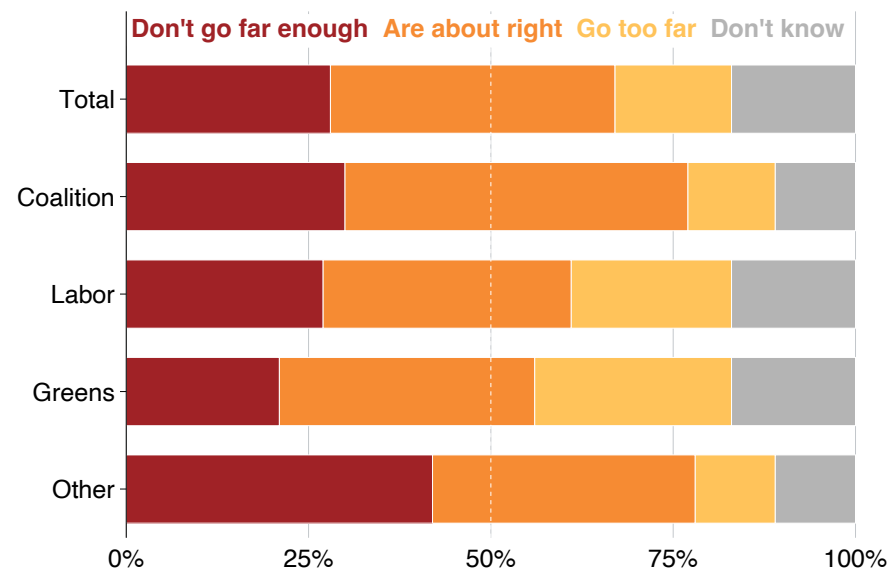


Notes: Due to data availability and lags in transitions from temporary to permanent visas over time, this analysis can be conducted only up to 2013. Policy change since then has further restricted temporary skilled visa holders' pathways to permanent residency.

Source: Grattan analysis of ABS (2021a).

Figure 1.10: Most Australians either supported the more-restrictive rules introduced in 2017, or thought they didn't go far enough

Proportion of poll respondents to the question: The federal government is proposing to replace the 457 visas with new visas which are more restrictive and reduce the number of occupations that foreign workers can apply for. Do you think these changes...



Source: Essential Poll, 2017.

1.6 Temporary skilled migration is very unpopular

Despite the small size of the program, temporary skilled migration is deeply unpopular in Australia.

In 2016, a majority of Australians supported reducing the number of people on temporary skilled work visas in Australia.²³ In 2017, after the announcement of the Turnbull Government changes, a strong majority of people supported restricting temporary skilled visa policy, with fewer migrants being granted visas (Figure 1.10 on the previous page).²⁴ In 2020, an overwhelming majority agreed that local workers should get priority over foreign workers.²⁵ Many of these concerns are not new, dating back to at least the end of the mining boom.²⁶ But the growing unpopularity of temporary skilled migration is a growing concern.

In contrast, Australians generally support migration. People in Australia have a more favourable attitude than people in most OECD countries to migrants.²⁷ Figure 1.11 shows that 54 per cent of a representative sample of voters at the 2019 federal election regarded migrants as good for the economy, and 72 per cent believed migrants made Australians more open to new ideas. About 30 per cent think immigrants take jobs from Australians, and nearly 40 per cent think immigrants increase the crime rate.

The unpopularity of temporary skilled migration reflects, in part, the unpopularity of temporary migration *generally*. Australia has historically rejected temporary 'guest worker' programs like those that developed

23. 64 per cent of respondents said they would support efforts to reduce the number of workers arriving on 457 visas. See Essential Media (2016).

24. 67 per cent of respondents said the Turnbull Government's plan to restrict workers on short-term temporary visas was about right or didn't go far enough. See Lewis (2017).

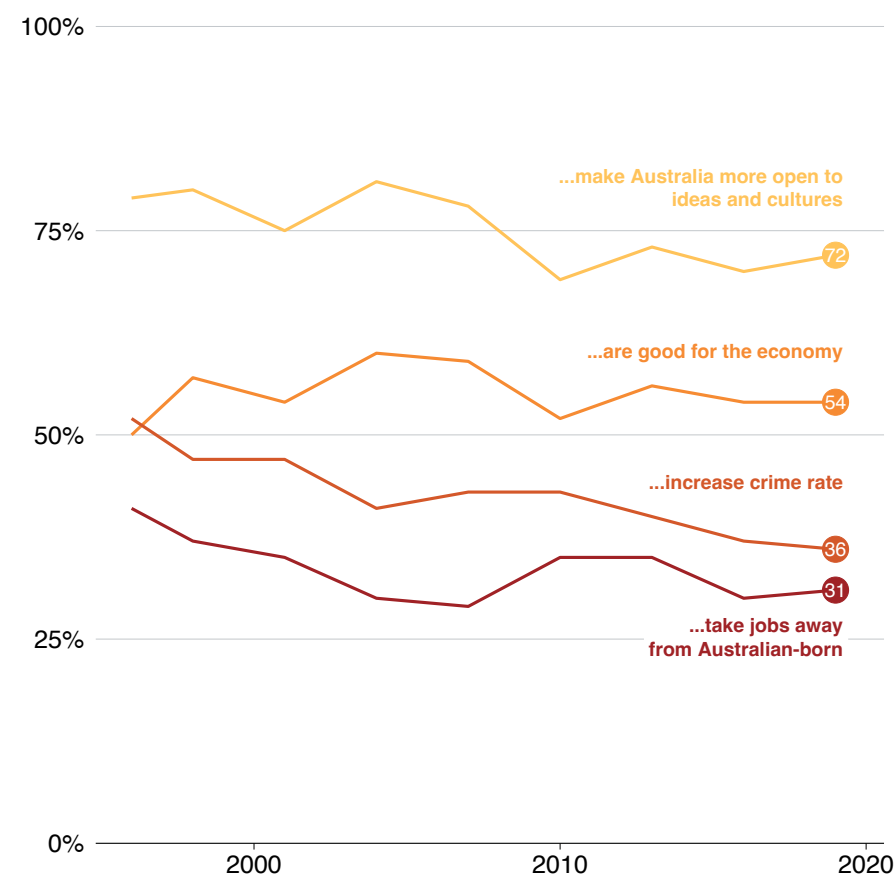
25. 67 per cent of respondents agreed, whereas just 12 per cent were opposed. Essential Media (2020).

26. Azarias (2014).

27. Gonzalez-Barrera and Connor (2018).

Figure 1.11: Australians generally hold favourable views towards migration

Proportion of participants in the Australian Election Survey who agreed with statement: Immigrants...



Source: Australian Election Survey, 2019.

in post-war Europe, in favour of a permanent migration program where migrants enjoy the same rights and privileges and have the same obligations as the Australian-born.²⁸ But Australia's growing stock of temporary visa holders – about 1.25 million as of 2020 – means that a growing population of people in Australian society live under a restricted set of rights, such as not being able to vote or get unemployment support, among other limits (Figure 1.2).²⁹ One recent Essential Media opinion poll showed that when the phrase 'short-term' is used, support for migration halves.³⁰

Perceptions that temporary skilled migrants take Australians' jobs and undermine their working conditions make temporary skilled migration particularly unpopular. One recent opinion poll found 72 per cent of Australians agreed that temporary work visas should cover genuine skills shortages, not provide cheap labour.³¹ The Reserve Bank Governor, among others, has recently linked temporary migration to the problem of slow wage growth.³²

Opinion polls suggest a significant majority of Australians support offering migrants the workplace protections that are available to Australians.³³ There is a documented history of exploitation of temporary skilled workers.³⁴ This exploitation is much more likely to occur for low-skill, low-wage jobs than high-skilled, high-wage jobs.³⁵

28. See Mares (2016) and Markus et al (2010) for how Australia's temporary visa policies expanded over time.

29. More than 20 per cent of temporary skilled migrants are still on a temporary visa five years after arriving in Australia, and close to 40 per cent of student visa holders. Coates et al (2021, Figure 2.4).

30. Essential Media (2018).

31. Lewis (2021).

32. Lowe (2021).

33. Essential Media found 67 per cent support for the statement 'Everyone who works in Australia should be entitled to the same pay and working conditions regardless of their visa status'. See Essential Media (2021).

34. See Boucher (2019) and Wright and Clibborn (2020).

35. Boucher (Forthcoming).

Such exploitation is likely to erode public support for the program. This was a key reason for the Turnbull Government's decision to replace the 457 visa with the more-restrictive Temporary Skill Shortage visa in 2017.³⁶

1.7 Recent policy changes have left Australia with the worst of both worlds

This picture of public opinion – general support for migration but severe mistrust of temporary skilled visas, and especially temporary sponsorship of low-skilled migrants – is untenable.

Recent government decisions, responding to negative public attitudes towards the program, have further restricted temporary skilled migration, especially for many high-skill, high-wage migrants who would bring the biggest benefits to Australia.

Despite being more restrictive, the Temporary Skill Shortage visa does not appear to have addressed popular concerns about worker mistreatment or the importation of "cheap labour". The processes and rules permitting exploitation – workers bound to employers who are weakly monitored – have not changed. Stories of exploitation and mistreatment of TSS visa holders persist (Chapter 4).³⁷

Australia is now left with the worst of both worlds when it comes to temporary skilled migration. We have a restrictive visa that foregoes many of the benefits of high-skilled temporary migration by making it costly and uncertain for firms to sponsor high-wage workers to Australia. And at the same time, because it permits less-skilled migration and fails to protect temporary migrants from exploitation,

36. Turnbull and Dutton (2017).

37. See Baker and Wing (2021), who document how binding workers to an employer creates the conditions for exploitation to thrive. Gillespie (2021) tells the story of Juan, a chef, and Tony, a welder, who held Temporary Skill Shortage visas and who were underpaid and mistreated.

the design of the TSS visa feeds the perception that temporary skilled migration is not in Australia's national interest. Persistent evidence of exploitation threatens public support of not just temporary skilled migration, but migration more broadly. Continuing on the same path could result in public support falling even further, which would undermine Australia's ability to manage skilled migration policy.

1.8 This report proposes a better deal for all Australians

This report focuses on temporary skilled migration and related visa policy. It shows that sweeping changes are required to repair temporary skilled migration policy and re-build public support for the program. These changes will generate substantial benefits to Australians and simultaneously help eradicate the scourge of exploitation.

Chapter 2 evaluates the stated objectives of temporary skilled migration in Australia, and how they should change. It argues that temporary skilled migration should focus on sponsoring high-wage workers rather than trying to target visas at skills shortages.

Chapter 3 recommends the federal government replace the Temporary Skill Shortage (TSS) visa with a Temporary Skilled Worker (TSW) visa. The new TSW visa would operate under the same broader employer-sponsored model as the TSS visa, but would give priority to high-wage work in any occupation, rather than being restricted to a list of occupations deemed to be in shortage.

Chapter 4 shows how a higher wage threshold could replace occupation lists in determining which jobs are eligible for temporary sponsorship. TSW visas should also be made portable, allowing temporary skilled migrants to more easily switch to a better job once in Australia.

Chapter 5 shows how targeting high-wage rather than low-wage jobs for the Temporary Skilled Worker visa would allow the rules

for employer sponsorship to be streamlined. Rules for accrediting employers should be simplified, labour-market testing should be scrapped, and most upfront fees for temporary sponsorship should be replaced with a monthly fee.

Chapter 6 sets out transition arrangements that would help sponsoring firms and workers adjust to the proposed new visa.

1.9 What this report is not about

This report does not seek to examine every issue relevant to temporary migration policy. Australian runs a substantial temporary migration program beyond temporary skilled migration across a number of visas. Future Grattan Institute research will examine the role of other temporary visas, and how these visas interact with the Australian labour market.

Last year, Grattan published a report, *Rethinking permanent skilled migration after the pandemic*, which focused on the composition of Australia's permanent skilled migration program and how skilled migrants are selected.³⁸ Future research will evaluate the role of permanent family visas.

This report does not focus on the size of Australia's overall migrant intake, which is largely determined by the size of Australia's permanent migrant intake.³⁹ But the findings of this report can help policy makers decide which parts of the temporary migration program should get priority to ensure migration best contributes to the well-being of the Australian community.

38. Coates et al (2021).

39. For a more detailed discussion of these issues see Coates et al (ibid, pp. 9–10).

2 Temporary skilled migration should give priority to high-wage jobs, not skills shortages

Temporary skilled migration offers big benefits to Australia. It helps the economy to quickly adjust to shocks, such as during Australia's most recent mining boom. But grasping the full benefits means rethinking the objectives of temporary skilled migration.

Temporary skilled migration currently focuses on addressing skills shortages directly by restricting temporary sponsorship to jobs in occupations deemed in shortage. While this approach is superficially attractive, it is practically impossible to quickly and reliably identify skills shortages in individual occupations, and fill them via temporary sponsorship. Occupation lists appear to reflect industry lobbying. Targeting skills shortages also opens the door to less-skilled migrants, who are likely to suppress the wages of lower-skill Australian workers, and are at greater risk of being exploited.

Instead, temporary skilled migration should give priority to high-skill, high-wage workers regardless of their occupation. Targeting high-skilled workers capable of attracting high wages is likely to address most genuine skills shortages that emerge. And restricting temporary sponsorship to high-wage workers, who possess greater bargaining power, should reduce exploitation of temporary skilled migrants and help alleviate community concerns about the visa.

Targeting high-wage workers for temporary sponsorship would also help Australia grasp the broader benefits of temporary skilled migration. Highly-skilled migrants are more likely to bring knowledge and ideas, and generate bigger fiscal dividends because they pay much more in taxes but can't use most public services and benefits. An effective temporary skilled visa also lifts the bar for Australia's permanent skilled migrant intake by increasing the pool of high-quality applicants.

2.1 The objective of temporary skilled migration should be to maximise the wellbeing of the Australian community

As set out in Grattan Institute's 2021 report, *Rethinking permanent skilled migration*, Australia's skilled migration programs should be designed to maximise the welfare of the Australian community.⁴⁰ The benefits and costs of the temporary skilled migration program should be evaluated on the economic, environmental, and social impacts on the Australian community.⁴¹

- **Economic impacts:** how does migration affect Australians' access to economic resources? And how do migrants affect the budgets of federal and state governments, and therefore the quantity and quality of public services available to the Australian community?
- **Environmental impacts:** how does migration alter access to environmental resources – such as housing, infrastructure, and natural resources – available to the Australian community?
- **Social impacts:** how does migration affect the quality of social connections between people?

Rethinking permanent skilled migration explored the benefits and costs of skilled migrants on incumbents, arguing that we should select permanent skilled migrants for their long-term economic potential.⁴² A fixed number of permanent skilled visas are allocated each year. By contrast, there is no cap on the number of temporary skilled visas issued each year. Therefore the benefits and costs of temporary skilled

40. Coates et al (2021).

41. Ibid (Section 3.2).

42. Coates et al (ibid, Chapter 3).

migration also include the impact that temporary migrants have, via changing Australia's population growth, on housing, infrastructure, congestion, and the environment. However, the small size of the temporary skilled migrant program means these impacts are relatively small in the aggregate.

2.2 Temporary skilled migration currently targets skills shortages using occupation lists

Temporary skilled migration currently seeks to fill skills shortages in the Australian labour market. Addressing skill shortages is a broadly accepted policy goal for temporary skilled migration. The name of the Temporary Skill Shortage visa indicates the strength of this appeal.

Temporary skilled migrants bring different skills and typically complement the work of incumbents rather than competing with them, boosting local workers' wages on average.⁴³ Addressing genuine skills shortages helps the economy, and the labour market in particular, to adjust to shocks such as the recent mining boom, which generated a rapid increase in demand for specific occupations. Where there are genuine skills shortages, new migrants can help by bringing needed skills that complement the incumbent workforce.⁴⁴

In the words of Reserve Bank Governor Philip Lowe:⁴⁵

Hiring overseas workers to overcome bottlenecks allows firms to hire the people they need to operate effectively, and to expand and invest. This benefit was clearly evident during the resources boom, and there are a wide range of businesses and industries that have

benefited from hiring foreign workers. Without this ability, output in Australia would have been lower.

2.3 Targeting skills shortages is superficially appealing but unworkable in practice

While superficially appealing, actually identifying occupations in shortage and using temporary sponsorship to fill them is unworkable in practice.⁴⁶

2.3.1 Skills shortages are hard to define and even harder to measure

For policy makers to effectively use temporary skilled migration to tackle skills shortages, they need to be able to define what constitutes a skill shortage. Australian policy makers have difficulty doing that.

For example, in the 2021 Skills Priority List, the National Skills Commission defines a 'shortage' as:

when employers are unable to fill or have considerable difficulty filling vacancies for an occupation, or significant specialised skill needs within that occupation, at current levels of remuneration and conditions of employment, and in reasonably accessible locations.⁴⁷

The 2021 Skills Priority List finds 153 occupations are in some form of shortage, and 646 occupations are not. But this approach to identifying 'shortages' in occupations at any time that demand outstrips supply at *prevailing market wages* is unsound.⁴⁸

In reality, relative wages between occupations regularly shift in response to changes in the relative demand for certain skills, driven

43. Evidence suggests migration has little impact on Australian workers. Breunig et al (2016) found no evidence that migration harmed the aggregated labour market outcomes of incumbents. Another analysis using updated data arrived at the same conclusion. Committee for Economic Development of Australia (2019).

44. Campo et al (2018).

45. Lowe (2021).

46. Examining the use of skill-shortage lists in the UK, Sumption (2022) argues 'the idea is politically appealing but problematic in practice'.

47. National Skills Commission (2021 Skills Priority List).

48. For a discussion, see Leal (2019).

by changing consumer preferences, technology, and a host of other factors. An approach that flags an occupation as being in ‘shortage’ any time that firms cannot attract staff at historical wage rates is likely to substantially overstate the number of genuine skills shortages in the economy at any one time.

Instead, employers should be expected to increase wages over time when faced with ongoing recruitment difficulties.⁴⁹ After all, shifts in the composition of Australia’s workforce over the past century – such as from agriculture to manufacturing, and more recently from manufacturing to services – were driven by changes in relative wages offered between sectors. Relying on prevailing wage levels to diagnose a shortage removes the imperative for firms to increase wages when they face recruitment difficulties.⁵⁰

As the Productivity Commission recently noted:⁵¹

Australian government data suggest highly persistent skill shortages in a range of occupations. For example, automotive electricians, panel beaters, and arborists have been in shortage for each of the 10 years to 2018, and hairdressers and sheet metalworkers for nine out of the past 10 years. A decade-long or more shortage seems difficult to explain for some occupations that rely on traineeships taking one to two years to complete.

Common measures of skills shortages are also subject to changing employer preferences, since employers adjust their expectations depending on the state of the labour market. When unemployment

is high and workers are plentiful, employers are more selective about who they hire.⁵² When employer demand increases and unemployment is low, employers become more willing to hire people regardless of their education and experience.⁵³ Other recent studies find similar results when examining low- and middle-skilled occupations.⁵⁴ These dynamics make skills shortages a poor anchor for temporary skilled migration policy.

Australian policy makers also lack timely data to identify skills shortages in real time. Crucial parts of the skills shortage story – such as vacancy and wage data for occupation groups – are scant. Without this information, it is very difficult to generate reliable lists of occupations in shortage beyond simply accepting claims from employers.⁵⁵ For example, a recent parliamentary inquiry recommended the federal government ‘develop accepted definitions of acute skill shortages’, taking into account ‘recruitment difficulty, time of shortage, number of job vacancies, and the criticality of the occupation’.⁵⁶ This information simply does not exist in a form readily available to policy makers.

2.3.2 Occupation lists are administratively cumbersome and vulnerable to interest group capture

Using occupation lists to determine whether a job is eligible for temporary sponsorship is administratively cumbersome. Eligibility for temporary sponsorship under the existing Temporary Skill Shortage (TSS) visa is determined by three occupation lists (Box 1 on the following page).

49. Yet raising wages often appears to be the last option for employers facing hiring difficulties. In a 2012 survey of employers who sponsored temporary skilled workers, less than 1 per cent said they would raise wages to help recruitment: Wright and Constantin (2021). Leal (2019) also finds that ‘increasing wages was only one method of trying to attract and retain staff, and was commonly not the first or favoured response’.

50. Leal (ibid). See also: Wright and Constantin (2021).

51. Productivity Commission (2020, p. 113).

52. Modestino et al (2020).

53. Ibid.

54. Burke et al (2020).

55. See Coates et al (2021, pp. 78–79) for a detailed discussion of how occupation lists are compiled and the role of vested interests.

56. Joint Standing Committee on Migration (2021a).

Defining a skills list by occupation is inflexible to a rapidly changing labour market – the very thing that temporary skilled migration has been designed for. That’s even more of a problem as Australia’s economy moves further towards highly skilled service industries, where new tasks and roles are advanced and updated regularly, often taking some time to be classified as an official ‘occupation’ in the ANZSCO classifications. For example, ‘data scientist’ is a developing and in-demand professional field for service industries such as finance, banking, and technology.⁵⁷ Yet it was not until September 2019 that the ABS released advice to the Department of Home Affairs on how to describe ‘Data Scientist’ and where it should be classified in ANZSCO.⁵⁸ The National Skills Commission has noted several other emerging occupations where ANZSCO does not reflect labour market trends.⁵⁹

Industry and other interests also play a role in constructing occupation lists, a process described as a ‘black box’ by some experts.⁶⁰ Consultation of course does not amount to poor administration. Yet with data deficiencies, it is difficult to see what, beyond stakeholder consultation, is driving the composition of occupation lists.

As one senior official from the Department of Jobs and Small Business put it:⁶¹

A lot of the time we will have submissions and other views put forward by stakeholders, but there’s not necessarily evidence or a dataset behind those. So it’s as comprehensive as it can be.

57. VETASSESS (2020).

58. Department of Home Affairs (2019a).

59. National Skills Commission (2020).

60. Professor Anna Boucher, University of Sydney, discussion with authors, November 2020. See Coates et al (2021, Chapter 7) for a detailed discussion of how occupation lists are constructed.

61. Department of Jobs and Small Business (2018, Chapter 3).

Box 1: Existing occupation lists for temporary sponsorship

Eligibility for temporary sponsorship under the TSS visa is determined by three occupation lists:^a

- **The Short-term Skilled Occupation List (STSOL):** lists occupations selected to fill ‘critical, short-term skills gaps’. This list has 215 occupations. A person who is qualified in an occupation listed on the STSOL can be sponsored for the short-term stream of the TSS visa.
- **The Medium- and Long-term Strategic Skills List (MLTSSL):** lists occupations ‘of high value to the Australian economy’ and aligned to the government’s longer-term training and workforce strategies. There are 216 occupations on this list. Occupations on this list can be sponsored for the medium-term stream of the TSS.
- **The Regional Occupation List (ROL):** includes 77 other occupations. Occupations on this list can be sponsored for the medium-term stream of the TSS.

These occupation lists are modified twice a year, when an occupation can either be moved between the different lists or become ineligible for the visa. In practice, this has not occurred as intended in recent years because of the border closures.

Occupations are classified using the Australian and New Zealand Standard Classification of Occupations (ANZSCO) by the ABS.

a. The occupation lists are defined in a legislative instrument, see Federal Government (2019).

2.3.3 Targeting skills shortages opens the door to temporary sponsorship of less-skilled migrants earning lower wages

Since commonly-used definitions of skills shortages overestimate the number of genuine skills shortages in Australia, many low-wage jobs will be classified as being in shortage, and become eligible for temporary sponsorship. The increasing share of sponsored migrants earning low incomes reflects the current list of eligible occupations, as well as the freezing of the TSMIT at \$53,900 a year.

Lots of lower skilled temporary migration, especially under the guise of a *skilled* program, risks public confidence in temporary skilled migration. Keeping current settings risks making temporary skilled migration even less popular, threatening the integrity of the program in the long term.

While migration overall tends not to affect Australians' wages, concentrated migrant inflows into particular markets can have larger impacts on incumbent workers (Box 2 on the next page).⁶² Where migrants are concentrated in certain sectors they will tend to reduce local workers' wages. Therefore, large numbers of low-skilled migrants in particular occupations risks suppressing the wages of lower-skilled Australian workers in similar roles. Suppressing the wages of lower-skilled Australian workers is likely to be particularly unpopular.

2.3.4 Sponsoring low-skilled temporary migrants increases the risks of exploitation and community backlash

Permitting temporary sponsorship for lower-skill, lower-wage jobs increases the risk that sponsored workers will be exploited, undermining public confidence in the program.

62. Some commentators have raised concerns that concentrations of lower-skilled temporary migrants in particular sectors such as hospitality are suppressing the wages of lower-skilled incumbent workers in those sectors. See: Garnaut (2021, pp. 77–78), Daley (2019) and Hutchens (2021).

Temporary visa holders are more at risk of exploitation than permanent visa holders, since the latter are not bound to their employer to stay in Australia, or to seek a permanent visa.⁶³ Boucher (2019) documents how exploitation of 457 visa holders was more common in low-wage work in occupations not requiring extensive experience. She identified 173 formal cases of exploitation on the 457 visa, concluding this was an under-representation.

Where migrants' labour rights have not been enforced, this can hurt the wages of similarly-skilled incumbent Australians employed in the same sectors.⁶⁴ In particular, if a dishonest employer underpays, then they can offer prices that undercut an honest employer who does pay at least minimum or award wages. So if in a particular industry a significant number of employers underpay many migrants, then they pressure all the other employers in the industry to do the same – and to underpay non-migrants as well.⁶⁵

In addition to the harm caused to those being exploited and similar workers, the mistreatment of temporary skilled migrants also risks the benefits on offer of a well-functioning visa program. Public confidence is sapped (Chapter 1).

2.3.5 Low-wage work is inappropriate for employer-sponsored visas

In general, governments should not seek to facilitate low-wage work via temporary, employer-sponsored migration. The benefits of tying

63. Productivity Commission (2016, p. 29).

64. See Amior and Manning (2021).

65. A Fair Work Ombudsman review of 20 7-Eleven stores found that 60 per cent appeared to be underpaying staff: Fair Work Ombudsman (2016). Allan Fels, appointed by 7-Eleven to investigate, said 'my strong impression is that the only way a franchisee can make a go of it in most cases is by underpaying workers': Ferguson and Toft (2015).

Box 2: How does migration affect the wages and employment of local workers?

Many Australians worry that migrants are going to take jobs or suppress their wages. About one in three Australians agree or strongly agree that ‘immigrants take jobs away’ when they enter the labour market.^a But there is limited evidence that immigrants ‘take jobs’ or materially reduce their incomes, at least in aggregate.^b

The existing Australian evidence, albeit imperfect, finds little impact of migration on Australian workers.^c Breunig et al (2016) used several Australian data sources to explore the labour market response of incumbents’ wages and employment to a change in the proportion of similarly-skilled migrants in the labour force. They found no evidence that migration harmed the aggregated labour market outcomes of incumbents.^d Another more recent analysis using updated data arrived at the same conclusion.^e

The vast international literature examining the aggregate impact of migration on the labour market generally supports this story. In a 2019 literature review, Edo (2019) found that ‘the impact of immigration on

the average wage and employment of native workers is null or slightly positive’.^f

While migrants may not affect incumbents’ wages on average, migration that is highly concentrated in sectors of the labour market can have bigger impacts on the wages of incumbents working in those sectors. In general, selective migration that prioritises high-skilled workers tends to reduce wage inequality between high- and low-skilled incumbent workers, whereas migration focused on low-skilled workers is more likely to suppress the wages of low-skilled incumbent workers.^g

The one high-quality study focused on temporary skilled migration to Australia confirms this story. Crown et al (2020) found that when the share of skilled temporary migrants in a particular labour market rose, low-skilled local workers saw the biggest wage gains.^h Economic modelling for the Migration Council of Australia suggests that a migrant intake focused on high-skilled workers will boost the wages of low-skilled workers and reduce the wages of high-skilled workers.ⁱ

a. Coates et al (2021, Figure 3.1).

b. Migration adds to both the demand and supply of labour, and capital adjusts quickly to migration.. Peri (2016).

c. See Brell and Dustmann (2019) for a recent summary of the Australian literature.

d. There was also no effect on wages for incumbents with less experience in the labour market: Breunig et al (2016, Table A.4).

e. Committee for Economic Development of Australia (2019).

f. See also Roodman (2014).

g. Peri and Sparber (2009) find that foreign-born lower-skilled workers specialise in occupations intensive in manual-physical labour skills, while similarly-skilled incumbents pursue jobs more intensive in communication-language tasks. However, in some cases high-skilled migrants may have replaced incumbent high-skilled workers at lower wages. See: Doran et al (2016).

h. Incumbents moved to occupations that used more communication abilities rather than physical abilities, and their wages increased significantly. Wages rose the most for low-skilled Australian workers.

i. Migration Council Australia (2015, p. 20).

workers to employers in low-wage jobs are unclear, the prospect of exploitation is large, and the political risk is significant.

This is not an argument against migrants working in low-wage work *in general*. Clearly, many workers not born in Australia will work across different sectors and for different wages, having arrived in Australia on a number of different visas. This includes people who arrived on family visas, humanitarian visas, and as spouses and children of skilled workers. A good example is the workforce in the aged care sector (See Appendix C). Workers on temporary and permanent visas account for about 30 per cent of care workers in aged care. But less than 1 per cent are sponsored by employers for the purposes of work.

In addition, there is inevitably pressure to find a pathway to permanent residency for sponsored workers. But with the total number of permanent visas available each year capped at 160,000, granting permanent residency to less-skilled temporary visa holders will probably mean displacing workers with more skills, making the Australian community worse off overall.⁶⁶

2.4 Temporary sponsorship should give priority to high-wage jobs, not skills shortages

Australia's long-standing practice of using occupation lists to select which jobs qualify for temporary sponsorship should be abandoned. The goal of temporary skilled visas should instead be to attract high-skilled migrants in any occupation. Doing so is likely to maximise the benefits from temporary skills migration for the Australian community.

2.4.1 Targeting high-wage jobs for temporary sponsorship will fill most genuine skills shortages

Offering temporary sponsorship for high-skilled workers capable of attracting high wages is likely to address most genuine skills shortages, since workers in genuine shortage are likely to attract a wage premium over time, and workers that attract high-wages are likely to be harder to train quickly when in short supply (Figure 2.1). Shortages are particularly likely to emerge where employers cannot find candidates with enough experience or with the appropriate intangible skills, which may not be easily remedied by increasing the number of graduates with the relevant qualification.⁶⁷

One recent OECD study found that half of jobs that are hard to fill (i.e. in shortage) are in high-skilled occupations. By contrast, just one out of 10 are in low-skilled occupations.⁶⁸ Figure 2.2 on the following page shows that TSS visa holders with higher starting salaries have much stronger wage growth while in Australia, especially those earning more than \$70,000 a year.

Offering sponsorship for all high-wage jobs would allow firms to quickly and easily address shortages where they emerge for high-skilled jobs. As Chapters 4 and 5 show, restricting temporary sponsorship to high-wage jobs would make sponsorship simpler, which in turn would allow firms to fill skills shortages more quickly.

Not all skills shortages will emerge in high-wage jobs. But skills shortages that emerge in low-skill, low-wage jobs are much more likely to be resolved quickly. Australia's flexible labour market and vocational education and training sector should lead to increased supply of most

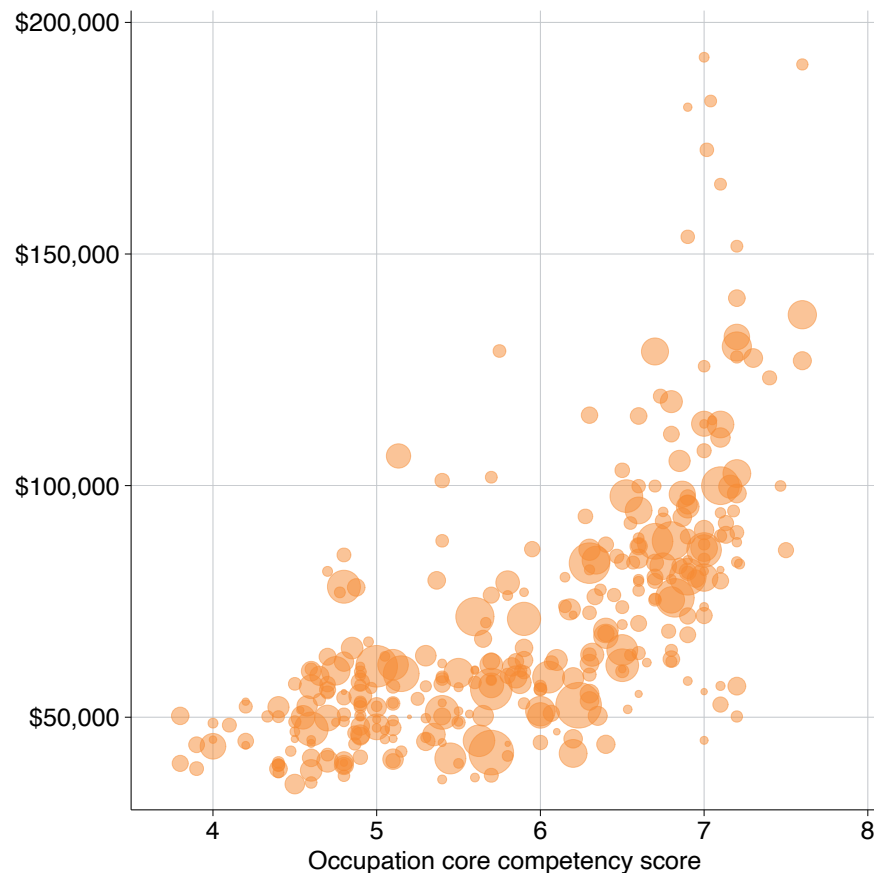
66. Coates et al (2021, Chapter 3).

67. Productivity Commission (2020, p. 114).

68. Based on OECD Skills for Jobs Database of 40 countries, including Australia. Hard-to-fill jobs included managerial positions and highly skilled professionals in health care, teaching, or ICT: OECD (2018).

Figure 2.1: Jobs in more-skilled occupations tend to earn higher incomes

Occupations by median income of full-time workers and core competency scores

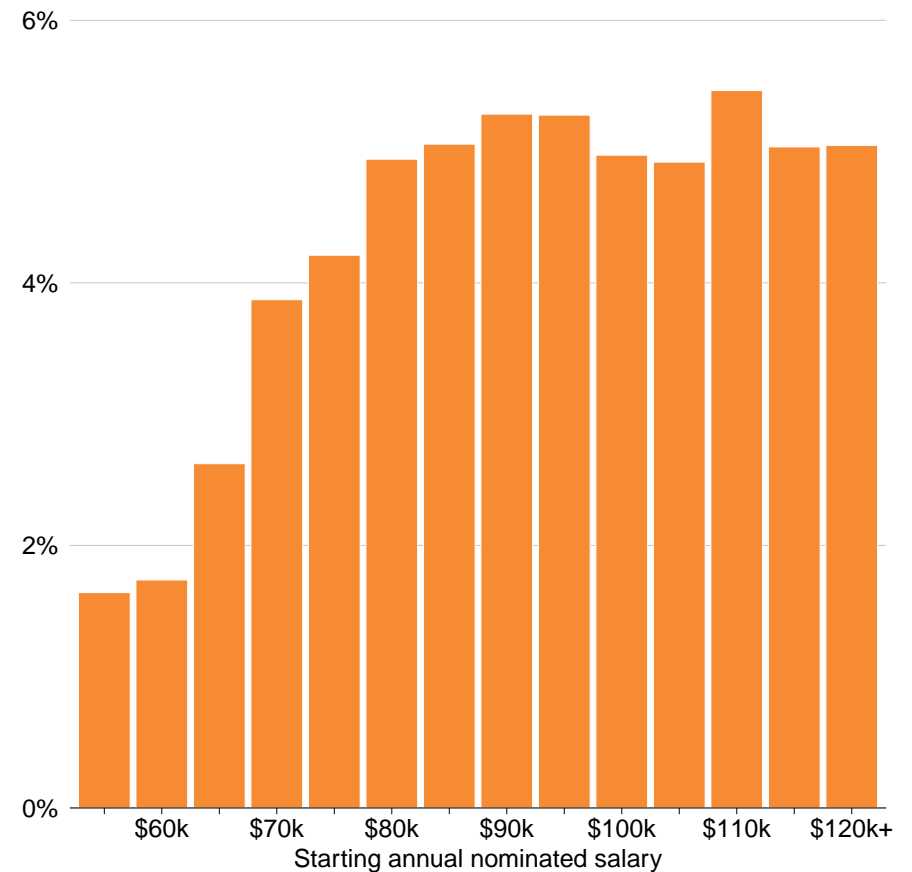


Notes: Annual gross incomes shown. Full-time workers aged 19 and older in the 2016 Census. Competency scores are the average of 10 core occupational competencies – such as numeracy and problem-solving – developed by the National Skills Commission in its Australian Skills Classification.

Source: Grattan analysis of ABS (2016a) and National Skills Commission (2021).

Figure 2.2: Temporary skilled migrants with higher starting salaries have stronger wage growth

Average annual wage increase during temporary skilled visa



Source: Grattan analysis of ABS (2021a).

in-demand skills, especially for lower-skilled jobs. After all, there are fewer barriers to entry for most lower-paying jobs.

Skill ‘shortages’ may also persist where government-funded health, aged, and disability care services are unable, or unwilling, to raise wages to secure additional workers, including for lower-wage jobs.⁶⁹ However, TSS visa holders account for only a very small share of migrant workers in sectors such as aged and disability care (Appendix C). Using temporary skilled migration to fill labour shortages in the low-income, female-dominated care industry is likely to work against efforts to raise wages in those sectors, and would widen the gender pay gap.

Australia currently has a larger-than-usual number of shortages in lower-skill, lower-wage occupations, reflecting the accumulated impact of COVID-related border closures on all forms of temporary migration, but especially for international students and working holiday makers, depriving many employers of their usual labour force of lower-skilled workers (Figure 2.3).⁷⁰ Yet these effects will probably subside quickly as borders reopen and students and working holiday makers return. Australia should not seek to address short-term shortages in less-skilled jobs by lowering standards and easing criteria for temporary skilled work visas.

2.4.2 Targeting high-wage jobs would maximise the broader benefits of temporary sponsorship to Australians

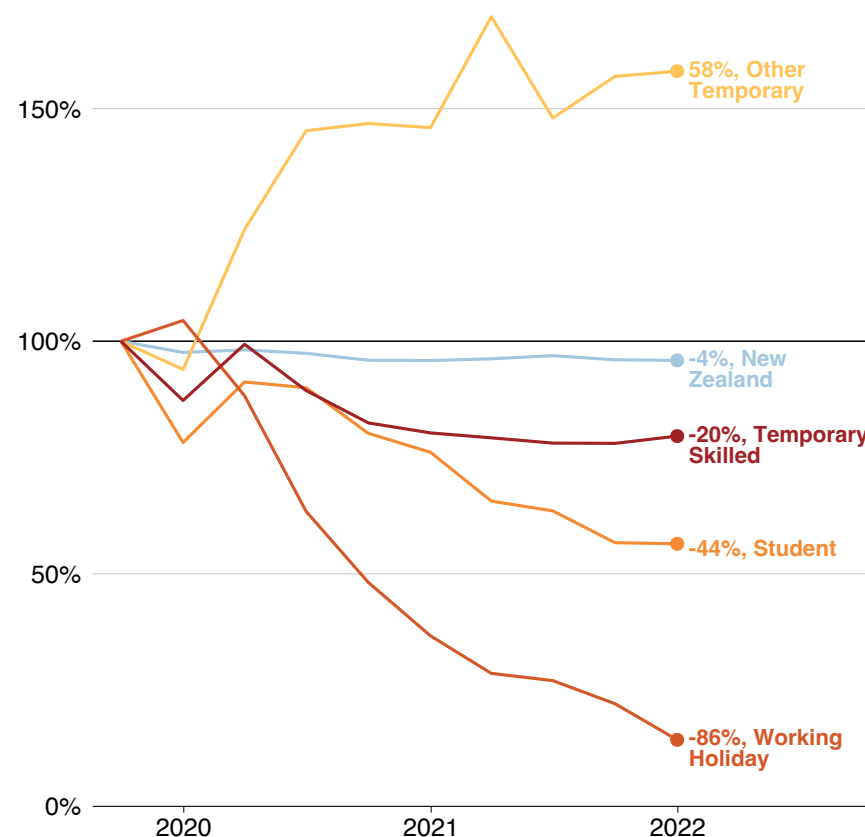
Targeting high-wage workers for temporary sponsorship would also help Australia grasp the broader benefits of temporary skilled migration. Highly-skilled migrants are more likely to bring knowledge and ideas, and generate big fiscal dividends because they pay much more in taxes but can’t get most public services and benefits. An

69. See: Coates et al (2021, p. 26).

70. Renaldi (2022).

Figure 2.3: COVID restrictions have substantially reduced the number of working holiday makers and students in Australia

Change in temporary visa-holders in Australia since 2019Q3



Source: Department of Home Affairs (2022f).

effective temporary skilled migration program would also lift the bar for Australia's permanent skilled migrant intake by increasing the pool of high-quality applicants.

A larger fiscal dividend

Giving priority to high-wage workers is likely to maximise the fiscal dividend from temporary skilled migration.⁷¹

Skilled migrants provide a bigger fiscal dividend since migrants typically pay more in taxes than they receive in benefits and public services.

Temporary skilled migrants typically are excluded from public supports including unemployment benefits, Medicare, and government-supported university places. These exclusions boost the short-term fiscal dividend from temporary skilled migration, although they may also reduce Australia's attractiveness as a destination for globally-mobile migrants with in-demand skills.

A recent Treasury paper estimated that temporary skilled migrants contributed, on average, \$38,601 more in taxes, as well as visa fees, than they receive in government services and benefits during their average stay of 2.4 years on the TSS visa in Australia.⁷² These figures suggest that the roughly 60,000 TSS visa holders currently in Australia will contribute about \$2.3 billion to federal and state government budgets during their stay in Australia.

More knowledge transfer and innovation

High-skilled temporary migrants are more likely to lift the productivity of incumbent workers, boosting their living standards over the long term, especially via the adoption of new technologies and business

practices.⁷³ Australia accounts for only a small share of the global economy, so the vast majority of innovations in Australia are invented elsewhere, and then adopted or adapted here.⁷⁴ Migrants, particularly skilled migrants, may speed up the pace of adoption through the spread of knowledge and international best-practice.⁷⁵

It is possible that temporary sponsorship of high-skilled migrants weakens firms' incentives to train local workers,⁷⁶ but there is little evidence to suggest that migration substantially reduces investment in the education and training of Australian workers.⁷⁷

Higher wages for lower-skilled Australians

Targeting temporary sponsorship at high-wage jobs will probably boost the wages of less-skilled Australian workers in occupations where lower-skilled TSS visa holders are widespread. In general, selective migration that gives priority to high-skilled workers tends to reduce wage inequality between high- and low-skilled incumbent workers, whereas migration concentrated on low-skilled workers is more likely to suppress the wages of low-skilled incumbent workers (see Box 2).

Less risk of migrant exploitation

Targeting high-wage rather than low-wage migrants would reduce the risks that employers game the rules to recruit and exploit lower-skilled migrants. Exploitation of Temporary Skill Shortage visa holders is much

71. For instance, a worker earning \$100,000 a year will pay \$13,000 more in personal income tax each year than a worker earning \$60,000.

72. Includes both primary and secondary TSS visa holders. See Varela et al (2021).

73. See Coates et al (2021, Section 3.3.3) for a detailed discussion of the link between migration, innovation, and productivity.

74. Daley et al (2012, pp. 17–18).

75. Döring and Schnellenbach (2006); Campo et al (2018); Alesina et al (2016); and Gu et al (2020).

76. Lowe (2021).

77. Productivity Commission (2016). Productivity Commission (2006) also found that migration appeared to have had only a small impact on the training levels of incumbent workers.

more common for those earning lower-wages. Higher-wage workers have more bargaining power in Australia and are better able to protect themselves from being exploited.

Substantial long-term gains via permanent residency

Giving priority to high-wage migrants for temporary skilled visas would unlock further long-term gains via permanent residency. Since temporary skilled migrants account for a substantial portion of the permanent skilled intake each year (Figure 2.4), lifting the number of high-wage temporary migrants should improve the prospective pool of applicants for permanent residency.⁷⁸

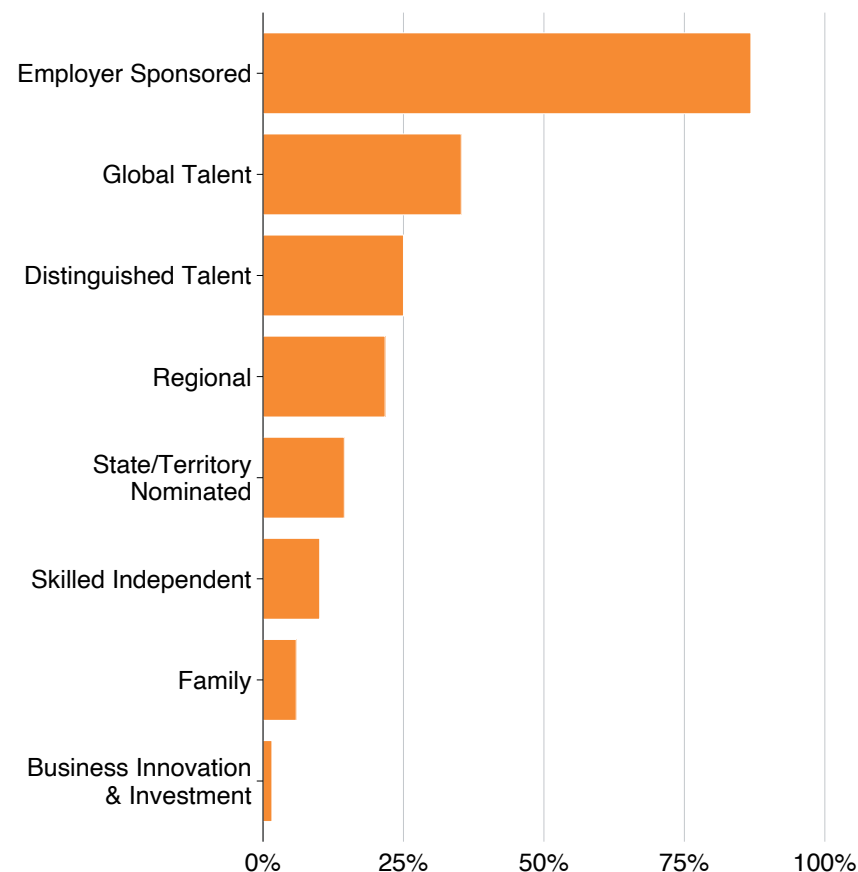
People who are granted a permanent employer-sponsored visa are more skilled and earn higher incomes than people in any stream of Australia's permanent skilled migration program.⁷⁹ Therefore, temporary skilled migration, by increasing the pool of high-quality prospective permanent migrants, offers big long-term payoffs by improving the composition of Australia's permanent skilled migrant intake.

Figure 2.5 shows people on a temporary skilled visa who have higher wages typically get substantially more income when they move to a permanent skilled visa. In contrast, the wages of temporary skilled visa holders in lower-wage jobs tend to stagnate, or even fall, when they move to a permanent employer-sponsored visa.

The benefits of improving the composition of Australia's permanent skilled migrant intake are enormous. Our 2021 report, *Rethinking permanent skilled migration after the pandemic*, estimated that shifting the composition of Australia's permanent skilled migrant intake could

Figure 2.4: More than three-quarters of the people in the employer-sponsored permanent program previously held a TSS visa

Share of permanent visas granted in 2019-20 to people who previously held a TSS visa



Sources: Department of Home Affairs (2021b, p. 14) and Department of Home Affairs (2021c, p. 15).

78. Department of Home Affairs (2019b).

79. Coates et al (2021, Figure 7.7).

boost personal income tax receipts alone over the lifetimes of each annual migrant cohort by \$12.8 billion.⁸⁰

And by targeting high-wage migrants, more temporary skilled migrants would enjoy a clearer pathway to permanent residency, helping to restore public support for temporary skilled migration.

2.5 The size of the temporary skilled migrant intake largely determines the size of housing and environmental impacts

There is no cap on the number of temporary skilled visas that could be issued each year. Therefore the benefits and costs of temporary skilled migration also include the impact that temporary migrants have, via changing Australia's population growth, on housing, infrastructure, congestion, and the environment.

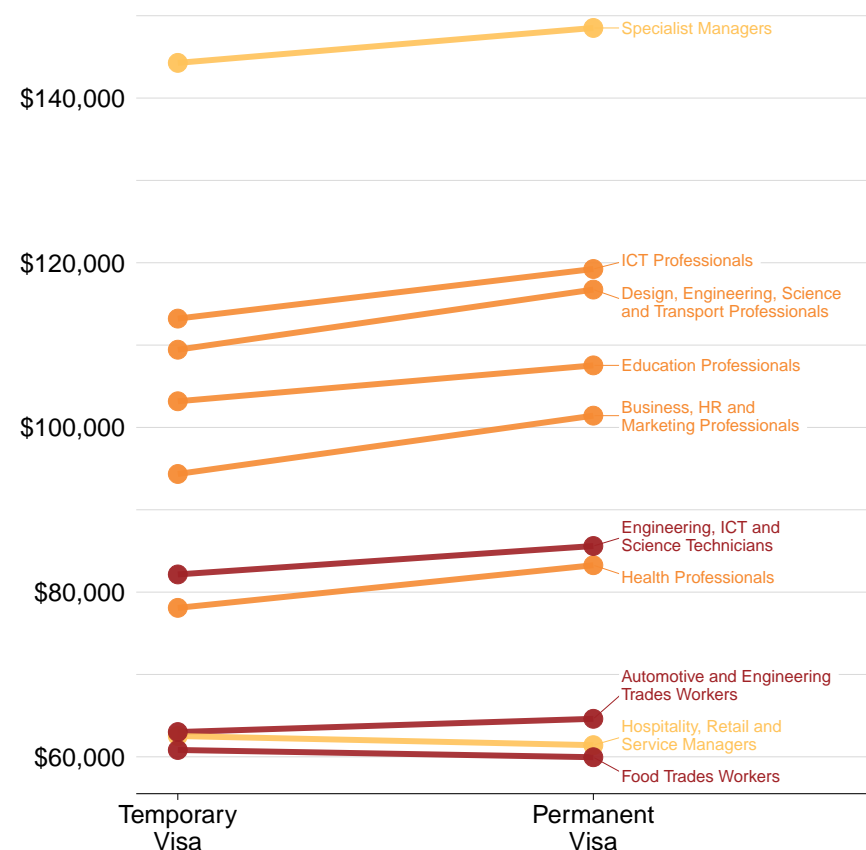
The overall size of these impacts will largely depend on whether our proposed reforms increase, or decrease, the total number of migrants that arrive in Australia on temporary sponsorship, which remains uncertain (Chapter 4). These costs may increase per-person with a shift in temporary sponsorship towards targeting higher-wage migrants, because those migrants will use their higher incomes for housing and transport, competing with Australians for scarce environmental resources. Further, the costs imposed on Australians from the temporary skilled migrant program are likely to be small, because the program is small – there are just 60,000 visa-holders currently, whereas Australia's population is more than 25 million.⁸¹

80. Coates et al (2021, Figure 4.3). In practice, the fiscal dividends from these reforms would be larger once other taxes and lower costs on means-tested government services and benefits are taken into account.

81. Australia's resident population was estimated to be 25.7 million on 6 March 2022: ABS (2021b).

Figure 2.5: High-wage temporary visas lead to higher-wage permanent visas

Mean real nominated income between Temporary Skill Shortage visa and permanent employer-sponsored visa



Notes: Occupations are the ANZSCO submajor code of a person's first TSS visa. Dollars are adjusted to \$2021 with CPI. Only incomes for people who were granted a TSS visa and subsequently an employer-sponsored visa are shown.

Source: Grattan analysis of ABS (2021a).

Higher rents

Several studies have found that migration modestly increases Australian house prices.⁸² Researchers at the Reserve Bank estimate that the migration-led ramp up in population growth since 2005 led to housing rents being 9 per cent higher than they otherwise would have been in 2018.⁸³ Temporary skilled migration accounted for about 13 per cent of growth in net migration between 2005 and 2018.⁸⁴ Therefore temporary skilled migration probably added about 1 percentage point to housing rents over this 13-year period.

Since high-wage migrants earn more, they are likely to add further to demand for Australian housing, modestly lifting rents and house prices, especially since housing supply has historically failed to keep pace with demand from population growth.⁸⁵

Of course, whether a person wins or loses from rising house prices and rents depends on their circumstances.

More urban congestion

Migrants tend to live in urban centres (Figure 2.6), and drive less than existing residents but they use more public transport.⁸⁶

Immigration contributes to congestion in our major cities, although the extent of the impact is difficult to measure because Australians adjust to greater crowding by shifting where they live and work.⁸⁷ Australians adapt to keep their commutes tolerable. But these adaptations can be costly, since workers may forego better job opportunities to manage their commute.

82. Bourassa and Hendershott (1995); and Otto (2007).

83. Tulip and Saunders (2019).

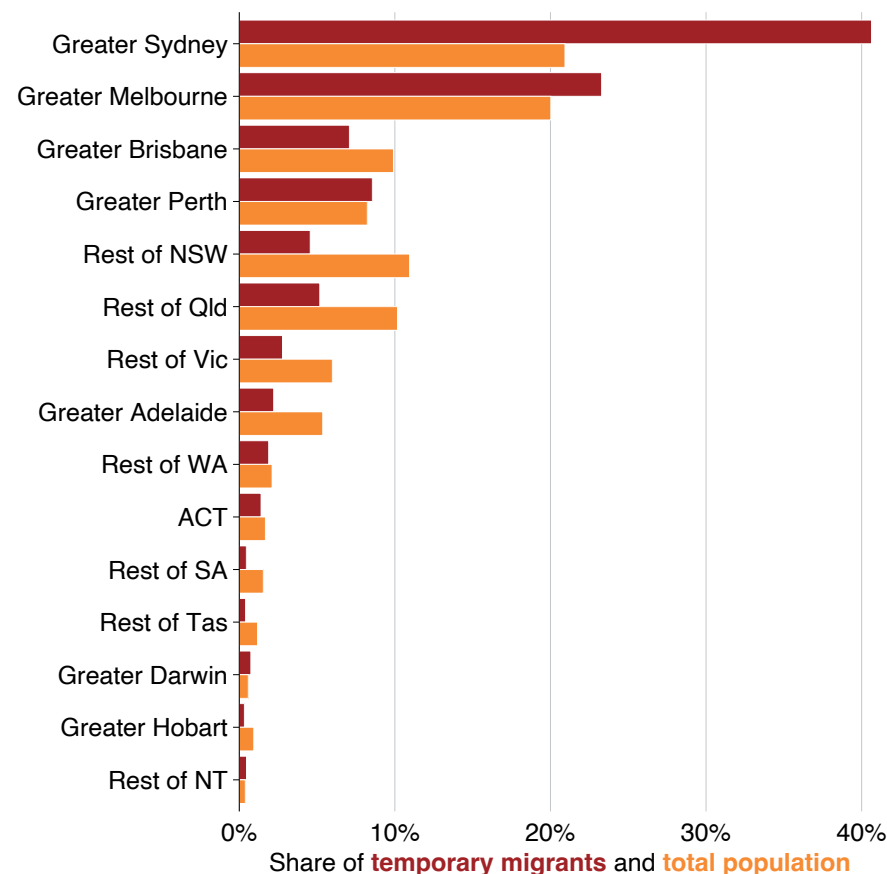
84. ABS (2020).

85. Daley et al (2018, Chapter 3).

86. Terrill et al (2018).

87. Ibid.

Figure 2.6: Temporary Skill Shortage visa-holders are more likely than the general population to live in capital cities



Sources: Grattan analysis of Department of Home Affairs (2022a) and ABS (2021c).

Shifting temporary sponsorship towards higher-wage migrants, for the same-sized intake, would be likely to add marginally to urban congestion since high-income earners tend to drive more, and further.⁸⁸

Higher carbon emissions and other environmental impacts

Higher-skilled migrants, because of their higher incomes, are likely to place additional demands on scarce environmental resources.

Australia is committed to net-zero carbon emissions by 2050.⁸⁹ Each Australian emits on average about 20 tonnes of carbon per year.⁹⁰ Because the targets are based on total levels, not per-capita emissions, higher rates of migration, and also skilled migration, mean more effort is required to reduce per-capita emissions to achieve a given emissions reduction target.

Urban population growth also puts pressure on many environmental resources, such as clean water, air, and waste disposal. Managing these pressures may require additional investment, and these higher costs are typically shared by all utility users.⁹¹

Some Australians are concerned about the impact of population growth on biodiversity.⁹² Given the concentration of migrants in Australia's major cities, shown in Figure 2.6, most biodiversity impacts of migration are likely to be mainly in those specific locations.⁹³

88. See Terrill et al (2019, Figure 4.3).

89. T. Wood et al (2021, Section 1.1.1).

90. Temporary skilled migrants are more likely to live in urban centres, meaning their transport-related emissions may be lower than average. However, they earn above-average incomes and therefore probably consume more than the average Australian.

91. Productivity Commission (2016, p. 231).

92. Productivity Commission (ibid, p. 237).

93. Productivity Commission (ibid, p. 16).

3 A new Temporary Skilled Worker visa should replace the Temporary Skill Shortage visa

A new visa, the Temporary Skilled Worker (TSW) visa, should replace the Temporary Skill Shortage (TSS) visa. Instead of targeting occupations classified as being in 'shortage', the new visa would permit temporary sponsorship for high-wage jobs in any occupation.

The new Temporary Skilled Worker visa would operate under the same broad employer-sponsored model as the existing TSS visa, but the streams within the current visa would be abolished (Table 3.1).

The new visa would grant a person the right to remain and work in Australia for up to four years. There would be no restriction on renewal, and there would be a clear pathway to permanent residency. Labour agreements would be abolished for the new TSW visa, since all occupations would be eligible for sponsorship, subject to a new annual wage threshold.

The new TSW visa would allow employers to sponsor workers in any occupation, provided the job had a salary of more than \$70,000⁹⁴ and the market salary rate was met (Chapter 4). This wage threshold should be indexed by average weekly ordinary time earnings (AWOTE) each year.

Sponsored workers would still be required to be proficient in English and have a minimum of two years experience.

Under these changes, some employers would be unable to sponsor workers they currently do, but many other employers would gain access to workers in higher-wage jobs. A \$70,000 wage threshold would also reduce worker exploitation.

TSW visas should also be made portable, allowing temporary skilled migrants to more easily switch sponsoring employers should they find

Table 3.1: Main eligibility criteria for Grattan Institute's proposed new Temporary Skilled Worker visa

| Temporary Skilled Worker visa criteria | |
|--|---|
| Nominated wage | At least \$70,000 |
| Fees | \$1,000 nomination fee plus an ongoing monthly fee |
| Age threshold | Any age |
| Eligible occupation list | All occupations |
| English | IELTS 5 (Vocational English), minimum 5.0 for any one component |
| Work experience | Two years in nominated occupation or related field |
| Skills assessment | As required for nominated occupation |
| Visa duration | Up to four years |
| Permanent residency | Pathway available |
| Renewable | Unlimited |
| 'Genuine temporary entrant' | No |

Note: Not every criteria is listed given the large number of rules.

Source: Grattan analysis.

94. Pre-tax, excluding compulsory superannuation contributions.

a better job once in Australia. Current rules require migrants to stick with their sponsoring employer or lose their visa. This limits migrants' bargaining power and increases the risk that they will be exploited.

Existing administrative mechanisms should be retained to prevent fraud and underpayment. Incomes would require verification via certifying an employment contract. Employers would still have to offer a wage equal to, or just above, the relevant 'annual market salary rate', ensuring existing wages and conditions could not be undercut.

Targeting high-wage rather than low-wage jobs would allow the rules for sponsorship to be more flexible, further simplifying the sponsorship process for employers and migrants (Chapter 5).

The federal government should offer a streamlined process to accreditation for employers that offer high wages. And it should commit to processing visas within five days, creating a two-week end-to-end process from nominating a job to granting a visa.

Labour-market testing for temporary sponsorship should be scrapped. Upfront fees for temporary sponsorship should be reduced, and replaced with a monthly fee.

Introducing a new visa would be a big reform. As with any substantial change, some who rely on the status quo would lose out. Transition arrangements for changes to temporary sponsorship could alleviate these impacts, allowing affected firms and workers to adjust in a timely way (Chapter 6).

The remainder of this report sets out how the proposed Temporary Skilled Worker (TSW) visa should operate, and how it would vary from the existing Temporary Skill Shortage (TSS) visa.

4 The new visa should be available for high-wage jobs in all occupations

Temporary sponsorship under Grattan Institute's proposed Temporary Skilled Worker (TSW) visa should be available for jobs in all occupations, provided they pay more than \$70,000 a year and the salary is at least equivalent to the annual market salary rate for that occupation. This is substantially higher than the current threshold of \$53,900. Labour agreements, which typically permit sponsorship of jobs not on occupation lists, or at wages below \$53,900 a year, should be abolished.

TSW visas should also be made portable, allowing temporary skilled migrants to more easily switch sponsoring employers should they find a better job once in Australia. Current rules requiring migrants to stick with their sponsoring employer, or lose their visa, including their right to apply for permanent residency, limits workers' bargaining power and increases the risks of migrant exploitation.

The federal government should also better enforce the rules for employers that sponsor temporary skilled migrants, such as paying the sponsored wage and complying with Australian workplace laws. Enforcement of sponsoring employers' obligations is almost non-existent at present, allowing bad-faith employers to exploit migrants with little risk of sanction, such as losing the right to sponsor workers in future.

4.1 A wage threshold should replace occupation lists

Temporary sponsorship under Grattan Institute's proposed Temporary Skilled Worker (TSW) visa should be available for workers in any occupation, provided they have a wage offer exceeding \$70,000. This wage threshold should be indexed in line with average weekly ordinary time earnings (AWOTE).⁹⁵

4.1.1 Occupation lists can't effectively target high-wage workers

Chapter 2 showed that temporary sponsorship should be restricted to high-wage jobs, rather than targeting skills shortages. The occupation lists used to determine eligibility for the Temporary Skill Shortage visa don't give priority to high-skilled, high-wage workers. Many high-skill, high-wage jobs are not on the lists, while many low-skill, low-wage jobs qualify for sponsorship (Figure 4.1 and Figure 4.2).⁹⁶

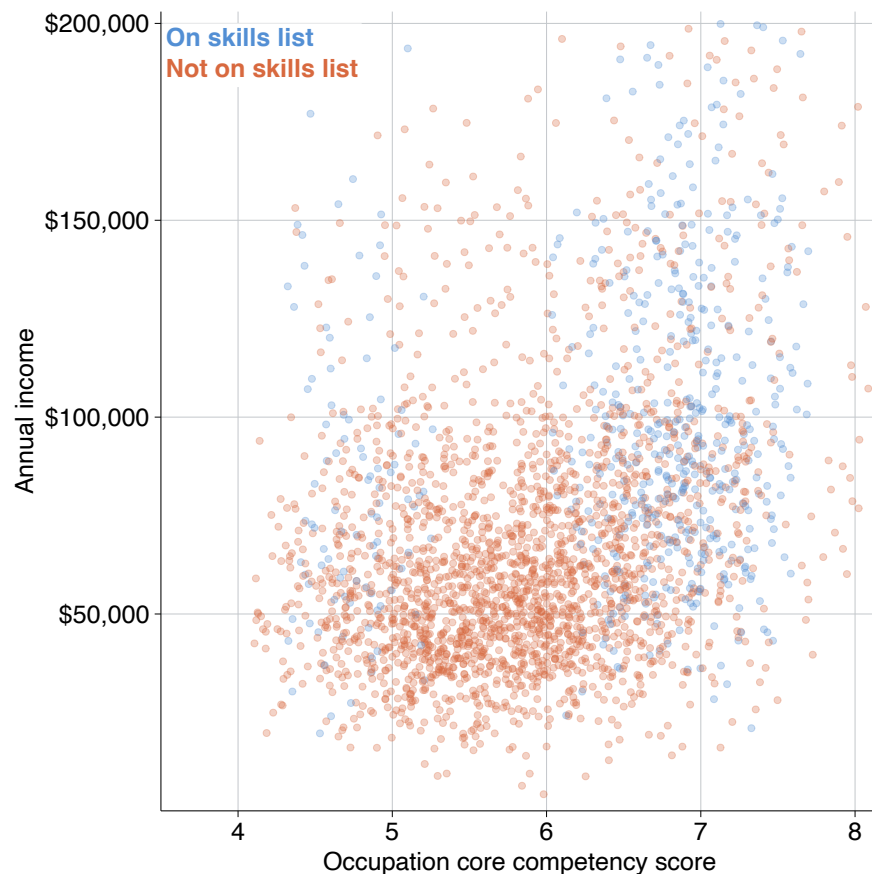
Even if reformed to target higher-wage occupations, occupation lists are a poor basis for targeting high-wage workers compared to a wage threshold. Occupations can represent a range of diverse jobs; even occupations with high average salaries can encompass many jobs with low salaries.

95. As is the case under the existing TSS visa, jobs would generally be full-time. Any part-time job would have to offer total earnings exceeding \$70,000, regardless of the number of hours worked.

96. See Coates et al (2021, Figure 7.12).

Figure 4.1: The Short-term Skilled Occupation List is not well targeted to either high-skill or high-wage occupations

Each dot represents about 1,000 full-time workers in the Australian labour force by occupation

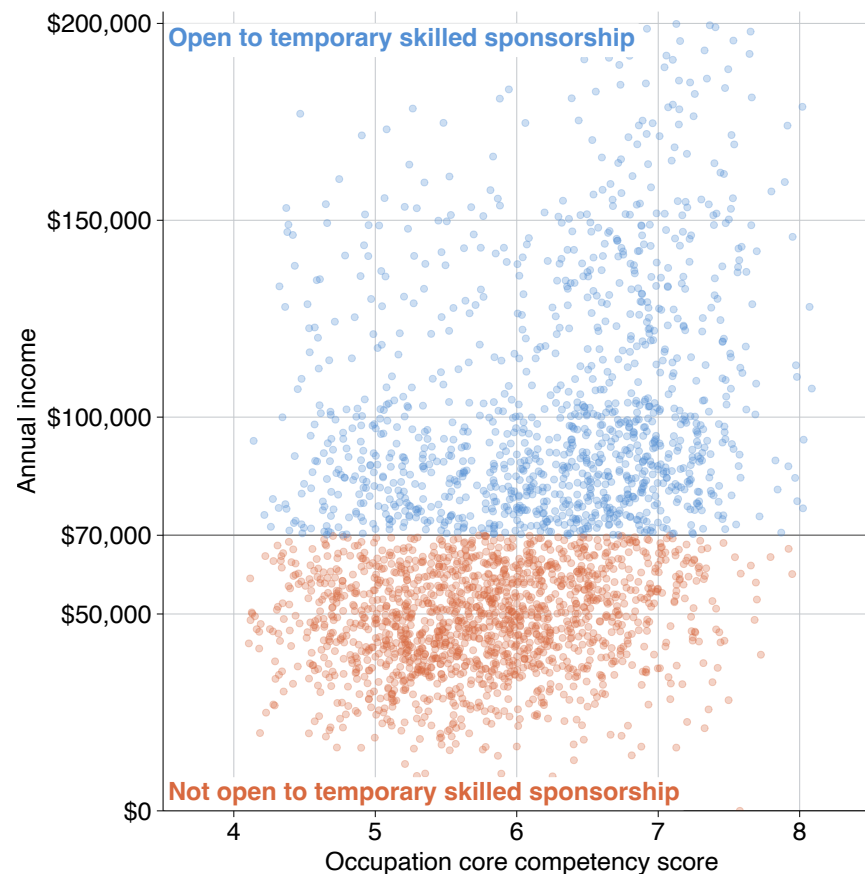


Notes: Annual gross incomes shown. Full-time workers aged 19 and older in the 2016 Census. Competency scores are the average of 10 core occupational competencies – such as numeracy and problem-solving – developed by the National Skills Commission.

Sources: Grattan analysis of ABS (2016a); National Skills Commission (2021); Short-term Skilled Occupation List (2020).

Figure 4.2: A \$70,000 wage threshold would better target high-skilled, high-wage workers for temporary sponsorship

Each dot represents about 1,000 full-time workers in the Australian labour force by occupation



Notes: See Figure 4.1.

Sources: See Figure 4.1.

Figure 4.3 shows how this works in practice. ‘ICT Professionals’, a common occupation for jobs sponsored under the TSS visa, has 13 per cent of workers earning less than \$70,000, 48 per cent earning more than \$100,000, and the remaining 39 per cent in between. ‘Food Trades Workers’ are heavily concentrated in low-wage jobs, with almost 90 per cent of workers earning less than \$70,000.

Some high-wage jobs in low-wage occupations are also excluded from temporary sponsorship. The occupation ‘Electronic Trades Worker’ had about 18,500 full-time jobs at the 2016 Census. About 75 per cent of these jobs had salaries below \$80,000 a year, and about 10 per cent had salaries above \$100,000.⁹⁷

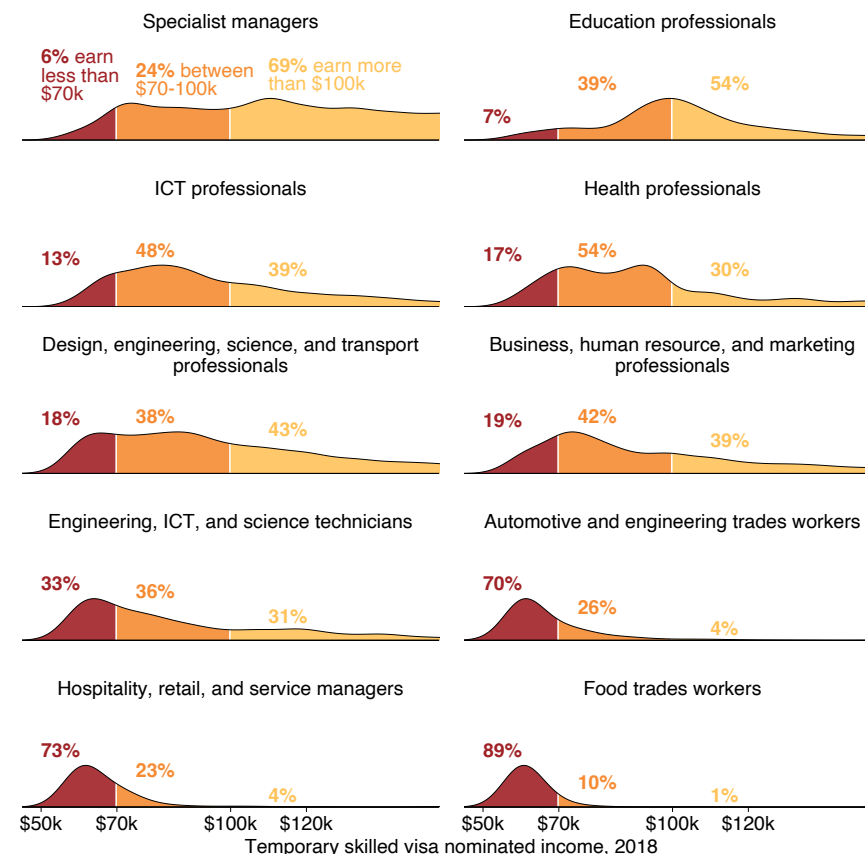
The diverse wages paid for jobs within the same occupation reflect the fact that an occupation is made up of many different individual jobs.⁹⁸ A senior accountant at a global business based in Sydney and a graduate accountant for a local mechanic in Mildura may both be classified by the occupation ‘accountant’. But the level of education and experience, daily tasks and responsibilities, and remuneration offered for each *job* will vary dramatically (see Appendix A).

97. Coates et al (2021, p. 78).

98. The ABS says: ‘ANZSCO identifies a set of occupations covering all jobs in the Australian and New Zealand labour markets, defines these occupations according to their attributes, and groups them on the basis of their similarity into successively broader categories for statistical and other types of analysis. The individual objects classified in ANZSCO are jobs’: ABS and Statistics New Zealand (2006, p. 4).

Figure 4.3: Incomes vary dramatically within occupations

Income distribution of TSS visa grants in 2018, by occupation group



Notes: The 10 most popular TSS visa ANZSCO submajor occupations in 2018 are shown. Wages inflated to \$2021 using AWOTE.

Source: Grattan analysis of ABS (2021a).

4.1.2 \$70,000 is the right threshold

A guaranteed offer of a high-wage job is a strong sign that applicants have valuable skills and will succeed in Australia. A wage threshold would also simplify the sponsorship process and provide greater certainty for both firms and workers.

A \$70,000 threshold accounts for the fact sponsored workers are younger

Temporary sponsorship should be available for workers in all occupations, provided they have a wage offer exceeding \$70,000 a year.

The current wage threshold for temporary sponsorship, the Temporary Skilled Migration Income Threshold (TSMIT), is set far too low at \$53,900 a year. If the TSMIT had been indexed to wages growth since 2013, it would sit at about \$65,000 today.

We recommend a \$70,000 wage threshold, which is slightly below the full-time earnings of the median Australian worker of \$83,000 a year.⁹⁹ The threshold is set below median full-time earnings since temporary skilled visa holders are often younger, and therefore in the early stages of their career, earning lower incomes.¹⁰⁰ The median full-time wage for Australian workers aged 25-34 is \$71,750.¹⁰¹

Figure 4.4 shows that TSS visa holders in most industries achieve strong growth in their real wages over the course of their temporary sponsorship in Australia. In contrast, TSS visa holders in lower-wage industries such as hospitality and retail have flat or falling real wages.

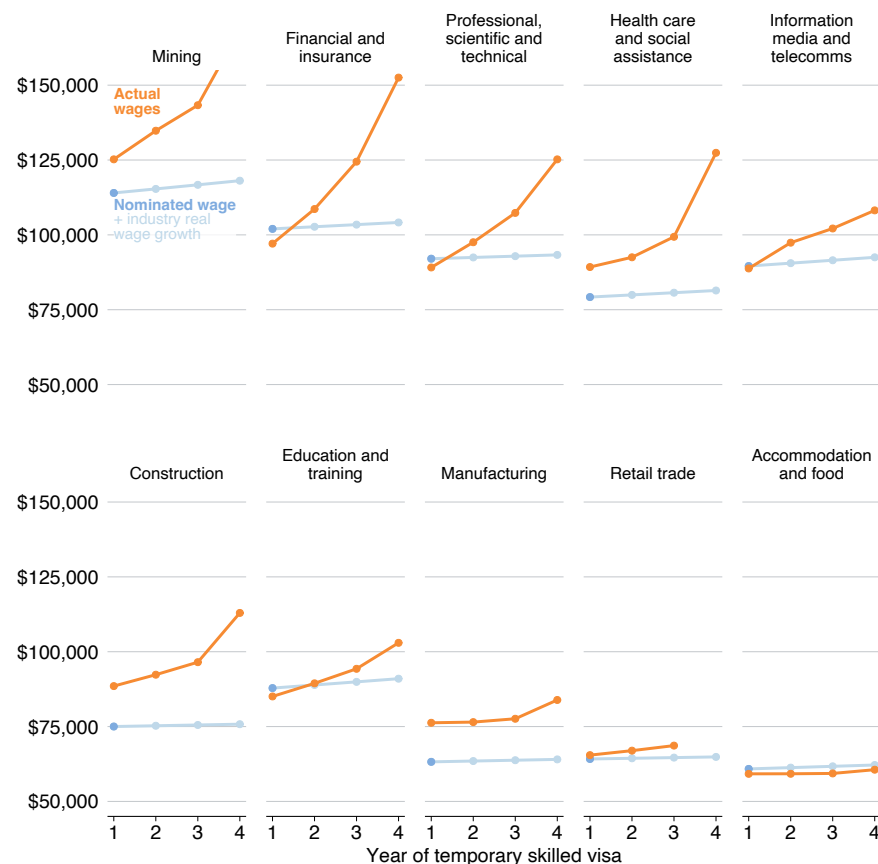
99. As of May 2021: ABS (2022c). Grattan Institute's 2021 report, *Rethinking permanent skilled migration after the pandemic*, recommended a wage threshold of \$80,000 for permanent sponsorship to broadly match median full-time earnings of Australian workers: Coates et al (2021, p. 79).

100. See Figure 1.4. The median age for TSS visa holders is currently 31 years.

101. As of August 2021, for earnings in main job: Grattan analysis of ABS (2021d).

Figure 4.4: Temporary skilled workers in high-wage sectors have strong wages growth, but those in hospitality and retail trade don't

Median annual real wages for temporary skilled workers



Notes: People in Australia on a 457 or 482 (TSS) visa between 2010 and 2018. Wage data is salary and wages from ATO personal income tax records, inflated using CPI. Only financial years fully covered by a temporary visa span are included.

Source: Grattan analysis of ABS (2021a).

4.1.3 Temporary sponsorship should be open to all jobs above \$70,000

Removing occupation lists and introducing a \$70,000-a-year wage threshold would open up employer sponsorship to more high-paying jobs. Instead of specific occupations being eligible for a visa, an employer would simply have to ensure their job paid more than \$70,000 a year, while also complying with the annual market salary rate criteria for that job.

This reform would not reduce the total number of jobs eligible for temporary sponsorship, it would simply shift the eligible jobs away from often-arbitrary occupations to exclusively target workers capable of attracting high salaries.

In fact, Table 4.1 shows that the share of full-time jobs in Australia open to temporary sponsorship would rise from 4 million (44 per cent) under the current Temporary Skill Shortage (TSS) visa to about 5.9 million (66 per cent) under the proposed Temporary Skilled Worker (TSW) visa.¹⁰² A higher wage threshold would also encourage some employers to bid up their wage offers to prospective workers, so they could continue to have access temporary sponsorship.

The proposed visa would be employer-driven, so employers would have to determine whether the applicant would be able to do the job. This would automatically exclude jobs that are only available to Australian citizens – such as defence force and public service roles – and those for which Australian or partner-country occupational licensing is required.

Table 4.1: Replacing occupation lists with a \$70,000 wage threshold would increase the number of jobs eligible for temporary sponsorship

| Temporary skilled migration visa conditions | Full-time jobs in Australia open to temporary skilled migration | Share of all full-time jobs |
|--|---|-----------------------------|
| 457 era | 4.7m | 52% |
| TSS era | 4.0m | 44% |
| Proposed TSW era, with \$70,000 wage threshold and no occupation lists | 5.9m | 66% |

Notes: See Appendix B.

Source: See Appendix B.

102. Some jobs that would technically become eligible for temporary sponsorship would remain off-limits in practice due to other requirements, such as occupational licensing (such as many medical professionals), or rules restricting the jobs to Australian citizens (such as the federal public service).

This change would open up temporary sponsorship to many additional high-wage jobs, including jobs in some occupations classified as low-skill, such as construction roles, but which pay high wages.

4.2 Under our proposed visa, low-wage jobs would no longer be eligible for temporary skilled sponsorship

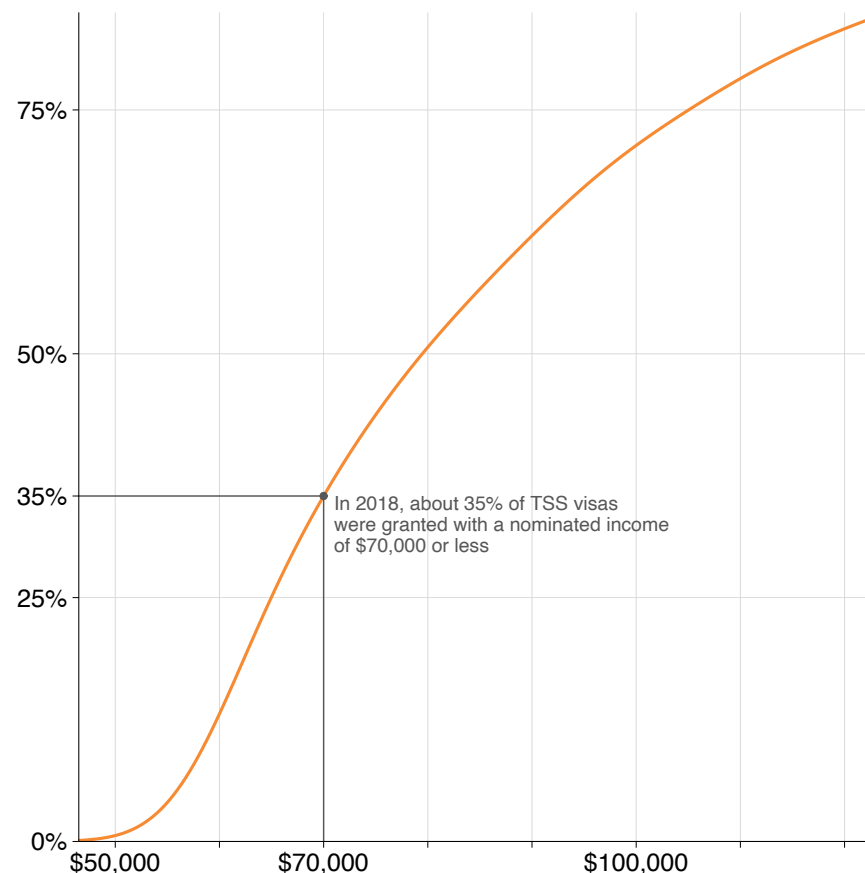
Introducing a new visa is a big reform. As with any substantial change, some who rely on the status quo would lose out (Figure 4.5). Some occupations would be effectively excluded from temporary sponsorship under the proposed TSW visa. About 90 per cent of food trades workers sponsored under the TSS visa in 2018 had a salary below \$70,000, while three-quarters of sponsored hospitality, retail, and service managers were also below the proposed new threshold.¹⁰³

This will affect some industries more than others (Figure 4.6 on the next page). The accommodation and food services industry will no longer be able to access 90 per cent of its TSS visa pool, which makes up about 1.5 per cent of its labour force. However all other industries would be much less affected, losing less than 1 very in 200 workers currently employed in the sector.

A \$70,000 threshold would inevitably disadvantage employers who already sponsor workers into jobs such as chefs, cooks, automotive trades, and construction trades. But in most occupations, fewer than one-in-four jobs currently eligible would be excluded from temporary sponsorship under our proposed visa. And the proposed visa would not preclude employers from sponsoring affected occupations such as chefs or automotive workers, but they would have to be paid more than \$70,000.

Figure 4.5: A \$70,000 wage threshold would exclude about one-third of Temporary Skill Shortage visas previously awarded

Cumulative share of TSS visa grants by nominated income

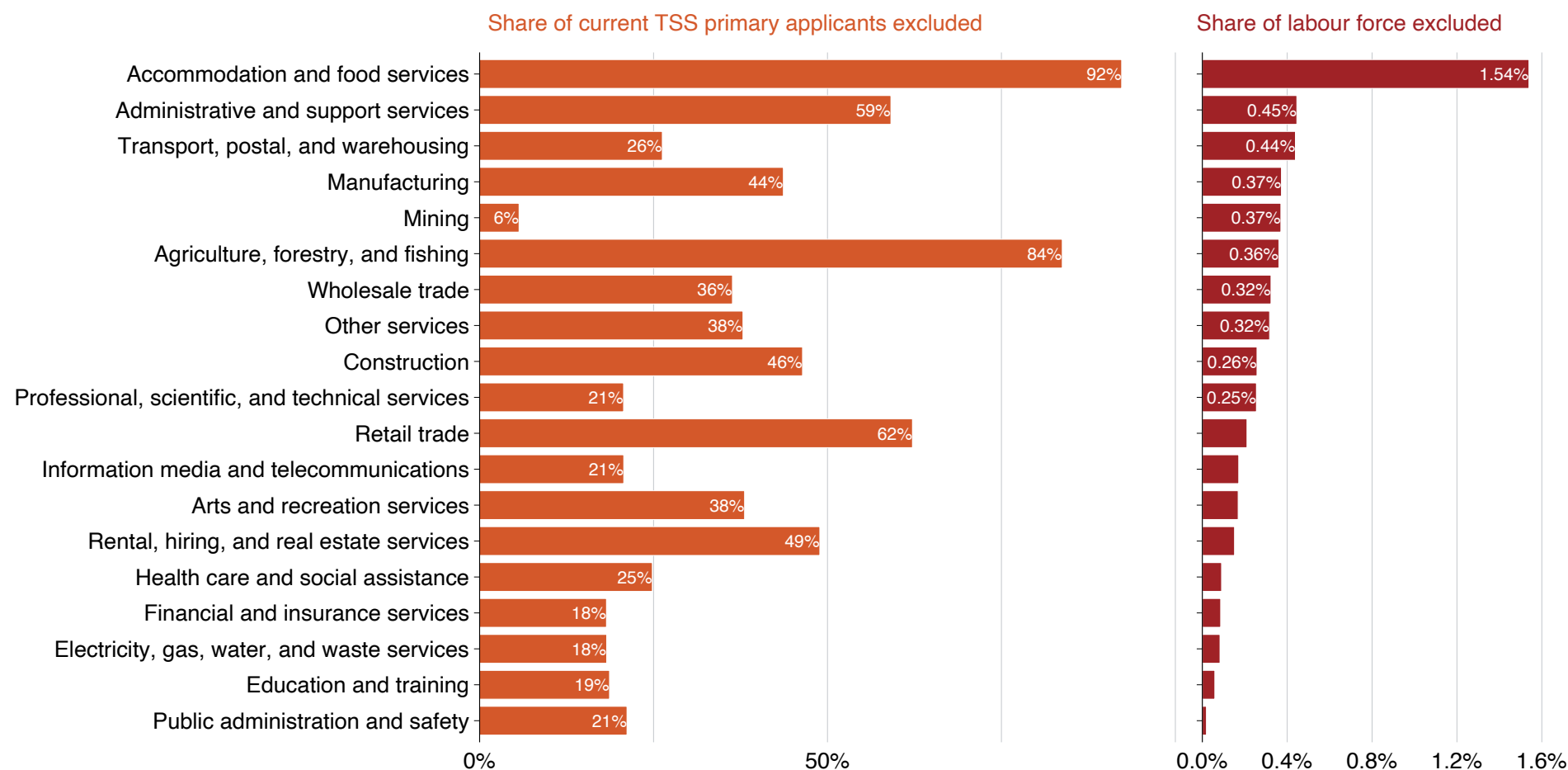


Notes: TSS visas awarded in 2018. Nominated income is inflated to 2021 wages using AWOTE.

Source: Grattan analysis of ABS (2021a).

103. Of TSS visas awarded in 2018. Grattan analysis of ABS (2021a).

Figure 4.6: Hospitality would be the most affected industry, losing 1.5 per cent of it's current workforce, while others are less affected



Notes: TSS visas awarded in 2018. Nominated income is inflated to 2021 wages using AWOTE.

Source: Grattan analysis of ABS (2021a).

Some argue these occupations are in high demand and subject to skill shortages.¹⁰⁴

As discussed in Chapter 2, skill shortages are difficult to define, hard to measure, and more likely to occur for jobs experiencing wage growth. Figure 4.7 shows that low-wage sectors such as accommodation and food services and retail trade have particularly slow wages growth, with more than half of all sponsored workers gaining nominal wage rises of less than 2 per cent a year. Since these occupations experience among the least wage growth for workers on TSS visas, it is hard to argue these sectors were experiencing substantial skills shortages before COVID. In contrast, sponsored workers in most other sectors, where wages are typically higher to begin with, have much stronger wages growth while in Australia.

Transition arrangements should be introduced for the changes to temporary skilled sponsorship, to allow affected employers and workers to adjust in a timely way. Chapter 6 outlines when these changes should occur. To help employers adjust, the transition should occur over two years, beginning in 1 July 2023. As TSS visas are valid for between two and four years, in reality the transition process will naturally be longer as employers hold onto existing sponsored staff through to the end of their visas.

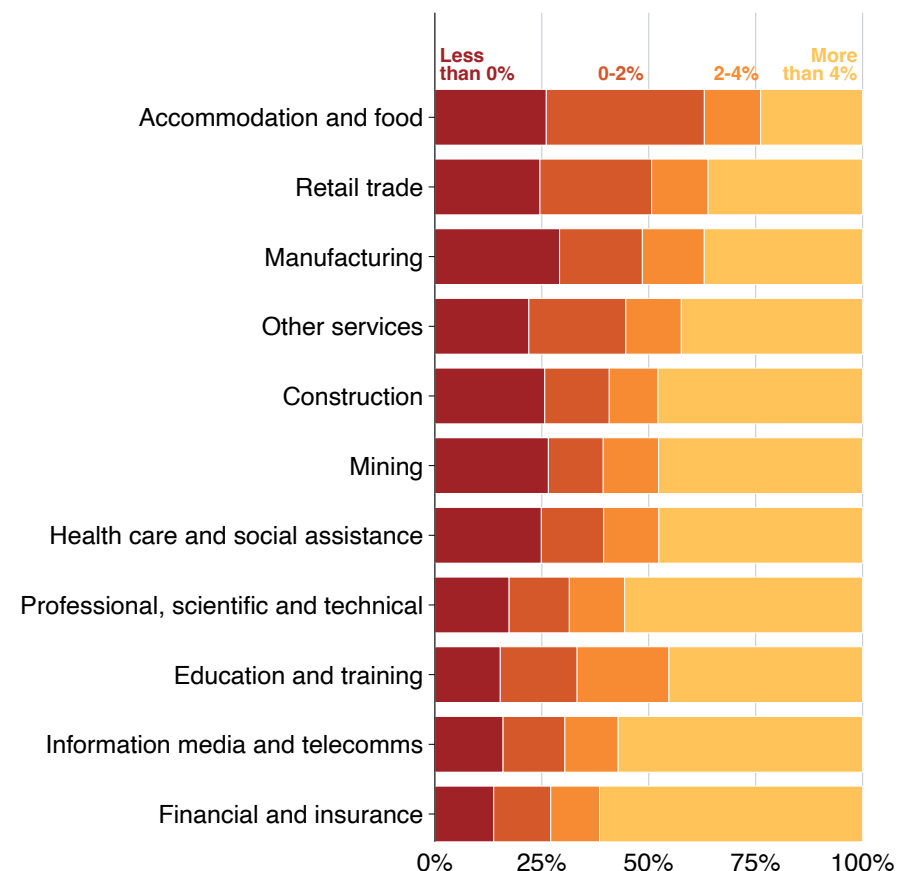
4.2.1 Employers would adjust in different ways

Employers who currently rely on the TSS visa to sponsor workers in jobs paying less than \$70,000 would adjust in different ways.

Most employers would seek to hire other workers to fill the jobs at similar wage levels. These workers may be Australian citizens. They may also be migrants on other classes of visas. After all, most temporary visa holders working in lower-wage sectors such as

Figure 4.7: TSS workers in most industries experience strong nominal wage growth

Share of temporary skilled migrants by average annual nominal wage growth



Notes: People in Australia on a 457 or 482 (TSS) visa between 2010 and 2018. Wage data is salary and wages from ATO personal income tax records. Only financial years fully covered by a temporary visa span are included.

Source: Grattan analysis of ABS (2021a).

104. Restaurant and Catering Australia (2021).

hospitality and tourism are not TSS visa holders, but international students, working holiday-makers or New Zealanders (Figure 4.8). While temporary and permanent visa holders account for up to 40 per cent of workers in some occupations in the hospitality industry, such as food trades workers (i.e. chefs and cooks, Figure 4.10), TSS visa holders account for only a modest share of workers in the sector. Many visa holders working in other sectors – such as aged care – are already permanent residents (see Appendix C).

Where employers cannot find workers at the prevailing wage rate, some employers may seek to raise their wages or change other conditions to attract workers. Alternatively, they may seek to substitute workers with additional capital investment.¹⁰⁵ Where this is successful, prices may rise to reflect higher costs.

In a small number of situations, employers may not be able to raise wages given their revenue constraints. In such circumstances, firms and sectors are likely to shrink as they adjust, and some existing businesses may close.

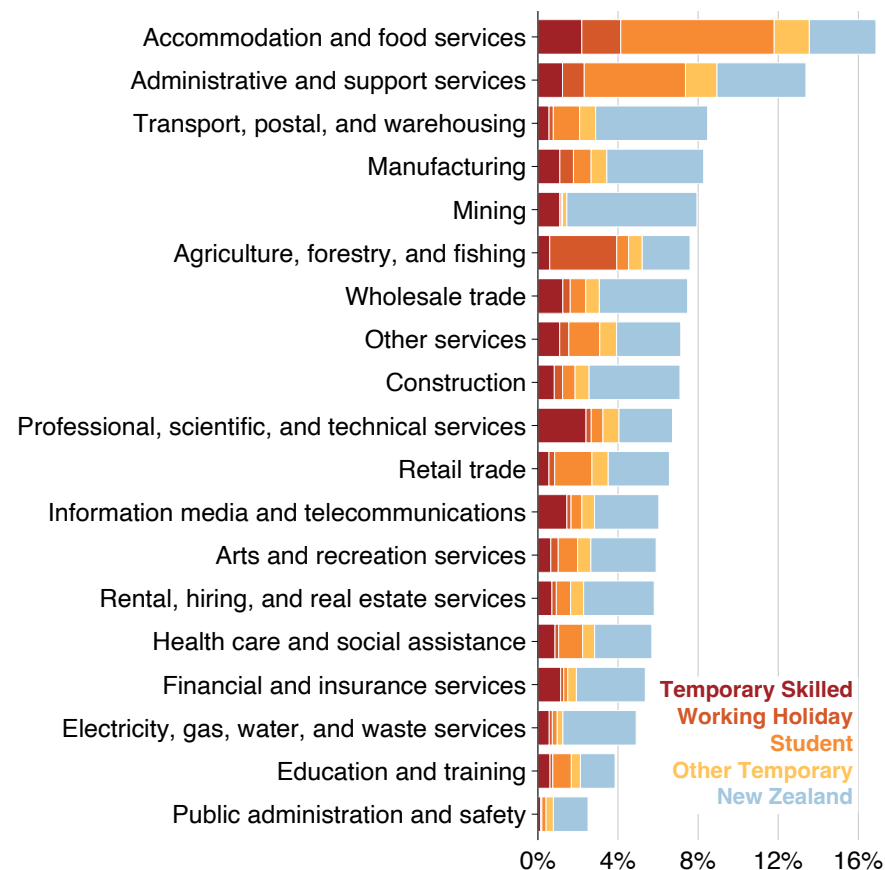
The Morrison Government has announced plans to meet rising demand for nursing and aged care workers using temporary migration.¹⁰⁶ Employers seeking lower-wage workers in these sectors are already precluded from recruiting staff via temporary sponsorship, since key occupations in these sectors are not listed (Box 3 on the following page). Our proposed changes outlined here will not change this. People born overseas are already an important part of the aged care workforce. But those workers do not hold temporary skilled work visas, they are existing permanent residents, or students, or New Zealand

105. For instance, unexpected labour shortages in agriculture due to COVID border closures have caused some farmers to invest in machinery to reduce their labour demand. See: Hogan and Bennett (2021). The same situation can arise in hospitality. See: Seyfort (2022).

106. Coorey (2021).

Figure 4.8: Most temporary migrants in the labour force are not on skilled temporary visas

Temporary migrants, share of employment by industry, 2016



Notes: See Figure C.2.

Source: Grattan analysis of ABS (2016a), ABS (2016b) and ABS (2016c).

Box 3: The aged care sector would not be materially affected

Some stakeholders have raised concerns that restricting temporary sponsorship solely to higher-wage jobs would make it harder for employers in the community sector to meet their workforce needs. This reflects a perception that low-wage jobs in the community sectors are eligible for temporary sponsorship. But the aged care sector has only a small number of workers who hold a TSS visa, and these workers are in high-wage jobs such as managers and nurses. Carers, cleaners, and other low-wage jobs are currently ineligible for the TSS visa under standard sponsorship rules. In particular:

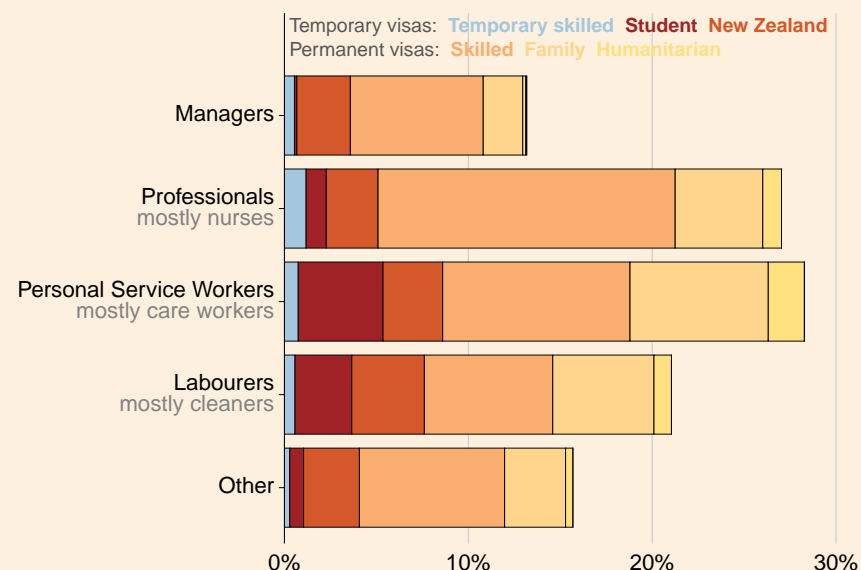
- 1. Aged and Disability Carers are not on the occupation lists:** Care work is ineligible for the TSS visa because the main occupation – Aged and Disabled Carer (ANZSCO Code 423111) – is not listed on any of the occupation lists.^a
- 2. Most carers are paid below the current wage threshold of \$53,900:** Full-time annual earnings for entry level care work is about \$43,000 without penalties.

Many migrants work in the aged care sector, including care work. But they do not hold temporary skilled work visas (Figure 4.9). Instead, they are people born overseas who are now citizens or permanent residents. Some hold a temporary visa, the largest group of whom are New Zealand citizens, followed by international students. See Appendix C for a detailed breakdown of the aged care workforce by visa type and length of time in Australia.

a. See Box 1 on page 24. The exception is the Kalgoorlie-Goldfields Designated Migration Area Agreement, where the occupation ‘Aged or Disabled Carer’ is eligible. Workers sponsored under this agreement require a salary above \$48,510. It is unclear how many workers are sponsored under this agreement.

Figure 4.9: Most migrants working in the aged care sector are permanent migrants, students or New Zealanders

Share of total employees in Residential Care Services by occupation and visa



Notes: See Figure C.2.

Source: Grattan analysis of ABS (2016a), ABS (2016b) and ABS (2016c).

citizens. Where additional migrant workers are needed for aged care, they are likely to come via these visa streams.

Governments will also need to offer higher wages to attract additional workers into these sectors.¹⁰⁷ Relatively higher wages in the disability sector already seem to have attracted workers from the aged care sector. Higher wages in growing sectors such as health, aged, and disability care would of course add to the budgetary pressures of an ageing population.¹⁰⁸ Additional revenues are likely to be needed to meet these funding demands, especially as the size of government appears to have permanently increased since the onset of the COVID pandemic.¹⁰⁹

4.2.2 Australian workers in low-wage jobs would probably benefit

Expanding temporary skilled migration for jobs with higher wages will help address income inequality and gender pay gaps. As noted in Chapter 2, while immigration has little aggregate effect on the employment or income of existing workers, it does have distributional effects.

Preventing employers from sponsoring a large number of future low-wage workers in sectors such as hospitality and retail trade will probably result in existing workers in these jobs getting higher wages. The same is true for care work. Over the long term, this should make care work more attractive.

Female-dominated occupations attract lower pay than male-dominated occupations. A \$70,000 wage threshold would ensure any negative

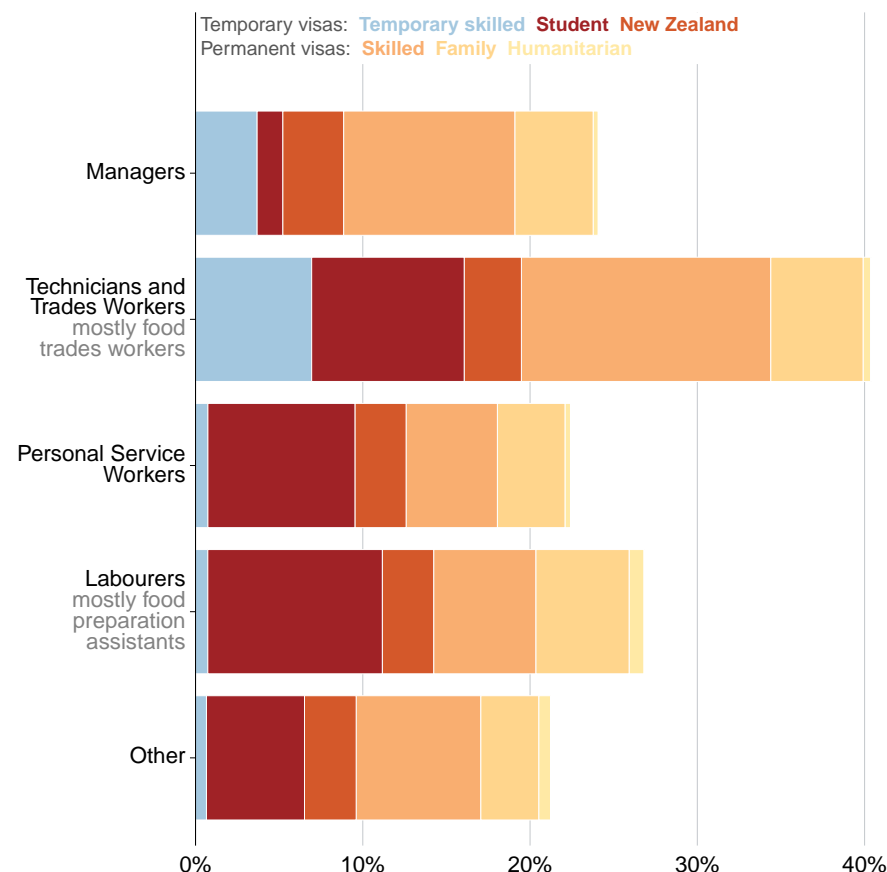
107. A work value application for a 25 per cent pay increase has been lodged with the Fair Work Commission for aged care workers and nursing staff. The Commission is expected to hear the case in mid-2022.

108. Community Affairs References Committee (2017).

109. Coates and Stobart (2021); and D. Wood et al (2022).

Figure 4.10: Most migrants working in the hospitality sector are permanent migrants, students, or New Zealanders

Share of total employees in Accommodation and Food Services by occupation and visa



Source: Grattan analysis of ABS Census (2016), Australian Census and Migrants (2016), and the Temporary Entrants Integrated (2016) datasets.

distributional effects of temporary skilled migration are felt by those towards the top instead of those at the bottom of the wages distribution, helping close the gender pay gap.¹¹⁰

4.3 Opening sponsorship to all high-wage jobs should boost the budget bottom line

Targeting temporary sponsorship at high-wage jobs could offer a substantial boost to the budget bottom line. As shown in Table 4.1, a \$70,000 wage threshold would result in the total number of jobs eligible for temporary sponsorship rising from 44 per cent to 66 per cent.

Figure 4.11 shows that, assuming that the wage distribution of temporary sponsored migrants earning more than \$70,000 a year remained unchanged after the reforms, our proposed changes would boost the budget bottom line, provided the total stock of sponsored workers in Australia didn't fall by more than 15 per cent. If the stock of sponsored workers rose by 15 per cent from current levels, the annual fiscal dividend from temporary sponsorship would increase by \$800 million a year.

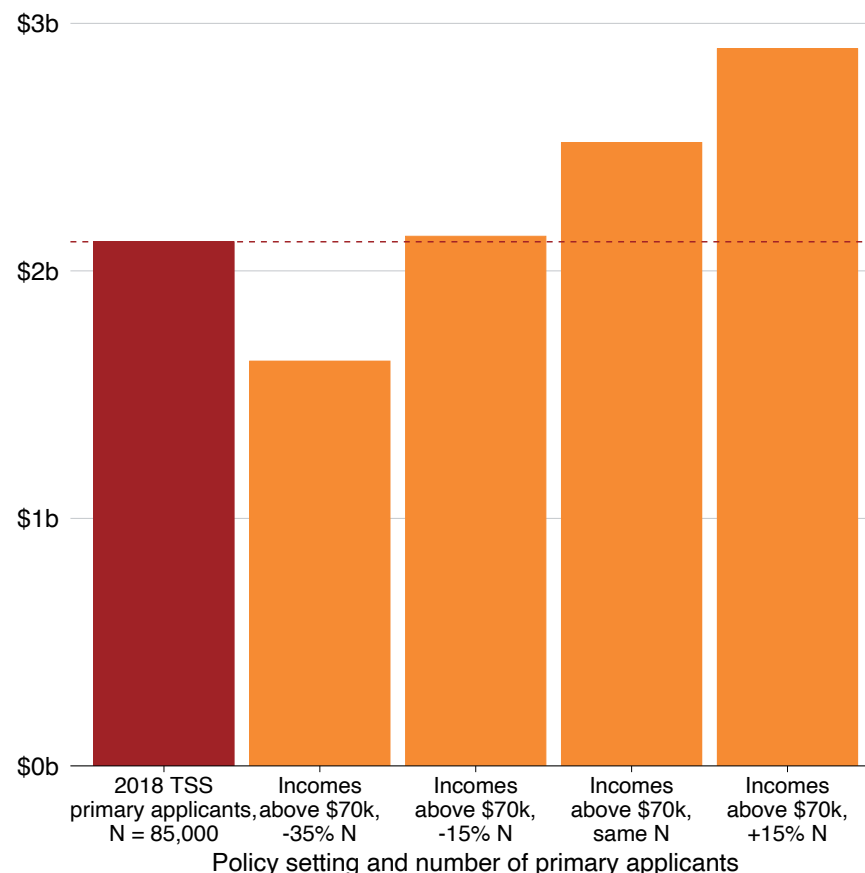
4.4 Labour agreements should be abolished where they facilitate low-wage work

Labour agreements are an increasingly popular means to sponsor workers under the Temporary Skill Shortage visa. Labour agreements primarily facilitate temporary sponsorship of low-wage workers on TSS visas, including jobs in occupations otherwise excluded

110. Some may be concerned that a higher wage threshold would result in a more male-heavy population of future migrants. It is difficult to be conclusive about this. Removing the occupation lists, which are heavily biased towards men, would create a more even balance. However establishing a higher wage threshold may also skew jobs eligible for temporary sponsorship further towards those often done by men.

Figure 4.11: The annual fiscal dividend from temporary skilled migration depends on the number of sponsored workers

Annual fiscal benefit of temporary skilled primary applicants, in 2018 and with cohort sizes



Source: Grattan analysis of ABS (2021a) and Varela et al (2021).

from occupation lists.¹¹¹ Skilled meat worker is the most common occupation. Other industry labour agreements include dairy, on-hire (labour hire), fishing, restaurants, advertising, and horticulture. The increasing willingness of the federal government to grant and promote labour agreements is taking skilled visa policy in the wrong direction.

Opening temporary sponsorship to all occupations would make most labour agreements redundant. By using a wage threshold, any job would be able to be sponsored, provided it paid at least \$70,000 a year.

The Pacific Labour Scheme visa and the Seasonal Worker Program visa, which target low-wage temporary migrants, adopt a stronger regulatory framework than the TSS visa.¹¹² Yet even under these regulatory conditions, exploitation and mistreatment occurs. Low-wage workers are poorly placed to protect themselves from employers who are prepared to break the law.¹¹³

New labour agreements facilitating low-wage work should cease immediately. To assist with the transition of the existing workforce, labour agreements should no longer be renewed after 1 July 2024. This would provide an interim period of almost two years, in addition to the remaining duration of visas already issued by 30 June 2024.

Abolishing labour agreements would also end the Designated Area Migration Agreement (DAMA) program. Established in 2011 during the mining boom, DAMAs establish a set of concessions from standard rules for a geographic area. There are currently nine DAMAs.

111. Labour agreements are also used for other purposes, such as facilitating the sponsorship of religious workers who do not receive a formal wage, as well as the Global Talent Employer Sponsorship visa stream. For this report, we are specifically referencing labour agreements that promote low-wage work, via expanding low-skilled occupations and/or the provision of a lower TSMIT.

112. These visas are designed, in part, due to foreign and development policy priorities.

113. Worker mistreatment under these visas is regularly reported in the media. See: Marie (2022).

The fact that there are different wages in different regions of Australia is not a strong rationale for bespoke visa conditions. The benefits of the TSS visa do not stem from boosting the labour markets in regions facing population decline.¹¹⁴ Grattan Institute has previously called on Australian governments to stop trying to divert population to regional Australia.¹¹⁵

4.5 Encourage job switching by temporary skilled visa holders

The proposed Temporary Skilled Worker visa should be made more portable, allowing temporary skilled migrants to more easily switch sponsoring employers should they find a better job once in Australia. Current temporary skilled visa rules require migrants to stick with their sponsoring employer. These rules prevent temporary skilled migrants from finding better jobs, limit their bargaining power, and increase the risk that they will be exploited.

The TSW visa would promote more switching because workers would not need to remain in the same occupation if they changed jobs, workers would not need to gain a new visa when they changed jobs, and workers would have more time to find alternative work if they left their employer.

4.5.1 Existing rules for temporary sponsorship bind workers to their employer

Currently, temporary skilled migrants are effectively tied to their employer while in Australia. Temporary skilled workers must remain employed by their sponsoring employer as a condition of their visa.¹¹⁶

114. Coates et al (2021, Chapter 3).

115. Daley et al (2019).

116. Workers can currently change jobs if they are sponsored by a new employer. This is difficult, often requires a new visa to be granted, and in practice must be in a similar occupation.

Since 2017, temporary skilled workers who stop working for their sponsoring employer must leave Australia within 60 days.¹¹⁷

Binding workers to a single employer in this way is a common regulatory process for temporary work visas across most high-income countries.¹¹⁸ After all, temporary sponsorship isn't costless for employers: binding temporary skilled migrations gives employers confidence they won't immediately lose a sponsored worker once the worker gets to Australia.

Yet restricting labour mobility for temporary skilled visa holders is very costly. Preventing temporary skilled workers from easily switching jobs once in Australia denies them the opportunity to move to a job that better uses their skills, especially as they develop local knowledge and contacts. A growing body of evidence suggests that countries with more job mobility have higher wage growth, lower unemployment, and higher labour productivity.¹¹⁹ Switching employers is particularly important for young workers who are motivated by wage increases.¹²⁰

Binding workers also creates an environment where exploitation thrives, especially since the right of sponsored workers to remain in Australia, and to apply for permanent residency, depends on them remaining employed. Some employers may prefer sponsored workers to Australian workers for this reason.

117. Between 2013 and 2017, it was 90 days. Before 2013, it was 28 days.

118. International equivalents of the Australian TSS visa are: the US H-1B visa, the Canadian Federal Skilled Worker visa, and the New Zealand Essential Skills visa. All bind workers to employers.

119. Engbom (2022). Deutscher (2019) identify more-frequent job switching as a driver of higher wage growth, even for workers who stay in their job.

120. Topel and Ward (1988).

4.5.2 TSW visa holders should be able to more easily switch employers

People on our proposed Temporary Skilled Worker (TSW) visa would be able to more easily switch employers. Workers would still need to be sponsored by employers. But a sponsored worker should be able to change roles with an employer, or switch employers, provided the job they are moving to is paid above the wage threshold of \$70,000 a year. Workers on temporary skilled visas should be able to begin work for a new employer as soon as a new nomination is lodged, as occurs in the US,¹²¹ rather than having to wait until the nomination has been approved, as is the case in Australia.

If the occupation lists were abolished, workers would no longer be forced to work in one specific occupation. Currently, if an ICT customer service officer is offered a new job focused on market research, they would have to demonstrate their ability to perform the job and gain a new visa. Under our proposed system, they would simply be able to accept the job and begin working, providing the salary was above \$70,000 and was at least equal to Australian market salary rates. Unlike the rule for the TSS visa, no new visa should be required to change jobs or gain a promotion. Workers could use the TSW visa they already held and simply switch employers. The visa would then be linked via the nomination to a different employer.

Workers on our proposed TSW visa would be able to remain in Australia without a nominated employer for three months.¹²² Sponsored migrants have a strong incentive to find an employer with an eligible job, because this is the only pathway to remaining in Australia long term. And sponsored migrants without an employer would remain ineligible for public supports, such as unemployment benefits.

121. United States Department of Labor (2016).

122. This period of time cannot be unlimited, or the visa would become a de-facto general work visa.

Introducing greater mobility for sponsored workers would reduce the risk of migrants being exploited. Portability between employers would act as a quasi-enforcement mechanism against employers who mistreat their workers.¹²³

Some employers could be discouraged from incurring the costs of sponsoring temporary skilled workers if they couldn't guarantee they would retain the workers for an extended period. The federal government should therefore reduce the upfront costs of sponsorship, by switching from a system of upfront sponsorship fees to a small upfront fee and an ongoing monthly fee. The abolition of labour-market testing would also reduce costs (Chapter 5).

4.6 Strengthen compliance and penalties for employers

Unfortunately, some employers seek to extract profit by deliberately mistreating workers. Temporary skilled workers are more vulnerable to exploitation than Australian citizens and permanent residents, because they rely on their employer to remain in Australia.

Employers who do the wrong thing should be punished. Existing mechanisms should be strengthened, and enforcement heightened.

4.6.1 Existing compliance mechanisms to prevent fraud and underpayment should be strengthened

Under our proposed system, there would be no occupation lists; any occupation would be eligible for the new Temporary Skilled Worker visa as long as the sponsored wage was above the threshold of \$70,000 a year. Existing compliance mechanisms to prevent fraud and underpayment would be retained, and strengthened in some

123. Michael Clemens and Kate Gough call visa portability 'perhaps the single best thing the government could do to protect workers' rights': Clemens and Gough (2018). See also Nowrasteh (2018).

Box 4: Simply raising the Temporary Skilled Migrant Income Threshold is not enough

The Temporary Skilled Migrant Income Threshold, or TSMIT, is the wage level below which employers cannot sponsor workers on the TSS visa. Since 2013, the TSMIT has been frozen at \$53,900, although labour agreements also permit sponsorship for jobs earning as little as \$48,510 a year.

Increasing the TSMIT is often canvassed in policy debate. In a 2017 review, John Azarias recommended the TSMIT be indexed.^a At the 2019 federal election, the Labor Party committed to increasing the TSMIT.^b A recent Joint Standing Committee on Migration inquiry recommended the TSMIT be indexed to wages growth.^c

The TSMIT should be increased. But this alone would not solve the problems plaguing the TSS visa.

If the TSMIT were simply increased to \$70,000 a year and the current occupation lists remained, about 41 per cent of full-time jobs in the labour market would be eligible for sponsorship (Table B.1). But many high-wage jobs would remain ineligible, depriving the Australian community of big benefits.

Sponsorship would also remain administratively complex and uncertain. Employers would still be required to match their job advertisement to a listed occupation. And some employers, especially in highly-skilled service industries, would continue to struggle to recruit workers in new jobs that are not yet classified as an official 'occupation'.

a. Azarias (2016).

b. Macmillan (2019).

c. Joint Standing Committee on Migration (2021a).

cases. Sponsoring employers would still have to offer a wage above the relevant annual market salary rate (AMSR), which requires employers to show evidence that they will pay sponsored workers the same as they would pay an Australian worker to do the same job in the same location.¹²⁴

The AMSR appears broadly effective in ensuring temporary skilled migrants don't undercut the wages and conditions of Australian workers. Figure 4.12 shows that the wages of sponsored and Australian workers are similar across most industries. And most submajor occupation groups also have a similar distribution of income ranges for Australian citizens and people on temporary skilled work visas (Figure 4.13 on the next page).

A shift to a wage threshold in lieu of occupation lists for temporary sponsorship would make the AMSR even more important. And given the broad spread of wages for jobs within the same occupation, there are probably at least some instances where employers succeed in paying below-market rates that can't be detected from aggregate-level data.

Therefore, the Department of Home Affairs should invest significantly more analytical capacity in real-time analysis of administrative data to help guide visa processing officers when assessing market salary rates. Matching nominated incomes to worker paychecks is critical for effective monitoring. Continuing to rely on evidence such as surveys is outdated given the large advances in administrative data.¹²⁵

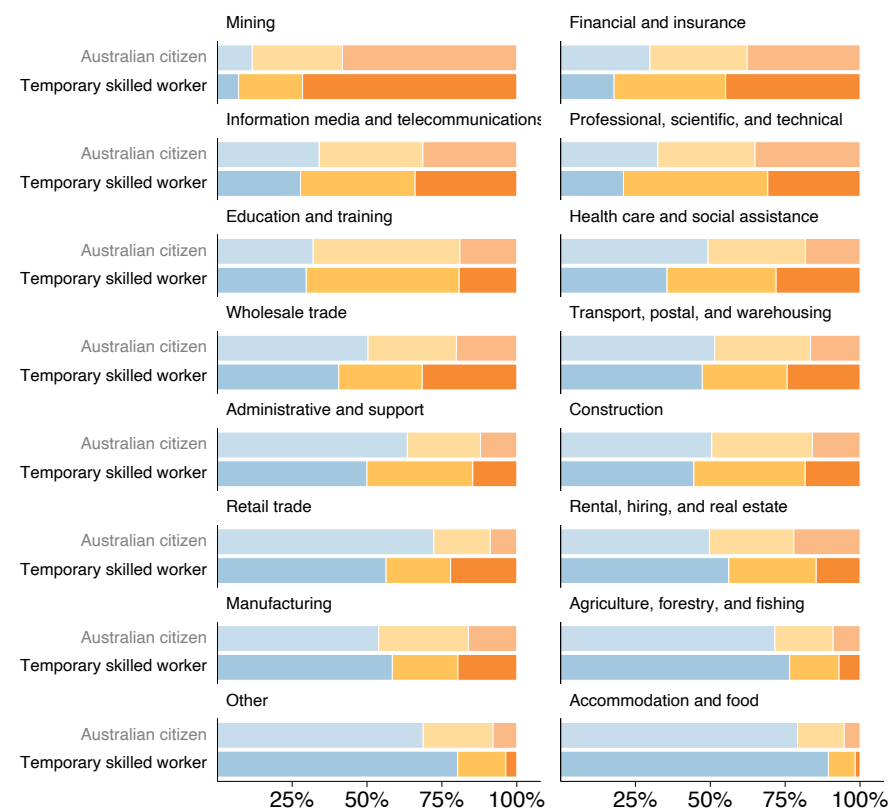
Some employers will try to game the system, by overstating an income to gain a temporary skilled visa. Existing administrative mechanisms should be retained to prevent fraud and underpayment.

124. See Regulation 1.03, Migration Regulations. See also Azarias (2014).

125. There are a host of new data options to examine the labour market, including the Multi-Agency Data Integration Project, or MADIP, which we have used extensively for the analysis in this report: ABS (2021a).

Figure 4.12: Most industries have a similar wage distribution for citizens and temporary skilled migrants

Share of full-time workers by **Low income** (\$65k or less); **Middle income** (\$65-104k); or **High income** (\$104k or more)

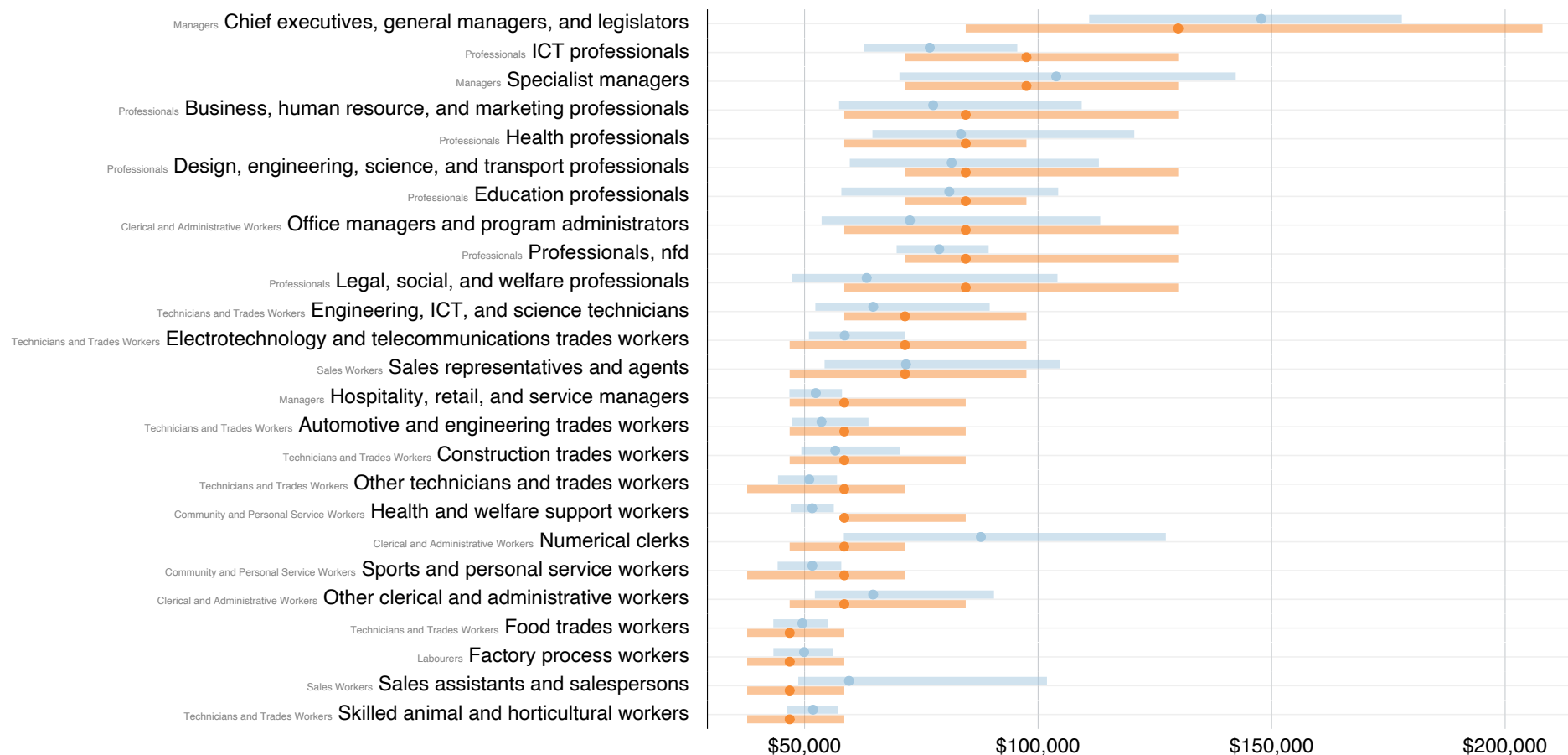


Notes: Only industries with 1,000 temporary skilled workers or more are shown. Australian citizens or temporary skilled worker primary applicants only.

Source: Grattan analysis of ABS (2016a) and ABS (2016c).

Figure 4.13: Most major occupation groups have a similar income distribution for citizens and Temporary Skill Shortage visa holders

Income distribution by occupation for **TSS workers** and **all full-time workers**



Notes: Median and interquartile range shown. TSS visa holders are primary applicants only.

Source: Grattan analysis of ABS (2016a) and ABS (2016c).

The federal government should better draw on mechanisms already in place to undertake enforcement activities. The Australian Tax Office has an existing visa data-matching program, in operation since 2009. The ATO sources ABNs, sponsorship identifiers, and nominated wages from the Department of Home Affairs to improve their compliance activities. If the occupation list is abolished, as we propose, the compliance campaign should focus on employers who nominate jobs at or above the \$70,000 wage threshold, particularly jobs in occupations not permitted under the current TSS visa.

4.6.2 Fund enforcement activities

The federal government should also better enforce the rules for employers that sponsor temporary skilled migrants, such as paying the sponsored wage and complying with Australian workplace laws. At present, enforcement appears to be a low priority for the federal government. Bad-faith employers who exploit migrants have little risk of sanction.

The Azarias review noted dedicated funding for sponsor monitoring and enforcement varied from year to year depending on broader departmental budget allocations. This appears to remain the case. Further, with immigration enforcement now centralised in the Australian Border Force, sponsorship compliance is now one subset of a much broader enforcement and compliance framework.

The Migration Act establishes a list of offences and penalties in relation to work by non-citizens and sponsored employers.¹²⁶ These offences include ‘allowing a lawful non-citizen to work in breach of a work-related condition’, and a ‘prohibition on asking for or receiving a benefit in return for the occurrence of a sponsorship-related event’.

126. See Section 245AA to Section 245AY.

Yet enforcement of these offences appears non-existent. According to a former Deputy Secretary of the Department of Immigration and Citizenship, Abul Rizvi, ‘the rewards from exploitation are substantial; the risks are small’.¹²⁷

Despite widespread allegations of worker exploitation,¹²⁸ in the 2019-20 and 2020-21 financial years there were only three formal investigations of the offences proscribed in the Migration Act.¹²⁹ These three investigations resulted in two employer sanctions.

Another form of enforcement is a set of sponsorship obligations.¹³⁰ There were 202 instances of employer non-compliance from January to September 2021.¹³¹ Employers who breach these obligations have their sponsorship barred or cancelled. Only 19 of the 202 sanctions indicated some form of monetary fine.¹³²

The Fair Work Ombudsman is responsible for ensuring employers comply with Australian workplace law but is unable to investigate and prosecute employers using powers in the Migration Act. However using the Fair Work Act, the FWO issued 147 compliance notices, 68 infringement notices, and 5 formal cautions for breaches relating to migrant work.¹³³ These penalties relate to all temporary visas, not just workers who are sponsored under the TSS.

The Morrison Government has introduced the Migration Amendment (Protecting Migrant Workers) Bill 2021,¹³⁴ in response to the 2019

127. Rizvi (2021).

128. See Baker and Wing (2021), Gillespie (2021).

129. See Department of Home Affairs (2021d). The Department’s IT system ‘CRIMS’ does not record whether investigations were referred to other authorities.

130. Migration Regulations 1994, 2.78-2.87.

131. The Australian Border Force maintains a public register of employers who breach the sponsorship obligations.

132. This information is drawn from the ABF Register of Sanctioned Sponsors.

133. Fair Work Ombudsman (2021).

134. Federal Government (2021).

report from the Migrant Workers Taskforce, led by Professor Allan Fels.¹³⁵ The Bill includes a more extensive list of offences and proposes publication of a 'blacklist' of banned employers.¹³⁶

While the Bill is to be welcomed, without additional resources to enforce the law and regulations, many employers who break the law will not face any consequences.

The Department of Home Affairs should conduct random audits of at least 3 per cent of jobs nominated each year. Audits should assess whether sponsoring employers are paying sponsored workers at least their nominated income. The results of these audits should be published.

The existing sponsorship obligations are broad, and include the ability to compel sponsors to keep records and provide records when requested. The Department should create a new automated process utilising these powers, to assess whether sponsoring employers are paying workers their nominated salaries, including their superannuation entitlements.

4.7 Our proposed Temporary Skilled Worker visa would offer a clearer pathway to permanent residency

Better aligning temporary sponsorship with permanent sponsorship would make Australia more attractive to skilled migrants, because the prospect of becoming an Australian citizen is attractive to many workers. Greater certainty about these pathways is particularly

important for higher-skilled migrants, who typically have multiple destination options.¹³⁷

The Australian company Atlassian says the lack of a residency pathway for some temporary workers 'makes it very difficult to attract high-level candidates in roles that are crucial to us'.¹³⁸ Others argue the two-year length of the short-term stream TSS visa in particular makes the visa unattractive to skilled migrants.¹³⁹

Under the existing TSS visa, prospective migrants can qualify for permanent sponsorship only if employed in an occupation on the Medium- and Long-Term Strategic Skills List (MLTSSL), which can change periodically.¹⁴⁰ This creates uncertainty for the worker and the opportunity for mistreatment by the employer. Experienced migration lawyers say this uncertainty is 'the single biggest issue' frustrating employers who use the visa.¹⁴¹

A recent report from the Joint Standing Committee on Migration recommended all sponsored workers should have access to permanent residency via employer sponsorship.¹⁴² Our proposed Temporary Skilled Worker (TSW) visa would offer a clearer pathway to permanent residency for sponsored migrants. TSW visa holders could be employed in any occupation, so workers and sponsors would no longer need to fear the nominated occupation being dropped from the list of eligible occupations. Instead, employers and workers could be

135. Fels (2019).

136. This already exists for the TSS visa (the Sanctions Register). The Bill seeks to extend this to other forms of temporary visa.

137. A recent OECD publication on attracting talent found Australia and New Zealand relied more heavily than other OECD countries on the prospect of obtaining permanent residency. See Tuccio (2019).

138. Atlassian (2021).

139. See Belinda Wright (KPMG), in Joint Standing Committee on Migration (2021b). Visas for occupations on the Short-term Skilled Occupation List are valid for two years and renewable only once before the worker must leave Australia to apply for a subsequent visa.

140. Coates et al (2021, Table 7.1).

141. Ajuria Lawyers (2021).

142. Joint Standing Committee on Migration (2021a).

confident of ongoing sponsorship, provided sponsored workers were paid at least \$70,000 a year.

A \$70,000-a-year wage threshold for the Temporary Skilled Worker visa would offer an even clearer pathway to permanent residency if it were paired with Grattan Institute's previous recommendations to replace occupation lists for permanent sponsorship with an \$80,000-a-year wage threshold.¹⁴³ Workers would be confident they could increase their earnings by \$10,000 – from \$70,000 to \$80,000 – over the four years of temporary sponsorship, and therefore secure permanent residency.¹⁴⁴

A clearer pathway to permanency residency would also sharpen incentives for sponsoring employers to invest in improving the skills of their staff.

143. Coates et al (2021, Chapter 7).

144. In addition to the wage threshold, other criteria for permanent sponsored visas would also need to be met (e.g. the age threshold).

5 Temporary sponsorship should be streamlined for employers

Sponsoring a migrant sends a clear signal that the employer believes a worker has skills well suited to their firm. Sponsorship involves costs for the employer. The rules for employer sponsorship should be streamlined. Rules for accrediting employers should be simplified, labour-market testing should be scrapped, and all upfront costs for temporary sponsorship should be replaced with a monthly fee.

5.1 Employer sponsorship is an effective way of matching talent to jobs

Employers, not governments, are best placed to decide who should be hired for a job. Employers have the most to gain or lose from hiring decisions. Sponsored migrants have better labour market outcomes than unsponsored migrants.¹⁴⁵

There are two main forms of sponsorship for the Temporary Skill Shortage visa: standard business sponsorship and accredited sponsorship (Table 5.1). Accredited employers receive benefits including priority processing of their nominations.

5.2 Temporary sponsorship is costly for employers

Sponsoring workers for temporary skilled visas entails substantial upfront costs. Becoming a sponsor costs \$420, and each time a job is nominated, the fee is \$330.¹⁴⁶ The employer must also pay a Skilling Australians Fund levy. The cost is \$1,200 per year of the visa for employers with a turnover of less than \$10 million, and \$1,800 per year of the visa for employers with a turnover of more than \$10 million.¹⁴⁷

145. Coates et al (2021) documents the superior labour market outcomes for sponsored migrants on permanent skilled visas.

146. Department of Home Affairs (2022b).

147. Ibid.

Table 5.1: Standard business sponsorship and accredited sponsorship have different criteria

| Standard business sponsor | Accredited sponsor |
|--|---|
| <ul style="list-style-type: none"> Valid for five years Legal and operating business No adverse information Demonstrated commitment to employing local labour Meets the sponsorship obligations | <ul style="list-style-type: none"> As per standard business sponsor, and be an Australian government agency, or be an Australian Trusted Trader, or Have 97 per cent of nominations approved and a workforce with at least 85 per cent Australians, or Have 97 per cent of nominations approved, with a minimum of 10 nominations in the previous two years, and a workforce with at least 75 per cent Australians, or Be a major investor in Australia, with an investment of at least \$50 million, and Revenue must exceed \$4 million over two years |

Note: Australian Trusted Trader is a designation for importers and exporters.

Source: Department of Home Affairs (2022d).

Visas are typically valid for two or four years, so total fees range between \$2,730 and \$7,530 per worker, equivalent to between 1 per cent and 3 per cent of the average wage for a temporary skilled visa holder over the duration of their visa. All of the fees have to be paid upfront.

There are concerns about the Skilling Australians Fund, which provides revenue for training and skills projects delivered by state and territory governments. Victoria and Queensland have refused to participate in the program, saying it is unstable and inadequate.¹⁴⁸

A recent Joint Standing Committee on Migration inquiry found the levy imposed a significant cost and was imposed too early in the process.¹⁴⁹ The committee called for changes to the way the levy was ‘collected, refunded, and applied’.¹⁵⁰

5.3 Sponsorship is uncertain for employers

Occupation lists can change up to twice each year, raising the prospect of occupations becoming ineligible or shifting to a different list with visa holders having no prospect of residency. Even if the lists do not change, the prospect that they might creates uncertainty.

To have a nominated job approved, an employer must convince the Department of Home Affairs that the position is genuine, the person will work only in the nominated occupation, and the position has been advertised appropriately. Even after a job is approved, there is no guarantee the prospective migrant will be granted a visa. And delays in processing are common.¹⁵¹

Between November 2016 and January 2019, there were 131,939 jobs nominated under the visa. About 10 percent – 12,930 – were rejected.¹⁵²

There are also non-monetary costs for employers. The costs of searching for skilled workers in the global labour market are often high.

5.3.1 Visa processing times vary significantly

Another source of uncertainty is the length of time taken to process the component parts of sponsorship, nomination, and visa applications. Table 5.2 on the following page shows how long it takes the Department of Home Affairs to process different applications. The median visa in the medium-term stream of the TSS visa takes seven weeks to process.

The longer it takes to process a visa, the more uncertainty there is for the employer. Employers face global competition for high-wage workers. Long and uncertain waiting times are more likely to cause prospective migrants to look elsewhere.

5.4 Make sponsorship more certain and less costly

Under Grattan Institute’s proposed Temporary Skilled Worker visa, the occupation lists would be abolished and the visa would be targeted at jobs paying more than \$70,000 a year. This would reduce costs for employers and make sponsorship more certain (Chapter 4). But other changes could further streamline temporary sponsorship for employers, reducing costs and red tape.

148. See Fentiman (2018) and Petrie et al (2018).

149. Joint Standing Committee on Migration (2021a).

150. Ibid.

151. Ibid.

152. Department of Home Affairs (2019c).

Table 5.2: Processing times for components of the Temporary Skill Shortage process vary considerably

| Proportion of applications processed | Short-term visa stream (migrant) | Medium-term visa stream (migrant) | Labour agreement visa (migrant) | Sponsorship applications for new employers | Nomination applications for new jobs |
|--------------------------------------|----------------------------------|-----------------------------------|---------------------------------|--|--------------------------------------|
| 25 per cent | 36 days | 33 days | 36 days | 29 days | 1 day |
| 50 per cent | 53 days | 49 days | 46 days | 31 days | 12 days |
| 75 per cent | 5 months | 3 months | 71 days | 62 days | 39 days |
| 90 per cent | 14 months | 7 months | 6 months | 85 days | 10 months |

Notes: As at February 2022. Time periods are calendar days.

Source: Department of Home Affairs (2022g).

5.4.1 Replace large upfront costs with an nomination fee and monthly fee

Fees are an appropriate price signal to encourage employers to seek existing workers in Australia where they can. But instead of employers having to pay all costs of temporary sponsorship upfront, the costs should mostly be spread over the life of the visa.

Sponsors should have to pay \$1,000 to lodge a nomination. All remaining fees and costs – including the Skilling Australians Fund (SAF) levy – should be bundled up into one fee based on the number of workers sponsored. This fee should be charged to employers each month, as successfully occurs in Singapore.¹⁵³

The monthly fee would be equivalent to the revenue raised by all upfront charges today, less the proposed \$1,000 nomination fee.¹⁵⁴ For a standard four-year visa, total upfront costs are about \$7,600 for an employer with revenue exceeding \$10 million, and \$5,200 for an employer with revenue below \$10 million.

We propose a one off up front nomination fee of \$1,000 and a single monthly fee of \$110, to be paid by all employers per worker currently sponsored, to replace existing upfront fees. These fee would be equivalent to about 2 per cent of the wage threshold of \$70,000.

Replacing large upfront fees with a monthly charge would reduce cash flow constraints on businesses. And if portability induces additional job switching, the original sponsor would not be disadvantaged if a visa holder switched to a new employer. There would be no need to provide

153. Singapore imposes a levy on employers based on what sector they are in, how many workers they hire, and what proportion of workers are on a visa. In the construction sector, fees vary from \$300 to \$950 per month per worker. See Ministry of Manpower (2022).

154. Most visa policy decisions can occur via Executive discretion, without the need for a Bill to pass the Federal Parliament. The Skilling Australian Fund levy is an exception. The levy was legislated via the *Migration Amendment (Skilling Australians Fund) Bill 2018*, so switching to a monthly fee would require legislative amendments.

refunds for rejected nominations, because the monthly fee would be levied only when a visa holder is employed. If a worker moved to a different employer, the monthly fee would move with them.¹⁵⁵

Establishing a monthly payment system would involve some administrative costs, but the Department of Home Affairs already has systems in place for employers to pay invoices. Charging a \$1,000 nomination fee would protect the integrity of the nomination process and prevent spurious applications.

If a sponsor repeatedly failed to pay the fee, they would be barred from hiring workers on a TSW visa. As happens when an employer goes insolvent or fails to comply with other sponsorship obligations, this would leave their temporary migrants without a sponsor and having to find alternative employment or risk losing their visa.

5.4.2 Scrap labour-market testing

Labour-market testing requires sponsoring employers to advertise a job before hiring a skilled migrant. Many countries use labour-market testing for temporary work visas.¹⁵⁶

Supporters of labour-market testing say it is the only mechanism to keep employers accountable if they decide to hire people on temporary skilled work visas.¹⁵⁷ A recent parliamentary committee report on Australia's skilled migration program concluded labour-market testing plays a role in maintaining public confidence in visa policy.¹⁵⁸

Yet labour-market testing fails to live up to its promise of ensuring Australians have the first opportunity to apply for jobs. Instead,

155. Workers are linked to sponsors via the nomination process, which could be used in the administration of payments.

156. Including Canada, New Zealand, the US, Singapore, Malaysia, and Sweden.

157. Construction Forestry Maritime Mining and Energy Union (Construction and General Division) (2021).

158. Joint Standing Committee on Migration (Section 2021a, p. 4.32).

labour-market testing effectively acts as an additional tax on temporary sponsorship employers. And labour-market testing does nothing to reduce exploitation or mistreatment of workers.

Labour-market testing requires three job ads in English.¹⁵⁹ These ads must include the JobActive network, and a recruitment website with 'national reach'. The job ad must include a title, the skills required, the name of the employer, and the wage. The job ad must have appeared for at least four weeks and cannot be older than four months at the time of nomination.

According to the Department of Home Affairs, officials can be satisfied 'no suitably qualified or experienced Australian' was available for the role if these conditions have been met. Yet these conditions do not show whether a suitably qualified or experienced Australian was available for the role.

No government official can assess whether an employer has made a genuine attempt to hire an Australian worker first. It is impossible to understand the intent of an employer. These processes and rules render labour-market testing a complicated box-ticking exercise. It is for these reasons the 2014 Azarias review recommended labour-market testing be abolished.¹⁶⁰

Most employers clearly prefer to hire Australian workers, to avoid the cost and uncertainty of nominating a skilled migrant. After all, less than one in 200 workers in the labour market is sponsored on a Temporary Skill Shortage visa.

Employers who prefer to hire people on temporary skilled visas will not be deterred by the labour-market testing process. Yet employers who attempt to act in good faith are undermined by the lack of

159. See 'Temporary Skill Shortage visa – Nomination', Department of Home Affairs (2021e).

160. Azarias (2014).

flexibility. A strict time requirement of four months creates havoc for workforce development and hiring processes. A small mistake – such as advertising the position with a generalist title – can result in the nomination being refused.¹⁶¹

Some suggest labour-market testing boosts public confidence in temporary sponsorship; that it is ‘good politics’. But labour-market testing does nothing to ensure existing workers are given preference, so any boost to public confidence in temporary sponsorship is illusory.

There was no labour-market testing between 2001 and 2013, arguably a more effective period for temporary skilled migration than the decade since.¹⁶²

A much larger risk to public confidence is to maintain the status quo, levying redundant processes on good-faith employers. This undermines the integrity of the visa.

5.4.3 Expand eligibility for accreditation

In addition to being a standard business sponsor, employers can apply to become an accredited sponsor. The aim of accreditation is to identify low-risk employers whose past behaviour in sponsoring temporary migrants justifies a less-onerous regulatory environment. As at June 2020, there were about 1400 accredited sponsors.

Accredited sponsors include federal and state government agencies, export-oriented businesses, and employers that have made a major investment in Australia or that employ a large number of Australian workers.¹⁶³ Accredited employers must have reported annual turnover

of more than \$4 million for each of the past two years. Table 5.1 shows the ways an employer can be accredited.

The \$4 million revenue benchmark may exclude a large number of smaller employers who want to sponsor high-wage workers. Therefore, in addition to the existing eligibility criteria, we recommend employers should be able to be accredited if the average wage of their sponsored workers exceeds \$120,000 – about 1.5 times the median full-time wage.

A high average wage for nominated jobs is a good indicator that an employer is unlikely to break the rules.

5.4.4 Give accredited employers five-day visa processing

Accredited sponsors already receive a number of concessions on standard visa rules. These include permitting employers to conduct character checks, rather than requiring police checks. Nomination applications from accredited sponsors are also given priority for processing.

We recommend that accreditation should provide more privileges for employers offering high wages on average.

Their visa applications should be processed within five days, creating a two-week end-to-end process from nomination to granting a visa.¹⁶⁴

5.4.5 Make intra-company transfers easier

Intra-company transfers should be made easier, because shifting senior staff in large, multinational organisations can be costly.

161. Ajuria Lawyers (2021).

162. The requirement was abolished by the Coalition in 2001 and reintroduced by Labor in July 2013.

163. Department of Home Affairs (2022d).

164. This would be akin to a ‘Service Level Agreement’, common in the technology sector. Five-day visa processing would apply only to ‘complete applications’, meaning the application form has been filled out correctly and supporting evidence has been provided.

The requirement that sponsored workers demonstrate English language proficiency should be removed for intra-company transfers of sponsored workers on wages exceeding \$120,000. This would help large multinationals who are located in non-English speaking countries.

Sponsored workers coming to Australia via inter-company transfer should also not be subject to any work experience test, given they are already sponsored by the employer in a job with a wage higher than \$70,000.

5.4.6 Apply fewer checks to very high-wage jobs

The higher the salary for a job, the fewer rules should apply for temporary sponsorship.

At present, employers offering jobs with salaries above \$250,000 are not required to prove sponsored workers will be paid the same wage as Australians doing the same work.¹⁶⁵

That threshold is too high, because fewer than 1 per cent of all jobs nominated have a salary in excess of \$250,000. The threshold is essentially meaningless despite being well intended, as very high wage workers are unlikely to undermine existing market salary rates. As Figure 5.1 shows, 6 per cent of jobs nominated for Temporary Skill Shortage visas in 2018 were above the Fair Work High Income Threshold of \$158,000. The Fair Work High Income Threshold is a more appropriate wage threshold for a concession in the provision of market salary rates.

Workers on salaries higher than \$120,000 (about 17 per cent of jobs nominated in 2018) should be exempt from demonstrating English language proficiency.¹⁶⁶ Workers being paid more than this wage are much better able to bargain for themselves.

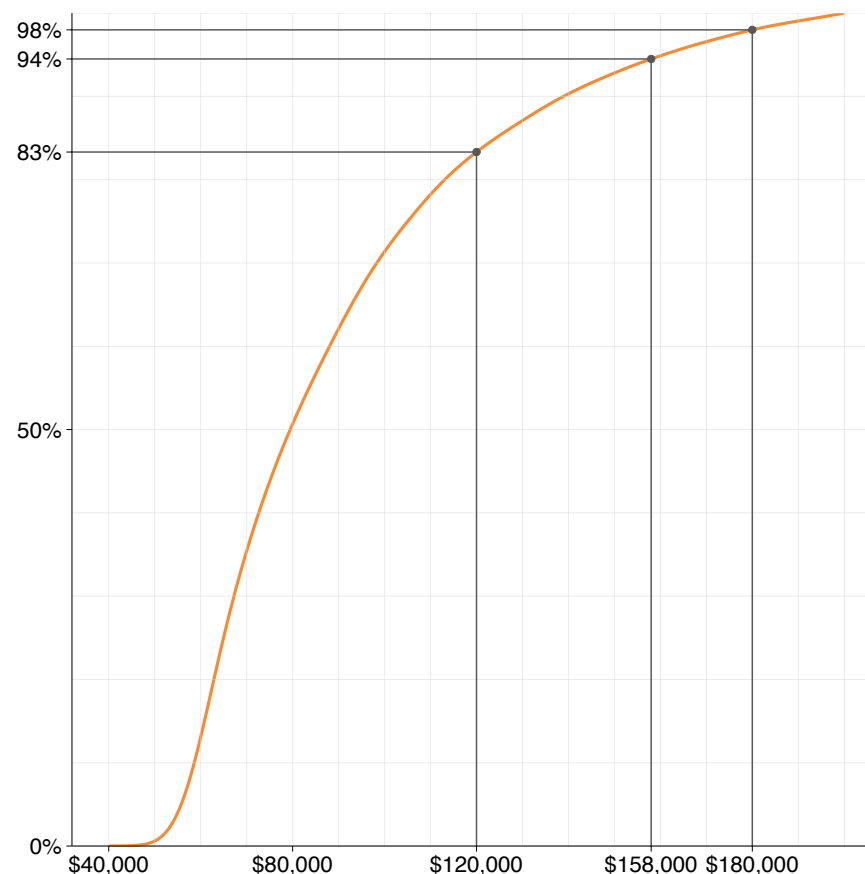
165. Department of Home Affairs (2022e).

166. \$120,000 is about 1.5 times the median full-time wage.

Nominations and visa applications for these jobs should get priority and be processed within five days, regardless of whether the sponsor is accredited.

Figure 5.1: Fewer checks should be required for jobs with incomes above the Fair Work High Income Threshold

Cumulative share of TSS visa grants by nominated income



Notes: This chart relates to TSS visas awarded in 2018. Nominated income is inflated to 2021 wages using AWOTE. Source: Grattan analysis of ABS (2021a).

6 Transition arrangements

Introducing a new visa is a big reform. As with any substantial change, some who rely on the status quo will lose out. Transition arrangements for changes to temporary skilled sponsorship could alleviate these impacts, allowing affected employers and workers to adjust in a timely way.

We recommend that the three streams of the Temporary Skill Shortage (TSS) visa be merged into a single Temporary Skilled Worker (TSW) visa from 1 July 2023. The new TSW visa would be open to occupations on all three existing occupation lists, subject to the wage threshold. That wage threshold should be increased over two years, from the current Temporary Skilled Migration Income Threshold (TSMIT) of \$53,900 to the new TSW threshold of \$70,000.

On 1 July 2023, the TSMIT should rise from \$53,900 to \$64,500. On 1 July 2024, the TSMIT should rise again to around \$75,000.¹⁶⁷ From 1 July 2024, once the wage threshold has reached \$75,000, the existing occupation lists should be abolished.

These arrangements would allow sponsoring employers time to adjust to the new rules. This two-year transition period would allow employers time to plan how they can adjust. It would give them time to, for example, train alternative workers, or adjust to higher wages.

Occupations not currently on *any* occupation list would become eligible for TSW sponsorship from 1 July 2024, provided the nominated salary was more than \$75,000. This would allow the Department of Home Affairs time to establish relevant Annual Market Salary Rates for these occupations.

167. Assuming nominal wage growth of about 2.5 per cent a year, the wage threshold would rise from \$70,000 today to about \$75,000 by 1 July 2024 to reflect benchmarking of the threshold to wages growth over the transition period.

Existing TSS visa holders currently in Australia would retain the right to work out the remainder of their visa. However, should their employer wish to renew their visa, the job must satisfy the prevailing wage threshold for the nominated occupation.

Greater portability of TSW visas should commence from 1 July 2024. Labour-market testing should be abolished at the same time. The new monthly fee should also commence from 1 July 2024.

Existing TSS visa holder who have a pathway to permanent residency – those with an occupation on the Medium- and Long-Term Strategic Skills List (MLTSSL) – should be able to pursue permanent residency, provided they have had an established employment relationship with their employer for longer than 12 months. These people made decisions and planned their lives under one set of rules, and it would be unfair for them to be robbed of the opportunity to seek permanent residency simply because the rules were changed.

Appendix A: Understanding the Australian and New Zealand Standard Classification of Occupations

The Australian and New Zealand Standard Classification of Occupations (ANZSCO) has five levels: major group, sub-major group, minor group, unit group, and occupation. The occupation level is the most detailed and prescriptive. Groups of occupations form the unit group, and so forth up the levels.¹⁶⁸

For example, according to ANZSCO a registered nurse is a 'unit group' with 14 specific occupations within it. These occupations are titled, for example, 'Registered Nurse (Aged Care)' and 'Registered Nurse (Community Health)'.

According to the ABS:¹⁶⁹

As it is rare for two actual jobs to have identical sets of tasks, in practical terms, an 'occupation' is a set of jobs whose main tasks are characterised by a high degree of similarity.

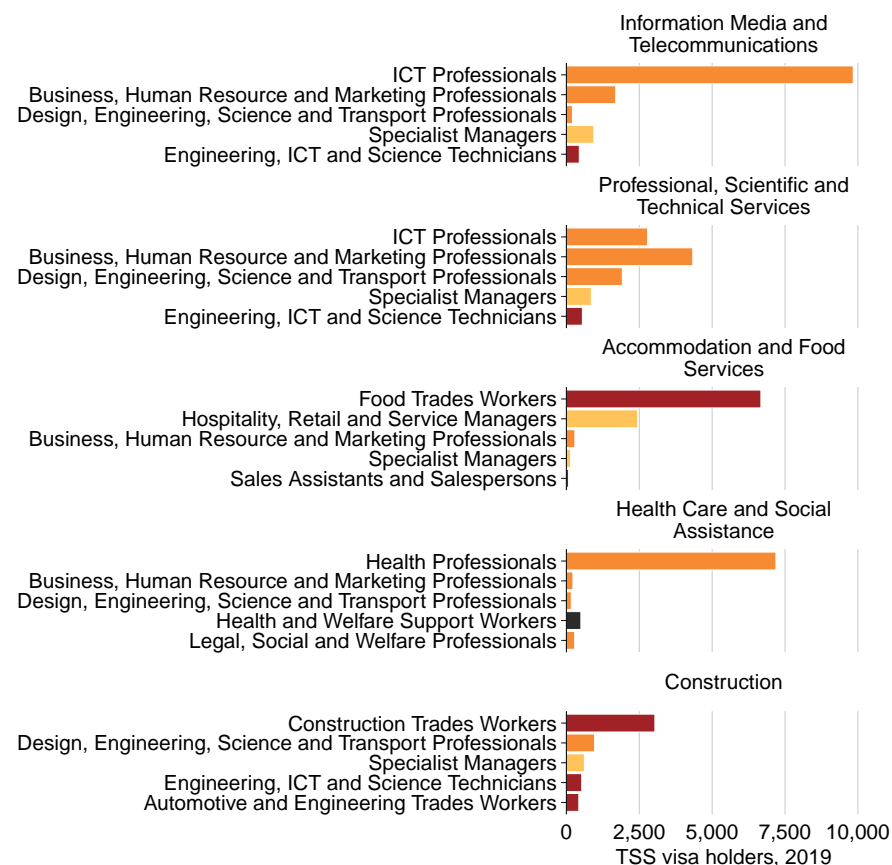
Registered nurses sit within the minor group of 'Midwifery and Nursing', which in turn sits within the 'Health professional' sub-major group. At the top of the hierarchy is the major group of Professionals.

The major groups, also called one-digit ANZSCO codes, are: Managers (1), Professionals (2), Trades and Technicians Workers (3), Community and Personal Service Workers (4), Clerical and Administrative Workers (5), Sales Workers (6), Machinery Operators and Drivers (7), and Labourers (8).

Occupations are spread unevenly within industries, particularly when it comes to TSS visa holders, as Figure A.1 shows.

Figure A.1: A small number of occupations tend to account for a large share of the jobs sponsored in each industry

Number of Temporary Skill Shortage visa holders, 2019



Source: Department of Home Affairs (2022a).

168. ABS (2019).

169. ABS (2021e).

Each occupation has a designated skill level. These skill levels, ranging from 1 to 5, are defined as 'a function of the range and complexity of the set of tasks performed in a particular occupation'. The bigger the range and complexity of tasks, the higher the skill level. The ABS measures this with reference to:

- the level or amount of formal education and training
- the amount of experience in a related occupation, and
- the amount of on-the-job training required to competently perform the set of tasks required for that occupation.¹⁷⁰

170. ABS (2019).

Appendix B: Calculating jobs available for temporary skilled migration

This appendix describes the analysis shown in Table 4.1 on page 41. The analysis applies the conditions of three ‘eras’ of temporary skilled migration – the 457 era, the TSS era, and Grattan’s proposed TSW era – to the 2021 Australian labour market to assess the number of full-time jobs ‘open’ to temporary skilled migration.

B.1 Occupation lists

Occupation lists for the current and previous temporary skilled migration eras are defined in migration instruments made under subregulation 2.72(9) of the Migration Regulations 1994.

The 457-era occupation lists are defined in schedules 1 and 2 of the *IMMI 12/022: Specification of Occupations for Nominations in Relation to Subclass 457 (Business (Long Stay)) and Subclass 442 (Occupational Trainee) Visas*.

The TSS-era occupation lists are defined in sections 6, 7, and 8 of the *Migration (LIN 19/048: Specification of Occupations-Subclass 482 Visa) Instrument 2019*.

Each occupation on these lists is a six-digit Australian and New Zealand Standard Classification of Occupations (ANZSCO) ‘occupation’.¹⁷¹

B.2 Constructing an estimate of the 2021 labour market

The number of full-time jobs in each ANZSCO unit (four-digit ANZSCO) and ‘regional’/‘non-regional’ cell is taken from the 2016 Census.¹⁷² ‘Non-regional’ areas are Greater Capital Cities (GCC) of Greater

Sydney, Greater Melbourne, and Greater Brisbane. ‘Regional’ areas cover everything outside these three capital cities.¹⁷³

The change in employment of each ANZSCO unit/regional cell is then determined using the National Skills Commission’s Nowcast of Employment by Region and Occupation (NERO) database.¹⁷⁴

The number of full-time workers at November 2021 in each ANZSCO submajor group (two-digit ANZSCO) is then sourced from the Labour Force Survey.¹⁷⁵ The ANZSCO unit/regional cells derived from the Census and scaled using NERO are then proportionally scaled to match the total number of full-time workers in each ANZSCO submajor group.

Finally, the Characteristics of Employment Survey is used to estimate income distributions of full-time workers by ANZSCO submajor group, pooling all sample years (2014 to 2021) and inflating to \$2021 wages using AWOTE.¹⁷⁶ Income distributions of ANZSCO submajor groups are applied uniformly to their ANZSCO unit subgroups.¹⁷⁷

173. This broadly aligns with the postcodes that make up the ‘cities and major regional centres’ and ‘regional centres and other regional areas’ used by the Regional Occupation List as defined by Department of Home Affairs (2021f).

174. National Skills Commission (2022). These figures represent a change in overall *employment* rather than specifically full-time employment, and an implicit assumption in this analysis is that changes in ANZSCO unit/regional cell employment is comparable to changes to full-time employment.

175. ABS (2022d, Table 07a). This is the most granular detail available for full-time workers by ANZSCO in the Labour Force Survey.

176. ABS (2021d), microdata accessed via TableBuilder.

177. This carries the assumption that each unit – e.g. ‘Cooks’ and ‘Chefs’ – within an ANZSCO subgroup – e.g. Food Trades Workers – have the same income distribution.

171. See Appendix A for a full explanation of the ANZSCO hierarchy.

172. ABS (2016a).

Combined with the occupation list dataset (Appendix B.1), the resulting dataset contains for each ANZSCO unit/regional cell: income distributions, full-time employment counts, and the share of occupations on each era's occupation lists.

B.3 Estimating the number of jobs open to different eras of temporary skilled migration

Table B.1 shows that there were 9.1 million full-time jobs in Australia as of November 2021. Of these, 7.7m (85 per cent) had incomes above \$48,500, and 7.1m (78 per cent) had incomes above the Temporary Skilled Migrant Income Threshold (TSMIT) of \$53,900.

For 457 and TSS visas, full-time jobs were considered 'open' to temporary skilled migration if they were on a relevant occupation list and had a wage of more than the \$53,900 TSMIT. For the TSS visa Regional Occupation List, jobs were only considered 'open' outside of Sydney, Melbourne, and Brisbane greater capital city areas. About 4.7m full-time jobs were on the 457-era occupation list and had an income above the TSMIT, compared to 4m for the TSS occupation lists. Using just a wage threshold of \$70,000 without an occupation list gives 5.9m full-time jobs open to temporary skilled migration.

If the TSS-era occupation lists are kept, but the TSMIT is raised to \$65,000 or \$70,000, there will be 3.7m or 3.5m full-time jobs open to temporary skilled migration, respectively.

Table B.1: Jobs open to temporary skilled migration

| | Count | Share of all full-time jobs |
|--|-------|-----------------------------|
| Full-time jobs | 9.1m | 100% |
| Full-time jobs above \$48,500 | 7.7m | 85% |
| Full-time jobs above TSMIT (\$53,900) | 7.1m | 78% |
| Full-time jobs above \$65,000 | 6.3m | 70% |
| Full-time jobs above \$70,000 | 5.9m | 66% |
| Full-time jobs above \$80,000 | 4.8m | 53% |
| Full-time jobs open to 457-era occupation list | 4.7m | 52% |
| Full-time jobs open to TSS occupation list (current) | 4.0m | 44% |
| Full-time jobs open under proposed \$70,000 wage threshold | 5.9m | 66% |
| Full-time jobs open to TSS occupation list and \$65,000 wage threshold | 3.7m | 41% |
| Full-time jobs open to TSS occupation list and \$70,000 wage threshold | 3.5m | 39% |

Notes: See Appendix B.

Source: Grattan analysis.

Appendix C: Our proposed reforms would have little affect on the aged care industry

This appendix shows that our proposed reforms, including a \$70,000 wage threshold for temporary sponsorship, would have almost no impact on the aged care workforce.

Figure C.1 shows that more than 70 per cent of workers in the aged care sector are citizens, with a share of these citizens born outside Australia.

In particular, the higher-skilled occupations are dominated by citizens: 85 per cent of managers are citizens and more than 70 per cent of nurses and care workers are citizens.

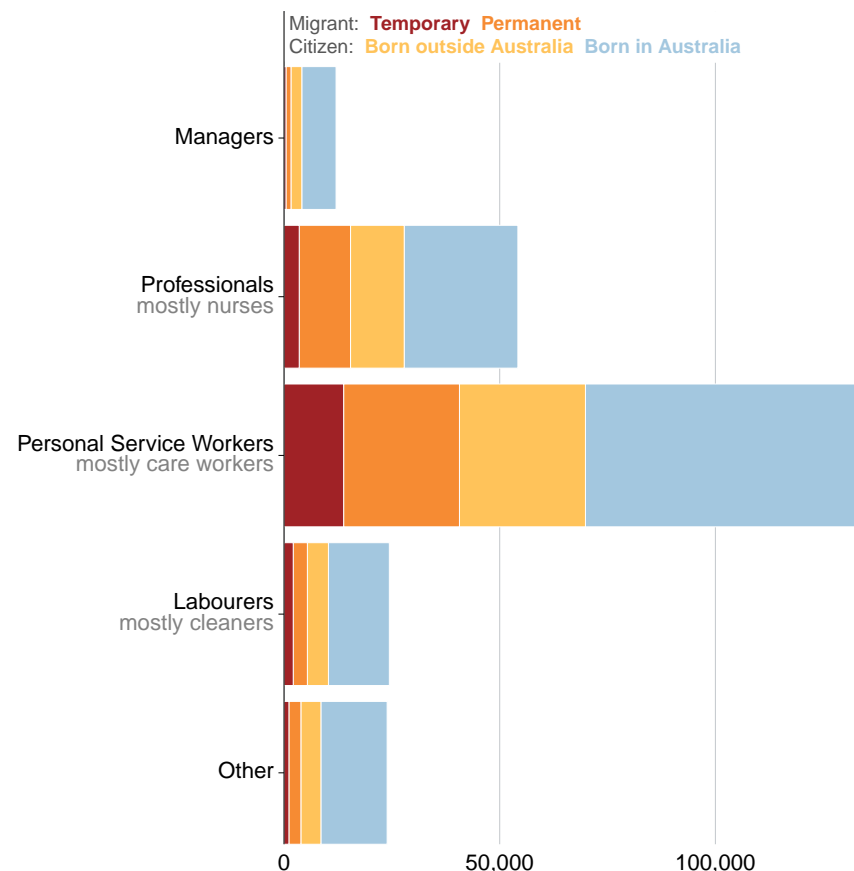
Only 3 per cent of personal service workers and 4 per cent of labourers hold a temporary skilled migration visa. Of these, almost all are the spouses of workers being sponsored for a different job. These jobs would be unaffected by the recommendations made in this report.

The remaining workers hold different visas. Figure C.2 shows workers have either a temporary or permanent visa.

Temporary migrants make up a small share of the aged care workforce overall, and a slightly larger share of care workers and cleaners.

Figure C.1 and Figure C.2 (on the next page) are drawn from the 2016 Census. To see whether the workforce has changed significantly in the six years since, we can examine the ABS Characteristics of Employment survey, run annually between 2014 and 2021. It contains detailed industry and occupation data, along with 'years since arrival in Australia' variables.

Figure C.1: Most people working in the aged care sector are citizens
Share of total employees in the Residential Care Services industry by occupation, 2016



Source: Grattan analysis of ABS (2016a) and ABS (2016c).

Figure C.3 and Figure C.4 on the following page show there has been no major change in the composition of the aged care workforce. There has been a small increase in the total number of care workers who arrived in Australia less than five years ago, increasing to about 12 per cent of all care workers. Based on the more detailed visa information drawn from the Census, they are a mixture of New Zealand citizens, new permanent migrants, and international students, as opposed to people who hold temporary skilled work visas.

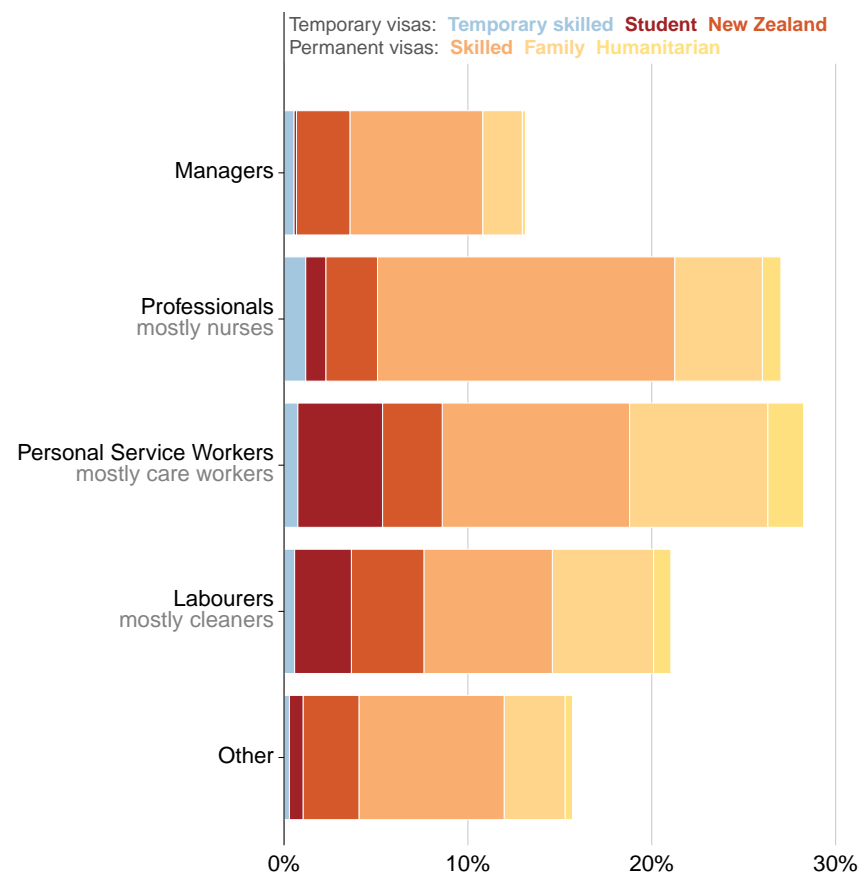
The share of care workers who were born in Australia has been declining, from about 58 per cent in 2014 to 47 per cent in 2021.

The aged care industry does not rely heavily on temporary visas. Some workers do hold temporary visas. But the share holding a temporary skilled work visa is tiny, except among nurses.

Instead, the industry appears to rely on workers who have been in Australia for some time. It may be the case that these workers are more likely to move out of the industry, either seeking new opportunities or leaving the labour force. If this is occurring, replacing these workers (or even increasing the size of the labour force) with more workers on employer-sponsored temporary work visas in jobs with low wages will generate a host of long-term issues, including making it very hard to change these dynamics in future.

Figure C.2: Most migrants working in the aged care sector are permanent migrants, students, or New Zealanders

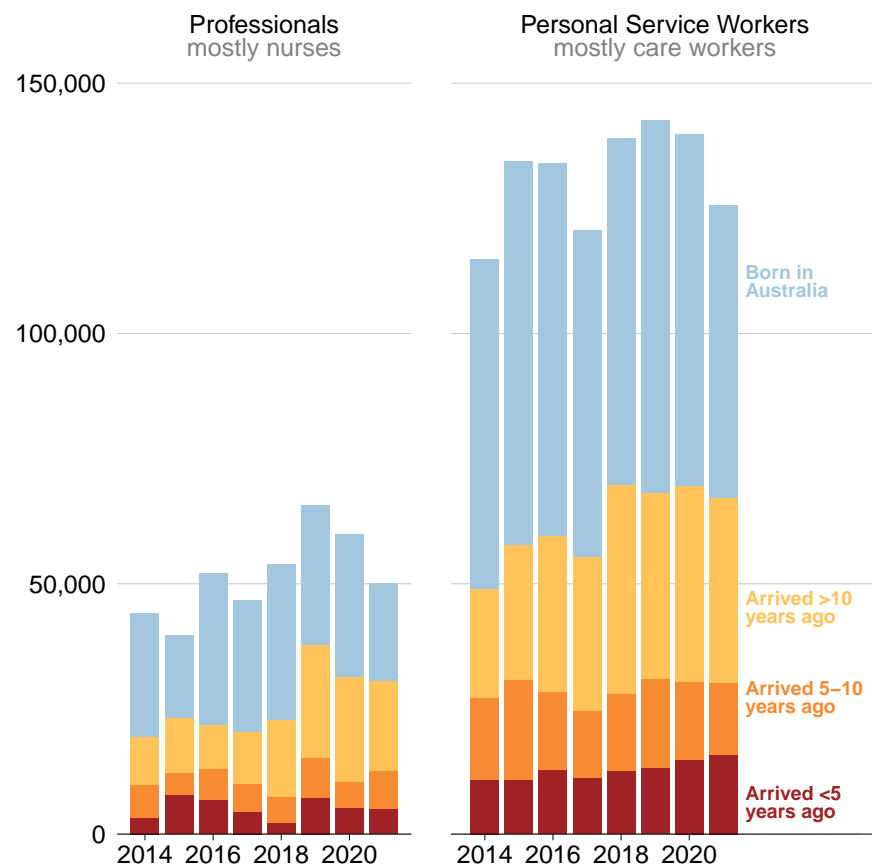
Share of total employees in Residential Care Services by occupation and visa



Source: Grattan analysis of ABS (2016a) and ABS (2016c).

Figure C.3: Most aged care workers were born in Australia or are long-term residents

Number of the residential care services workforce by arrival in Australia

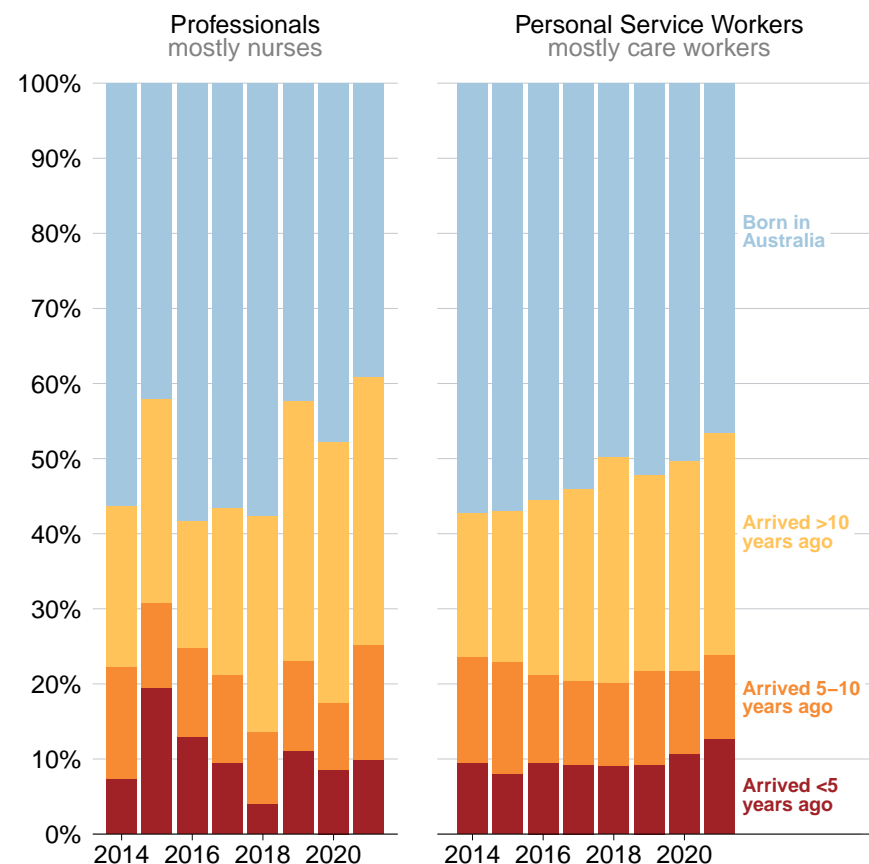


Note: Only professionals and personal service workers shown.

Source: Grattan analysis of ABS (2021d).

Figure C.4: Most aged care workers were born in Australia or are long-term residents

Share of the residential care services workforce by arrival in Australia



Note: Only professionals and personal service workers shown.

Source: Grattan analysis of ABS (ibid).

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