

### Graduates in limbo: international student visa pathways after graduation

### Briefing pack

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# Graduates in limbo: international student visa pathways after graduation



#### Many international graduates struggle in Australia in visa limbo

- Australia offers generous post-study work rights: a growing stock of graduates are here on temporary visas
- Many international graduates struggle in Australia: few work in their chosen field, many earn low incomes
- Fewer international graduates transition to permanent residency: there's more competition for few visas
- A growing stock of 'permanently temporary' international graduates is in no one's interests
  - Erodes public confidence in migration & harms the reputation of our international education sector
  - Harms migrants' career prospects (i.e. scarring), even when eventually granted a permanent visa
  - Adds to population pressures (housing; infrastructure) for little gain vis-à-vis other migrants

#### The objective is to identify the best graduates to stay permanently via better visa pathways

• We should give talented graduates a chance to shine, without offering so many others false hope

#### Reform graduate visa pathways to better identify talented graduates earlier

- Reduce the duration of the TGV, only offer extensions to those who find a good job
- Offer a permanent 'Exceptionally Talented Graduate' visa to a limited number of outstanding students Reform skilled visas: streamline employer sponsorship and reform the points test Remove barriers to international graduates getting a foothold in the labour market
- Run a campaign to educate employers about graduate and other visas
- Remove requirements for permanent residency for public sector graduate jobs
- Publish league tables of international graduate employment outcomes for each tertiary institution

### There are a lot of international students in Australia





Notes: Higher education grants includes postgraduate research. Other includes: foreign affairs, non-award sector, schools

Source: Home Affairs

## A growing proportion of international students now study Masters-by-coursework degrees



Student enrolments in 2019, per cent of total 80 Domestic students 70 60 50 International students 40 30 20 10 0 **Bachelor** Masters by coursework Postgraduate research Other

Notes: Masters by coursework includes Doctorate by Coursework and Master's (Extended). Masters-by-coursework also includes Doctorate by coursework and Masters (Extended). Total enrolments do not include VET enrolments. Other includes: enabling courses, non-award courses, undergraduate other. Source: Department of Education

### Australia offers a number of Temporary Graduate Visa (TGV) streams & work rights have become more generous



Visa stream	Post-study work (485)	Second Post study work (485)	Graduate Work (485)	
Age	Under 50	Under 50	Under 50	
Qualification	Accredited Australian degree. At least two academic years	Accredited Australian degree (2+ years). Lived, worked and/or studied in designated regional area for ≥2 yrs	Accredited Australian degree, diploma or trade qualification. At least two academic years	
Length	From 1 July 2023: Bachelor: 2 years (+2*) Masters by coursework or research: 3 years (+2*) Doctoral: 6 years *Two extra years for selected occupations, mainly in health, IT, engineering and education	Category 2 region: 1 year Category 3 region: 2 years (combination: shorter period)	18 months, temporarily increased to 24 months	
Cost	\$1,895	\$745	\$1,895	
Visa grants 2022-23	118,907	6,183	53,926	
Other	No field requirement for degree of study English language: IELTS overall score of at least 6 with a minimum score of 5 for each of the 4 parts in the last three years	Must have held a Temporary Graduate visa in the Post study work stream and this must have been granted for a degree from institution in a regional area Started 20 January 2021	Must hold qualification related to skilled occupation from MLTSSL list + have applied for skills assessment (waived in 2022-23) English language: IELTS overall score of at least 6 with a minimum score of 5 for each of the 4 parts in the last three years	

# Australia offers very generous work rights to graduating international students







'Australia's current TGV settings are more generous than those currently offered by competitors, both in terms of maximum length of stay and wide availability to graduates': Post-Study Work Rights Working Group Report

### There are a growing number of Temporary Graduate Visa (TGV) holders in Australia



Number of TGV 485 visa holders, June each year, 000s



Notes: There were 604 Graduate work replacement stream visas granted in 2022-23 (included in Graduate work visa total). In the stock data, Graduate work includes a small number of Skilled Graduate and Temporary Resident - Other visas. 2024 numbers are the latest data (July 2023). Source: Department of Home Affairs.

### A growing number of international students are from South Asia – they value post study work rights



Student visa grants, financial year ending, 000s



Source: Australian Government (2023); Navitas (2022)

Less than 10% of Chinese students applied for a TGV in 2021 after their studies, down from about 25% of Chinese students in 2016.

Reasons given by international students for coming to Aus

### Under current settings the number of Temporary Graduate visa-holders could double by the end of the decade



Projected number of Temporary Graduate visa-holders in Australia, June each year



Notes: Includes primary and secondary visa-holders. Temporary Graduate visa-holders status quo: Temporary Graduate visa-holders projection assumptions include, 1) 40 per cent of higher ed international grads take up TGV by 2027 (10% of VET), 2) 45 per cent of students eligible for longer post-study work rights (student change studies to boost duration) 3) 4% completions growth for university graduates, 3% for VET. Sources: Grattan analysis; Department of Home Affairs (2023a).

### The incomes of Temporary Graduate visa-holders are closer to working holiday-makers than domestic tertiary graduates



Total annual personal income (2021 dollars), share of employed individuals



Sources: Grattan analysis of 2021 ACTEID and Census. Notes: Medians assume a uniform distribution of people within buckets. Uses on total personal weekly income as recorded in the Census, which includes wages and salaries, government transfers, investment income, and business income.

# There are large gaps between what domestic and international students earn



Difference in earnings between domestic and international students, by field of study and course level



Source: QILT Graduate Survey. Notes: Missing dots are due to small sample sizes. Fields of study missing completely due to small sample sizes are psychology, density, and tourism, hospitality, personal services, sport and recreation. Proportion of students studying business based on 2021 commencements.

### International graduates working full-time earn less than domestic graduates, and the gap does not close





Notes: Salaries are in nominal dollars.

# Employer attitudes limit international graduates from getting a good job



- Employer preference for permanent residents or citizens is a key reason employers choose not to hire international graduates, which contributes to their poor employment outcomes.
- A Grattan Institute survey of major graduate employers found that just under half of respondents considered temporary visa-holders in their current or most recent graduate intake, and that over one-third had never recruited temporary visa-holders

#### Migration/visa factors:

- Concerns about a lack of permanent residency or ongoing visa status
- The cost and complexity of the migration system
- Employer unfamiliarity with the Temporary Graduate visa
- The Temporary Graduate visa not being issued at time of graduation

#### International graduate characteristics:

- Poor English language skills
- Unfamiliarity with Australian workplace culture
- A lack of local work experience
- Poor quality education in Australia

#### Other:

• Discrimination

## Uncertainty over future visa pathways explains employers' reluctance to hire international graduates



Number of responses to question 'If your organisation required applicants to be Australian Citizens or permanent residents, **please specify the reasons temporary visa holders were not eligible** for your organisation's most recent, or current, graduate intake.'



Notes: 87 respondents to survey. Multiple responses allowed (133 total responses). TSS = Temporary Skilled Shortage visa. TGV = Temporary Graduate visa.

Source: Grattan/AAGE survey of graduate employers.

## The biggest benefits from international education come from GRATTAN getting the best students to stay permanently

Share of all skilled permanent visas issued by first visa held



#### First visas held:

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



Source: Treasury FIONA model, Varela et al (2021, Table B1)

Note: Primary applicants only. Source: Treasury FIONA model, Varela et al (2021, Chart 4)

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Source: Lifetime fiscal dividend based on lifetime fiscal dividend of primary skilled migrants and the share of permanent skilled visas allocated via Varela et al (2021), applied to 2023-24 migration program planning levels from Department of Home Affairs (2023). Profits from international education that are channelled into university research are updated from Parkinson (2023) in line with growth in international student fee revenues to 2019.

### Fewer Temporary Graduate visa-holders now transition directly onto a permanent visa after their graduate visa expires





Notes: No substantive subsequent visa includes people who left Australia or are on a bridging visa awaiting a decision about a future visa. Still on graduate visa calculated based on who still had a valid graduate visa by 31 December 2021. Source: Grattan analysis of MADIP (2023).

# Very few low-income TGV holders now transition directly to onto a permanent visa after their TGV



Next visa granted after Temporary Graduate visa, by year when first granted a Temporary Graduate visa and income decile within that cohort



Notes: Income decile calculated using total income in the personal income tax data for the first two years after receiving their graduate visa. Still on graduate visa calculated based on who still had a valid graduate visa by 31 December 2021. Source: Grattan analysis of MADIP (2023).

# Most TGV holders who return to study choose a VET course; and their earnings never catch up





Notes: Other higher education and other study omitted due to small sample sizes. Cohort based on year graduate visa is granted. Based on confirmation of enrolment. Source: Grattan Analysis of MADIP (2023).

### Leaving many former graduates in limbo is in no one's GRATTAN interests

A growing cohort of international graduates stay in Australia and struggle, with little prospect of securing permanent residency

Leaving so many international graduates in limit is in no one's interests:

- As a matter of ethics, we shouldn't offer false hope to those unlikely to ever be able to stay
  permanently
- There are 'scarring' effects on graduates who do eventually transition to PR
- Higher risk of worker exploitation for those stuck on temporary visas
- A growing stock of 'permanently temporary' migrants undermines trust in the migration program
- Graduates in limbo add to population pressures (e.g. housing) for comparatively little gain
- Poor graduate outcomes affect Australia's ability to attract talented students in the future

# Leaving graduates in limbo is also not what the government has said it wants



"The final big change is about restoring Australian values at the heart of the system...

**Fundamentally, this about ending permanent temporariness**, and making sure migrant workers can exercise their rights.

We've done a lot of this already in our work to resolve some of the biggest caseloads of permanently temporary people. **But we need to make sure this doesn't happen in the future.** 

We need to avoid policies and conditions that create 'permanent temporariness'. This means clearer pathways for the skilled workers we need and clarity for the migrants that have less of a prospect of becoming a permanent resident."



### What this report is not about



#### This report is **not about the design of international student visas**

- Improving the quality of the international student intake, such as by raising English language requirements, would make it easier to identify the best students to stay in Australia.
- Recent policy changes (uncapped student work hours; 408 visa) have also driven an increase in 'nongenuine' students in Australia.
- Student visa policy may be the subject of future work.

#### This report is not about the regulation of international higher education

- Raising standards for selection of students and the teaching offered in international education would reduce the number of poor performing graduates in Australia.
- Improving standards in VET / CRICOS would also reduce the number of non-genuine students in Australia.
- These issues may be the subject of future work.

#### This report does not propose a full redesign of permanent points-tested visas

- Permanent points-tested visas often reward persistence, rather than talent.
- Improving the selection processes for points-tested visas would improve the visa pathways for talented international graduates to stay in Australia.
- Points-tested visas will be the subject of a subsequent report (early 2024).

# Graduates in limbo: international student visa pathways after graduation



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#### Reform graduate visa pathways to better identify talented graduates earlier

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### The challenge in designing post-study visa pathways is to identify talent quickly, without offering others false hope



There are benefits to Australia from offering post-study work rights:

- Allowing students to stay after graduating allows us to identify the best students for permanent residency ("try before you buy").
- Post-study work rights also make Australian universities more attractive to international students.

But there are constraints on what work rights we can and should offer graduating international students:

- The more generous work rights offered, the larger the stock of temporary visa holders in Australia, many with poor labour market outcomes
- The more graduates there are with post study work rights, the harder it is to filter who gets scarce permanent skilled visas.
- We shouldn't prioritise domestic graduates when selecting for permanent skilled visas doing so risks displacing better applicants from other pathways.

The challenge is to most quickly identify talented graduates and give them the chance to stay longer, without offering false hope to others

### The graduate visa acts as a filter for skilled permanent visas

#### **Student visas** (500k+ visas / yr)

**Temporary Graduate visas** (180k+ / yr)

**Permanent skilled visas** (137k in 2023-24 across all streams)

### The Parkinson Review agrees



"For the Panel, the most pressing issue with the Student Program is that migration settings are not calibrated to identify and support students well suited to transition to our permanent skilled program.

International students should be good candidates to move from study into Australia's permanent skilled visa stream. However, international graduates do not perform as well as might be expected in our labour market.

Former students are among the largest cohort of 'permanently temporary' migrants. Generous temporary work rights, unclear pathways to permanent residence, and variable support to succeed in our labour market lead to uncertainty, distress and confusion."



Migration Review, 2023, p.108.

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# There are trade-offs around the design of visas offering work rights to international graduates



Pick a side, but only one side Minimise the size of the temporary graduate visa-holder cohort in Australia **Alternative #1: Invest** Alternative #2: Give heavily in a few: more everyone some chance: generous post study work most students are eligible rights to fewer, higherfor post study work rights, achieving students but for a shorter time

#### Offer lengthy post-study work rights

 How many years can you stay and work after graduating? **Status quo:** generous post study work rights to all graduating students, large number of temporary graduates in Australia Offer broad eligibility for poststudy work rights

• Which students are eligible for post study work rights?

# We lack the tools to quickly immediately identify the best candidates for PR upon graduation



- We lack the tools to identify graduates that are good candidates for permanent residency immediately upon graduation. For example:
  - **University studied:** studies have found either a small earnings advantage from attending a topranking university, or no advantage at all (what a person studies matters more)
  - **Student grades:** may be a better predictor of long-term performance, but is currently impractical because of:
    - Differences in grading practices across institutions and courses
    - Differences in the quality of student cohorts across courses and institutions (e.g. average medicine student vs top-scoring nurse).
- Ultimately, graduate's initial labour market performance is the best predictor we have of graduates' long-term prospects in Australia.
  - The occupation students enter upon graduating is a very strong predictor of their long-term career prospects

# How graduates perform while on the TGV is the best signal we have of graduates' long-term prospects



Mean real income (2023 dollars) for Temporary Graduate visa-holders by years since visa granted and income decile while on the Temporary Graduate visa



Notes: 'Income on Temporary Graduate visa' and income deciles calculated based on income within two years of being granted a Temporary Graduate visa. This includes some Temporary Graduate visa-holders on an 18-month graduate visa who moved to another visa before 2 years. Data from 2010 till 2021. Income calculated using total income in the personal income tax data and AWOTE-inflated to 2023 dollars. Visa processing means time frames do not perfectly align with graduation dates. Data exclude individuals who do not submit a tax return; these are likely to be disproportionately low-income earners. Source: Grattan analysis of MADIP.

#### But offering visa extensions for specific courses or occupations distorts GRATTAN enrolment choices & fails to target talented graduates

- Offering extended visas for those that study particular courses is a poor way to identify graduates that are good prospects for permanent skilled visas
- Studying a particular course is not a good signal of talent, and will attract those that are less-talented with fewer other outside options
- Many courses eligible for the visa extensions have poor graduate employment outcomes (e.g. Science and Engineering degree-holders)
- Also distorts the study decisions of students. For example, there are 40,000 accountants who have applied for a permanent skilled visa in *SkillsSelect*



Source: Coates, Sherrell and Mackey (2021), Rethinking permanent skilled migration after the pandemic, Figure

### Redesign the Temporary Graduate visa to target graduates who are good prospects for permanent residency



Reduce visa duration	Target extensions to graduates who are good prospects for PR	Tighten eligibility	Increase certainty for employers		
<b>Bachelors</b> : 2 years (unchanged)	Remove extensions for regional study/work	Reduce age to 35 (down from 50 currently)	lssue the visa automatically		
<b>Masters-by-</b> <b>coursework:</b> 2 years (down from 3 years)	Remove extensions for studying a degree related to an occupation in shortage	Lift English requirements (from IELTS 6 to 6.5)	Rename visa to Post Study work visa		
Masters-by-research: 3 years (unchanged) PhD: 4 years (down from 6 years)	Offer extensions for graduates in high wage jobs (+ 2 years if earning \$70,000 or more)				

## Our reforms would substantially reduce the stock of international graduates with little hope of securing PR



Projected number of Temporary Graduate visa-holders in Australia, June each year



Notes: Includes primary and secondary visa-holders. Temporary Graduate visa-holders status quo: Temporary Graduate visa-holders projection assumptions include, 1) 40 per cent of higher ed international grads take up TGV by 2027 (10% of VET), 2) 45 per cent of students eligible for longer post-study work rights (student change studies to boost duration) 3) 4% completions growth for university graduates, 3% for VET. New visa assumptions: 40% of higher ed international grads take up TGV by 2027 (10% of VET), 20% get an extension visa, 3% completions growth for university and VET. Sources: Grattan analysis; Department of Home Affairs (2023a)

### Offer a permanent 'Exceptionally Talented Graduate' visa immediately upon graduation to a limited number of outstanding students



- Grant permanent residency to a small number of exceptional international students at the end of their studies
- This visa should attract highly-talented students to come and study in Australia
- Universities would be able to nominate 50 students for the visa. For example, universities could select students who were in the top 2-to-5 per cent of their student cohort.
- Restricted to students studying Bachelor-level, Masters-by-research-level or PhD-level qualifications
- Applications would be assessed by the Minister or delegate, who would have discretion over who is
  offered the visa. Criteria could include:
  - Academic results: such as being in the top 5 per cent of course cohort
  - Academic awards: such as University Medal; subject-specific awards
  - Other awards.
  - Academic publications.
  - References from lecturers and other university staff.
  - Extra-curricular activities.
- Should start with ~200 visas in first year, rising to no more than 500-1000 visas a year subject to an
  evaluation
- Could be established under the Global Talent visa, to minimise set up costs

# Graduates in limbo: international student visa pathways after graduation



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### Fix visa pathways for international graduates once their Temporary Graduate visa expires to help the best graduates to stay



Temporary employer sponsorship

Make sponsorship more **flexible**:

Remove requirement to work in specific occupations
Allow sponsorship for any worker earning more than \$70,000

### Make sponsorship less complex and costly:

- Remove labour market testing
- Move to monthly fees to reduce initial costs

Permanent employer sponsorship

### Make sponsorship more **flexible**:

Remove requirement to work in specific occupations
Allow sponsorship for any worker earning more than \$85,000 **Permanent points-tested visas** 

Redesign points tested visa to **reward talent, not persistence**:

- Remove points for things not correlated with long term success (professional year, regional study, STEM)
- Consolidate the independent, regional and state-nominate streams into a single stream
- Give more points for younger applicants
- Give more weight to spouses' skills

### Government's plans to reform temporary employer sponsorship will do little to help international graduates



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

- Subject to a wage threshold (Migration Review recommended >\$90,000 a year)
- Could be limited to jobs in high-tech sectors

#### The **second** is a **mainstream temporary skilled pathway** to bring in 'core skills'

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

#### The third stream relates to essential industries

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

### There are still lots of unanswered questions in the redesign

- **Upper tier:** what wage threshold? how broad?
- **Middle tier:** On what data does Jobs and Skills Australia assess skills needs? How do you do portability?
- **Bottom tier:** How do we prevent exploitation? How many visas are offered each year? What industries? Access to PR?

# Permanent skilled migrants are selected through a number of different streams



Visa type	Visa cap (2023-24)	Invitation required	Salary threshold	Age limit	Occupation listed (# listed)	Skills assessed	English (IELTS)
Employer- sponsored	36,825	No	> \$70,000, w contract	45	Yes (212)	No*	6.0
Regional: employer	32,300 combined	No	> \$70,000, w contract	45	Yes (650)	Yes	6.0
Regional: points		Yes	No	45	Yes (504)	Yes	7.0 in practice
Points: independent	30,375	Yes	No	45	Yes (212)	Yes	7.0 in practice
Points: state nominated	30,400	Yes	No	45	Yes (415)	Yes	7.0 in practice
Global Talent	5,000	Yes	> \$167,500, w/o contract	55	No	No	N/A
Business Innovation & Investment (BIIP)	1,900	Yes	No	55	No	No	N/A

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

#### Opening employer sponsorship to all that earn more than \$70k (temporary) & \$85k (permanent) would give more certainty to graduates and prospective employers



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



#### **Big benefits for employers:**

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

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

#### Some **losers:**

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

Notes: 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. This average is taken to present a broad indicator of occupational skill, and is not a methodology used by the National Skills Commission. Sources: Grattan analysis of ABS Census (2016), and Medium- and Long-term Strategic Skills List (2020).

## Reforming the points test would help also us select the best graduates to stay faster



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



Points here often determine who gets a points-tested visa

# Recalibrate the points test to reward talent, rather than persistence

- Consolidate skilled Independent, Statenominated (points) and Regional (points) visas into a single points tested stream
- Re-calibrate points on offer to ensure Australia selects the best students (and others) to stay in Australia
  - Adopt a more granular approach to allocating points for age; keep points for experience?
  - Allocate points for onshore residents with a high wage job
  - Remove points for regional study; professional year; specialist education (i.e. STEM) etc.
  - Should we keep points for domestic study?
- Can we replace occupation lists when filtering for valuable skills?

**Figure 7.13: Australia should adopt Canada's points allocation for age** Proportion of total available points allocated to age

Reforming the points test is the focus of Grattan's next migration report, scheduled for early 2024





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### Assist international graduates to get a foothold in the labour market



- A government campaign should educate employers about graduate and other visas
- Federal and state governments should remove the requirement for permanent residency for public sector graduate jobs
- More funding is needed for international graduates settlement and support services
- The federal government should publish detailed league tables on the employment outcomes of international graduates for each university
- Replace the fortnightly cap on student work hours with an annual cap

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