

Graduates in limbo

International student visa pathways
after graduation

Brendan Coates, Trent Wiltshire, and Tyler Reysenbach

October 2023



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Grattan Institute Report No. 2023-09, October 2023

This report was written by Brendan Coates, Trent Wiltshire, and Tyler Reysenbach. Rojan Joshi provided extensive research assistance and made substantial contributions to the report.



We would like to thank the Scanlon Foundation for its generous and timely support of this project.

We would like to thank Mark Cully, Nicole Kirkwood, Jeff Borland, Peter Varela, Jon Chew, Manorani Guy, George Tan, Andrew Norton, Peter Mares and Lachlan Vass, as well as government officials and others, for their comments on this report. We would also like to thank the Australian Association of Graduate Employers for surveying their members. The opinions in this report are solely those of the authors. The authors are responsible for any errors or omissions.

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This report may be cited as: Coates, B., Wiltshire, T., and Reysenbach, T. (2023). *Graduates in limbo: International student visa pathways after graduation*. Grattan Institute.

ISBN: 978-0-6457978-0-0

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Overview

Australia is in a global arms race to attract the best international students to study and stay permanently in Australia. But the post-study work rights we offer are too generous, offering false hope to many international graduates and adding to population pressures.

Many Temporary Graduate visa-holders struggle to pursue their chosen careers in Australia: only half secure full-time employment; most work in low-skilled jobs; and half earn less than \$53,300 a year, compared to just one third of all graduates. A new Grattan Institute survey, conducted for this report, shows employers are reluctant to hire international graduates, especially because of uncertainty regarding their visa pathways once their Temporary Graduate visa expires.

Many international graduates are stuck in visa limbo: less than one third of Temporary Graduate visa-holders now transition to permanent residency when their visa expires, down from two thirds in 2014. One-in-three return to further study here once their visa expires, mostly for vocational courses, to prolong their stay in Australia.

Federal government policy is moving in the wrong direction. Recent decisions to make post-study work rights even more generous could result in the number of Temporary Graduate visa-holders in Australia almost doubling to about 370,000 by 2030, leaving many more graduates in limbo with even worse prospects of ever securing permanent residency.

Encouraging so many international graduates to stay and struggle in Australia is in no one's interests. It damages the reputation of our international higher education sector and erodes public trust in our migration program. It hurts the long-term prospects of those graduates who do stay permanently. It adds to population pressures in areas like housing, for little gain. And it's unfair to those graduates who invest years in Australia with little prospect of securing permanent residency.

The government should overhaul visa pathways for international graduates to reduce the number of graduates struggling in Australia and better identify the best graduates to stay permanently.

First, Australia should offer shorter post-study work visas to international graduates. Visa extensions for graduates with degrees in nominated areas of shortage, and for living in the regions, should be scrapped. Instead, graduates should be eligible for an extension to their visa only if they earn at least \$70,000 a year. And a new Exceptionally Talented Graduate permanent visa should be offered to the most talented international students immediately upon graduation.

Second, Australia should reform existing skilled visas to encourage talented graduates to stay, and to encourage employers to hire them. Employers should be able to sponsor graduates earning more than \$70,000 a year for a temporary visa, and those earning more than \$85,000 a year for a permanent visa. Points-tested visas should be reformed to only offer points for characteristics that suggest applicants will succeed in Australia.

Third, Australia should do more to help international graduates thrive here. The government should launch a campaign designed to change employer attitudes about new graduates, and public sector graduate programs should accept international graduates. Universities should give more support to international graduates to help them build careers in Australia. And the fortnightly cap on international students' work hours should be replaced with an annual cap, to make it easier for students to gain valuable work experience while studying.

These reforms would ensure Australia continues to attract the best international students, and help the best graduates to stay permanently – while reducing the number of graduates we leave in limbo.

Recommendations

Reform graduate visas

1. Rename the Temporary Graduate visa the 'Post-Study Work' visa.
2. Create a 'University Graduate' visa stream to replace the 'Post-Study Work' stream that is available to all tertiary graduates, with a duration of two years for Bachelor and Masters-by-coursework degrees, three years for Masters-by-research degrees, and four years for PhD holders.
 - Scrap the two-year extension to work rights for graduates with tertiary degrees in nominated areas of shortage.
 - Scrap the one-to-two-year extension to work rights for graduates who study and work in the regions.
3. Replace the 'Graduate Work' visa stream with a 'Vocational Work' stream for vocational graduates who have studied to qualify for a skilled occupation listed on the Medium- and Long-term Strategic Skills List. The visa should last for two years, or longer at the discretion of the Department of Home Affairs if the course of study and work to qualify for a skills assessment exceeds that period.
4. Make Post-Study Work visa-holders who hold a full-time job earning more than \$70,000 a year eligible for a two-year extension to their visa.
5. Limit Temporary Graduate visas to people younger than 35 (down from 50 now).
6. Raise the English language standard for Temporary Graduate visa-holders from International English Language Testing System (IELTS) 6 to IELTS 6.5.
7. Automatically provide a Post-Study Work visa upon completion of study.
8. Establish a new Exceptionally Talented Graduate permanent visa, to be offered to the most talented international students immediately upon graduation. Eligibility should be determined by an expert panel set up by the Department of Home Affairs and based on criteria such as grades, awards, publications, and other measures of academic excellence. Students would have to be nominated by their university in the final year of their studies.

Reform temporary and permanent skilled visas

9. Allow employers to sponsor workers in any occupation for a temporary skilled visa, provided the job has a salary of more than \$70,000 a year, and abolish labour-market testing, as recommended in Grattan Institute's 2022 report, *Fixing temporary skilled migration after the pandemic*.
10. Allow employers to sponsor workers in any occupation for a permanent skilled visa, provided the job has a salary of more than \$85,000 a year, as recommended in Grattan Institute's 2021 report, *Rethinking permanent skilled migration*.
11. Replace separate permanent points-tested visas for skilled-independent, state-nominated, and regional visas with a single, universal points-tested visa that targets younger, higher-skilled

workers, as recommended in Grattan Institute's 2021 report, *Rethinking permanent skilled migration*.

Help international graduates get a foothold in the labour market

12. The federal government should conduct a campaign to educate employers about international graduates' work rights, and the visa options available to graduates when their Temporary Graduate visa expires.
13. Universities should provide better settlement and support services to international graduates.
14. The federal government should regularly publish a detailed league table of the employment outcomes of international graduates, including their earnings, for each course of study offered by Australian higher education providers.
15. Federal, state, and territory governments should remove requirements for permanent residency for public sector graduate jobs.
16. The federal government should replace the fortnightly cap on working hours for international students with an annual cap of 1,560 hours (on average 30 hours a week).

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1 A growing number of international graduates struggle

Offering graduating students the chance to stay and work in Australia helps us identify which students should be offered permanent residency, and also makes Australia a more attractive destination for international students. But the post-study work rights we offer international students are too generous, adding to population pressures in Australia and leaving a growing number of graduates in limbo.

Many Temporary Graduate visa-holders struggle to pursue their chosen careers in Australia: only half secure full-time employment; most work in low-skilled jobs; and half earn less than \$53,300 a year, compared to just one third of all graduates. In fact Temporary Graduate visa-holders earn less on average than working holiday-makers.

A new Grattan Institute survey of graduate employers, conducted for this report, shows many are reluctant to hire international graduates, especially because of uncertainty regarding their visa pathways once their Temporary Graduate visa expires. Other evidence suggests that poor English language skills, weaker local networks, and discrimination are also important factors.

Fewer international graduates¹ are transitioning to permanent residency. One-in-three recent Temporary Graduate visa-holders return to further study here after their visa expires. But while most Temporary Graduate visa-holders initially studied a university-level qualification, most who return to study choose a cheaper VET-level course.

Government policy is moving in the wrong direction. Temporary Graduate visa numbers have doubled to nearly 200,000 since 2019. Recent decisions to make post-study work rights even more generous could result in the number of Temporary Graduate visa-holders in

Australia nearly doubling again to about 370,000 by 2030, further increasing competition for the limited number of permanent skilled visas available each year.

1.1 Australia has more international students per capita than comparable countries

Australia has one of the largest international higher education sectors in the world. International education services were Australia's fourth-largest export before COVID, worth about \$40 billion annually.² Australia's international education sector offers big benefits to Australia, largely via student tuition fees which typically fund public research. But the sector also adds to population pressures through higher rents (Box 1).

Australia's international student numbers have grown rapidly in recent years. As of July 2023, there were 654,870 student visa-holders in Australia. This is higher than the pre-COVID peak of 634,000, and double the level of a decade ago.³ The rapid rebound in international students post-COVID is partly the effect of pandemic-era policies, which encouraged non-genuine students to come to Australia to work after borders opened.⁴

2. Higher education exports typically account for about two-thirds of total education exports: Department of Foreign Affairs and Trade (2022).
3. Department of Home Affairs (2023a).
4. For example, the cap on student work hours was removed during the pandemic, allowing students to work as many hours as they wanted. It was re-introduced as of 1 July 2023, allowing students to work 48 hours in a fortnight: Department of Home Affairs (2023b). And the 408 COVID-19 pandemic visa, which was originally designed to give international students who couldn't return home during the pandemic the ability to work full-time, was instead used by some non-genuine students, who enrolled in a short course to come to Australia and then transferred to a 408 visa soon after: Dodd (2023) and Hare (2023a). The government

1. In this report, 'international graduates' are graduates who studied at an Australian institution on a student visa. It does not refer to graduates who studied abroad.

Box 1: The impact on Australia of our international education exports

Exports of international education services were Australia's fourth-largest export pre-COVID, worth about \$40 billion annually, of which higher education exports accounted for two-thirds. These exports include 'direct exports', predominately in the form of tuition fees, and 'indirect' exports, in the form of other goods and services that international students buy while residing in Australia. And Australia benefits from stronger ties with nations whose students who have a positive experience while studying in Australia.

Tuition fees paid by international students totalled \$17 billion in 2019, including \$10 billion in fees paid to Australian universities.^a They accounted for 27 per cent of total university revenue in 2019, up from 17 per cent in 2011.^b These tuition fees largely support university research, accounting for an estimated 35-to-40 per cent of total research funding.^c University research may also generate broader economic benefits via research and productivity spillovers.^d

Yet Australian governments otherwise benefit comparatively little from international student fees, since universities do not pay income tax and education is GST-free, but governments incur the additional infrastructure costs that arise from a larger population.^e

- a. Grozinger and Parsons (2019, p. 39); Ferguson and H. Spinks (2021, Table 6).
- b. Ferguson and H. Spinks (ibid, Table 6).
- c. See Norton et al (2018) and Parkinson et al (2023, Figure 34).
- d. For example: Kantor and Whalley (2014).
- e. Infrastructure Victoria estimated the capital costs of infrastructure for a new home to be about \$150,000. See Infrastructure Victoria (2019, Table 4).
- f. Coates et al (2021, Figure 3.3). Spending by students in Australia is considered an export, even if the student pays for that spending out of income earned in Australia. This is because students are deemed residents of their home economies for the duration of their study. See: Babones (2019, p. 5).
- g. Coates et al (2022b, Box 4).
- h. Ballantyne et al (2022) and Borland and Coelli (2021).
- i. Coates et al (2023, Chapter 1).
- j. Tulip and Saunders (2019, pp. 27–28).

International education also provides 'indirect' economic benefits to local businesses that supply goods and services to international students who live in Australia – although some (but not all) of that spending is funded by income that students earn by working while here.^f While there is limited evidence that international students working in Australia 'take jobs' or otherwise harm the employment opportunities of Australian workers,^g international students can have an out-sized impact on the wages and employment prospects of younger local workers in sectors such as hospitality where many international students are employed,^h especially since international students are also more likely to be underpaid than other workers.ⁱ

International students increase demand for housing which, given constraints on supply, pushes up rents.^j The rents paid by international students, compared to if that housing was otherwise rented locally, boosts national income. But higher rents increase inequality in Australia because they benefit older, wealthier Australians, who tend to own housing, at the expense of younger, poorer Australians, who tend to rent.

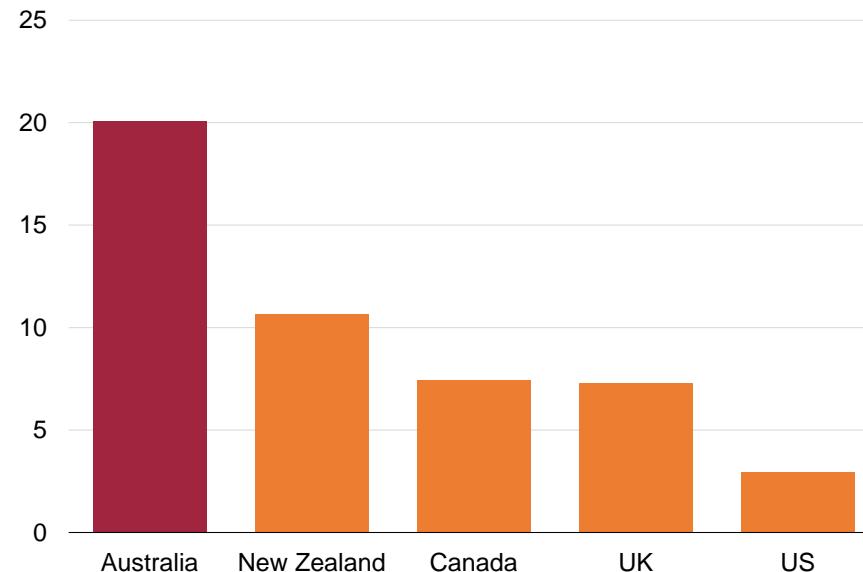
Australia has more international students, per head of population, than similar English-speaking countries (Figure 1.1). In 2019, there were 20 international students per 1,000 people in Australia, compared to 11 for every 1,000 people in New Zealand, 7 in Canada and the UK, and 3 in the US.⁵

There has been a big increase in international enrolments in high-cost Masters-by-coursework degrees in recent years. In 2019, 202,000 international students were enrolled in Masters-by-coursework degrees, which was 42 per cent of all international student higher education enrolments (Figure 1.2).⁶ This is a large rise from about 25-to-30 per cent of international student enrolments in the early 2010s, reflecting in part a shift in university offerings towards Masters programs that offer undergraduate-level training. However, many more international students than domestic students study Masters-by-coursework degrees: just 19 per cent of domestic students were enrolled in a Masters-by-coursework degree in 2019.

1.2 Australia offers international graduates some of the most generous work rights in the world

Australia's Temporary Graduate visa offers international graduates who have studied in Australia the opportunity to test their skills in the labour market. Allowing international students to stay and work in Australia after graduating helps Australia to identify which international students are the best prospects for permanent residency. Many international students are also attracted by the prospect of working in Australia after they graduate.

Figure 1.1: There are a lot of international students in Australia
International students per 1,000 population, 2019



Notes: Includes students undertaking a Diploma (or equivalent) or higher. Selected English-speaking OECD countries shown.

Source: OECD (2023a).

announced the phased ending of this visa in August 2023. The visa will be closed to all applicants by February 2024: Department of Home Affairs (2023c).

5. Grattan analysis of OECD (2023a).

6. Department of Education (2022a).

Recent changes to the Temporary Graduate visa mean Australia now offers some of the most generous post-study work rights in the world. There are now almost 200,000 Temporary Graduate visa-holders in Australia, double the number in 2019, and that number could grow to almost 400,000 by the end of the decade.

Many students are attracted to Australia by the prospect of working, and possibly migrating, after they graduate

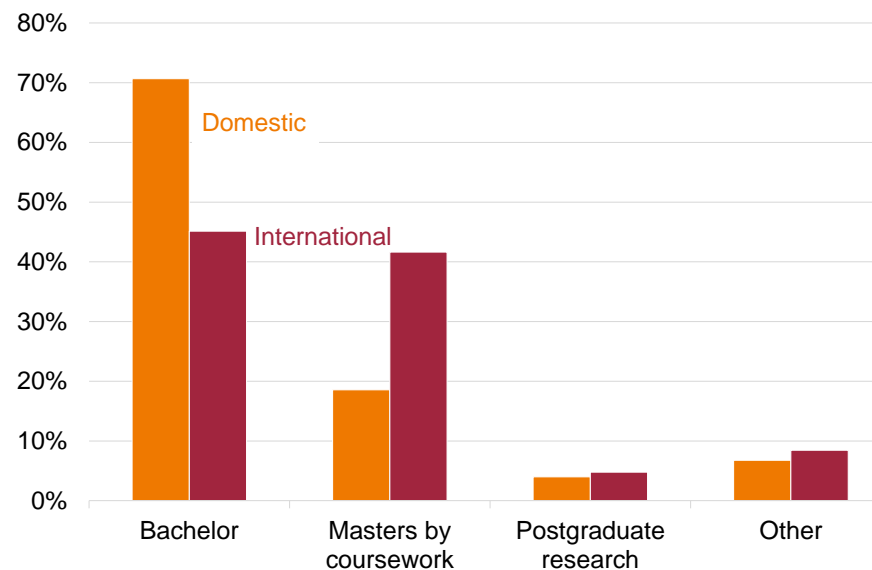
International students coming to Australia are attracted by the safety, quality of education, opportunity to learn English, and lifestyle offered by Australia.⁷ According to the OECD, Australia is the fifth-most attractive destination for international students.⁸ Australian cities are highly rated by international students. In the latest Best Student Cities rankings, Melbourne was rated the fourth-best and Sydney the seventh-best.⁹

Post-study work rights and the possibility of migrating to Australia permanently are also important factors in international students' decision to choose Australia as their study destination.¹⁰ In a survey of 1,156 international graduates, 76 per cent of respondents said the availability of the Temporary Graduate visa was an important factor in their decision to study in Australia.¹¹

A growing number of students also appear to be attracted by the prospect of working in Australia during their studies, especially following

7. Quality Indicators for Learning and Teaching (2023a, Table 15).
 8. The most attractive is the US, followed by Germany, the UK, and Norway: OECD (2023b, p. 9).
 9. QS (2023).
 10. Tran et al (2019); and Tran et al (2020).
 11. Tran et al (2019). In another survey, the possibility of migrating to Australia was cited by 70 per cent of undergraduate international students as a reason for choosing to study in Australia: Quality Indicators for Learning and Teaching (2023a, Table 15).

Figure 1.2: A much higher proportion of international students than domestic students study Masters-by-coursework degrees
 Student enrolments in 2019, proportion of total enrolments



Notes: 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 (2022a).

the relaxation of caps on student work hours during the pandemic.¹² Uncapped working hours may also dilute the quality of higher education in Australia, because non-genuine students may enrol in poor-quality courses or struggle to complete their course due to working too many hours. However, these issues are unlikely to explain trends we see in this report, since the uncapping of student work rights only occurred in 2021. Most issues with non-genuine students appear to relate to student visa-holders in cheaper courses in the VET sector, who are typically ineligible for the Temporary Graduate visa (Table 1.1).

Post-study work rights help Australia identify the best students to progress to permanent residency

Since the introduction of the Temporary Graduate visa in 2013, many international students have used it as a stepping stone to permanent residency. Getting the best international students to stay offers big benefits to Australia (Box 2).

About one third of all recent permanent skilled visas, and one-in-five permanent family visas, were issued to migrants who first arrived in Australia on a student visa.¹³

Of the international higher education students who go on to receive permanent residency, about 60 per cent held a Temporary Graduate visa at some point. This is much higher for students who received a

12. The relaxation of work rights during the pandemic, and then the complete uncapping in January 2022, coincided with a big jump in student visa lodgements and a decline in the proportion of visa applications granted. See: Coates et al (2023, pp. 35–36). There is also evidence that non-genuine students came to Australia to take advantage of the 408 COVID-19 pandemic event visa, which allows the holder up to 12 months of unlimited work rights by switching to a subclass 408 after arriving on a student visa and enrolling in a short course: Nixon (2023).

13. Varela et al (2021, Chart 4).

Box 2: The biggest benefits from international education come from getting the best students to stay permanently

While there are significant short-term benefits for Australia from international students (Box 1), the biggest benefits come from attracting the best students to study here and stay permanently.

High-performing international students who settle permanently offer an enormous fiscal dividend to Australia, because they are young and pay more in taxes than they cost in public services, transfers, and infrastructure investments. On average, each primary permanent employer-sponsored visa-holder offers a lifetime fiscal dividend to the Australian community of \$560,000, and \$390,000 for each Skilled Independent (i.e. points-tested) permanent visa-holder.^a The cohort of international students who arrive in Australia this year and eventually take up permanent residency will provide a fiscal dividend of up to \$12 billion over their lifetimes in Australia.^b That's much larger than the estimated \$5.6 billion channelled from international student tuition fees into university research each year.^c

Getting the most talented international students to remain in Australia could also boost productivity growth. A growing international evidence base suggests migrants can create productivity spillovers via innovation.^d In total, permanent skilled migrants, including those students who secure a permanent skilled visas, will contribute around \$3 million to the Australian economy over their working lives.^e

a. Ibid (Chart 4).

b. Grattan analysis of Varela et al (ibid) and Department of Home Affairs (2023d).

c. Updated from Parkinson et al (2023, Figure 34). Students offer no net fiscal dividend beyond the tuition fees they pay: Varela et al (2021, Table B2).

d. See Coates et al (2022b, Section 2.4) and OECD (forthcoming).

e. Parkinson et al (2023, Figure 23).

permanent skilled visa: about 80 per cent of those students held a Temporary Graduate visa before obtaining permanent residency.¹⁴

Australia's post-study work rights are generous and becoming more so

The Temporary Graduate visa, introduced in 2013 after the Knight Review of the student visa program, followed other countries that started offering more generous post-study work rights in the 2010s (Box 3).¹⁵

The Temporary Graduate visa allows international students to test themselves in the Australian labour market after they graduate, helping them to develop experience that they can use at home or to seek permanent residency in Australia via skilled migration.

Australia currently offers post-study work rights to international student graduates via the subclass 485 Temporary Graduate visa (Table 1.1). There are two main streams:

- the post-study work stream, available to university graduates; and
- the graduate work stream, available to selected VET and university graduates (including holders of some university-level diplomas).

A second post-study work stream visa is also available for international graduates who have lived, worked, and/or studied in a designated regional area for more than two years and who have held a post-study work stream visa (Table 1.1).

14. Students are classified into higher education based on the first student visa granted.

15. Tran et al (2020).

Box 3: The Knight Review of the student visa program in 2011 recommended universal post-study work rights

Before 2010, many international students could attain permanent residency in Australia if they enrolled in a course of study which would qualify them for an occupation deemed to be in national shortage. This led to a concentration of overseas students in the vocational education sector. After the direct pathway to permanency was removed, international student numbers fell.^a

In response, the government commissioned the Knight Review of the student visa program, released in 2011, which recommended introducing a temporary graduate visa available to all university graduates. The Review found that the 'absence of a clearly defined post-study work rights entitlement puts Australian universities at a very serious disadvantage compared to some of our major competitor countries'.^b The government created the Temporary Graduate visa in March 2013.^c

The Knight Review's recommendations on work rights after graduation focused on attracting students but were 'not intended to provide a defined pathway to migration'.^d However, at the time, some analysts warned that using a temporary visa to boost university enrolments could lead to a large number of 'permanently temporary' migrants.^e

- This fall was also driven by the Global Financial Crisis, the high Australian dollar, attacks on Indian students, and permanent visa reforms: C. Spinks (2016).
- Knight (2011).
- It replaced the Skilled Graduate visa, which offered graduates with qualifications that related to an occupation on the skilled occupation list 18 months of work rights: Department of Immigration and Citizenship (2013, pp. 71–72).
- Knight (2011).
- Mares (2011).

Table 1.1: The Temporary Graduate visa offers generous post-study work rights to international graduates

Temporary Graduate visa details

Visa stream	Post-study work	Second post-study work	Graduate work
Qualification	<ul style="list-style-type: none"> Accredited Australian degree At least two academic years 	<ul style="list-style-type: none"> Lived, worked, and/or studied in designated regional areas for at least two years 	<ul style="list-style-type: none"> Accredited Australian degree, diploma, or trade qualification At least two academic years
Duration of post-study work rights	<ul style="list-style-type: none"> PhD: six years Masters by coursework or research: three years or five years for degrees in nominated areas of shortage Bachelor: two years or four years for degrees in nominated areas of shortage 	<ul style="list-style-type: none"> Category 2 regions (cities and major regional centres excluding Sydney, Melbourne, and Brisbane): one year Category 3 regions (regional centres and other regional areas): two years If studied or lived in a combination of category 1 and category 2 regions: one year 	<ul style="list-style-type: none"> Usually 18 months, temporarily increased to 24 months
Cost	<ul style="list-style-type: none"> \$1,895 	<ul style="list-style-type: none"> \$745 	<ul style="list-style-type: none"> \$1,895
Visa grants 2022-23	<ul style="list-style-type: none"> 118,907 	<ul style="list-style-type: none"> 6,183 	<ul style="list-style-type: none"> 53,926
Other	<ul style="list-style-type: none"> No field requirement for degree of study English language: IELTS overall score of at least six with a minimum score of five for each of the four parts in the last three years Under 50 years of age 	<ul style="list-style-type: none"> 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 Under 50 years of age Started 20 January 2021 	<ul style="list-style-type: none"> Must hold qualification related to skilled occupation from the Medium- and Long-term Strategic Skills List and have applied for skills assessment (waived in 2022-23) English language: IELTS overall score of at least six with a minimum score of five for each of the four parts in the last three years Under 50 years of age

Notes: IELTS = International English Language Testing System. Nominated areas of shortage are predominately in the health, IT, engineering, and education sectors: Department of Education (2023a). A Replacement stream visa is also available to current and former Temporary Graduate visa-holders who lost time on their original visa due to COVID-19 travel restrictions. This visa is available until 1 January 2027, and the applicant must have held a relevant Temporary Graduate visa that was granted before 15 December 2021. A person can only be granted one Temporary Graduate visa as a primary visa-holder (with the exception of the Second post-study work visa).

Source: Department of Home Affairs (2023e).

Recent changes have made Australia’s post-study work rights more generous. Since 1 July 2023, the duration of post-study work rights has been extended by two years for Bachelor and Masters degrees that are in areas the government has identified as in shortage. Standard work rights have also been extended for all PhD students (from four years to six years). In 2021, post-study work rights were extended for Masters-by-coursework students (from two years to three years), and for the Graduate Work stream (temporary extension from 18 months to two years).¹⁶

Australia’s post-study work rights are now clearly more generous than other countries (Table 1.2). For university graduates, Canada, New Zealand, and the UK offer between two and three years depending on the length or level of their study.¹⁷ The US offers one year, with an additional year available for STEM (science, technology, engineering, and maths) graduates.¹⁸ For VET courses, Canada and New Zealand offer post-study work rights of the same length as the course. In New Zealand, only a limited number of courses are eligible for post-study work rights. The US offers one month for every four months of study. The UK offers no work rights for VET graduates.¹⁹

The Post-study Work Rights Working Group Report in 2022 concluded that, ‘Australia’s current [Temporary Graduate visa] settings are more generous than those currently offered by competitors, both in terms of maximum length of stay and wide availability to graduates’.²⁰

16. Tudge and Hawke (2021).

17. Canada offers three years if the length of study was more than two years. The UK offers three years for PhD students and two years otherwise: Post-Study Work Rights Working Group (2022). New Zealand offers three years for Masters and PhD students and a visa length equivalent to the length of the study for courses below the Masters level, up to three years: New Zealand Immigration (2023a).

18. Post-Study Work Rights Working Group (2022).

19. New Zealand Immigration (2023b) and Post-Study Work Rights Working Group (2022).

20. Ibid (p. 21).

Table 1.2: Recent extensions make Australia’s post-study work rights much more generous than our competitors’

		Australia	Canada	NZ	UK	US
Bachelor		Two years, with extensions for: <ul style="list-style-type: none"> • Study a degree in shortage: two years • Regional study: one-to-two years 	Three years	Three years	Two years	One year, with extensions for: <ul style="list-style-type: none"> • STEM degree: one year
Masters		Three years, with extensions for: <ul style="list-style-type: none"> • Study a degree in shortage: two years • Regional study: one-to-two years 	Same time as study (one-to-two years)	Three years	Three years	One year, with extensions for: <ul style="list-style-type: none"> • STEM degree: one year
PhDs		Six years, with extensions for: <ul style="list-style-type: none"> • Regional study: one-to-two years 	Three years	Three years	Three years	One year, with extensions for: <ul style="list-style-type: none"> • STEM degree: one year
VET	Length	18 months (temporarily two years)	Same amount as course	Same amount as course	None	One month for every four months of the course
	Eligibility	Only courses in occupations in shortage Only two-year courses	-	Limited number of courses eligible	None	-

Sources: Post-Study Work Rights Working Group (2022) and New Zealand Immigration (2023a).

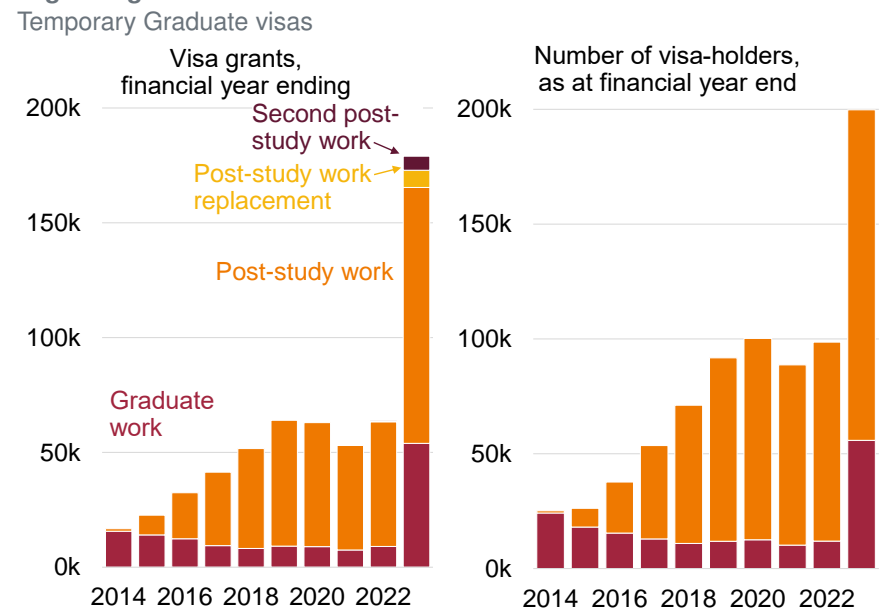
The Temporary Graduate visa is becoming more popular

Many international students remain in Australia after their studies by transitioning to the Temporary Graduate visa. As at June 2023, there were 199,772 Temporary Graduate visa-holders in Australia, up from 90,000 in June 2019 (Figure 1.3).²¹

Three-quarters of these Temporary Graduate visa-holders were on the Post-Study Work visa, a slightly lower proportion than pre-pandemic (Figure 1.3). As at June 2023, citizens of India and Nepal accounted for 52 per cent of all Temporary Graduate visa-holders in Australia.

According to the Post-Study Work Rights Working Group, over the past five years about 30 per cent of international students who complete their qualification in any field of study and go on to apply for a Temporary Graduate visa.²² Take up of the Temporary Graduate visa has also grown modestly. 25 per cent of higher education students who received their student visa in 2013 took up the Temporary Graduate visa, compared to 30 per cent of 2017 student visa recipients (Figure 1.4).²³ A further 10 per cent of those who received a higher education student visa in 2018 were still on a student visa as of 31 December 2021, some of whom may also transition to a Temporary Graduate visa once they graduate.

Figure 1.3: The number of Temporary Graduate visa-holders in Australia is growing



Notes: There were 604 Graduate work replacement stream visas granted in 2022-23 (included in Graduate work visa total). In the number of visa-holders data, the visa sub-type detail is not available, and Graduate work includes a small number of Skilled Graduate and Temporary Resident – Other visas.

Sources: Department of Home Affairs (2023g) and Department of Home Affairs (2023a).

21. The Replacement stream offered a new visa to current and former Temporary Graduate visa-holders who lost time on their original visa due to COVID-19 travel restrictions. This visa is available until 1 January 2027, and the applicant must have held a relevant Temporary Graduate visa that was granted before 15 December 2021: Department of Home Affairs (2023f).

22. Post-Study Work Rights Working Group (2022, p. 38).

23. More recent data points to a growing proportion of students moving onto a Temporary Graduate visa. In 2016-17, only 20 per cent of students who stayed in the country went on to a Temporary Graduate visa, whereas in 2021-22 more than 40 per cent went on to a Temporary Graduate visa: Department of Home Affairs (2023g). Between 35 per cent and 40 per cent of students leave the country. This has remained stable over the years: Grattan analysis of ABS (2021a).

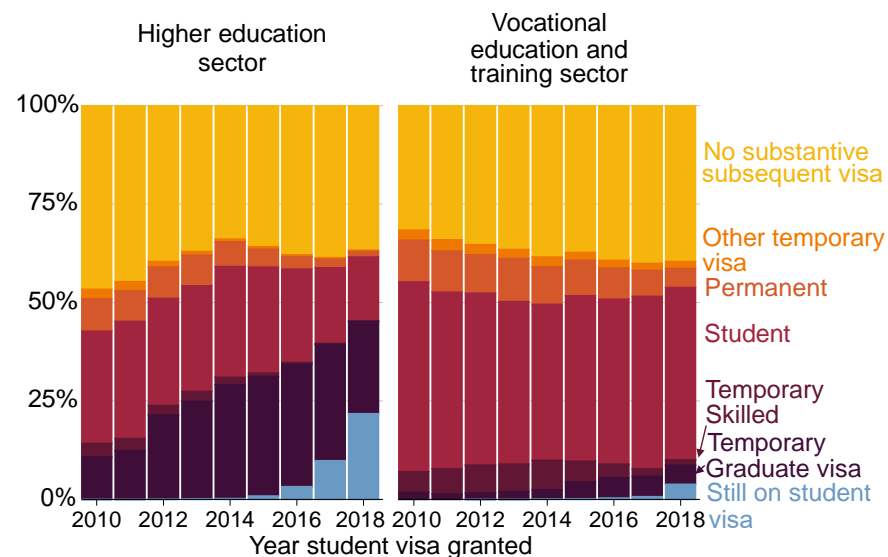
The recent spike in Temporary Graduate visa-holders in Australia partly reflects the overhang from pandemic-era border closures and visa policy decisions. In particular, recent graduates who were granted a Temporary Graduate visa but were overseas and unable to return to Australia were granted an extension to their visa. Departmental delays in processing visas once Australia's border reopened also led to a delay in processing Temporary Graduate visa applications, contributing to the spike in visa grants in the past year as that backlog was cleared. Further, requirements that applicants for the Graduate Work stream hold a qualification in an occupation deemed to be in shortage and have applied for a skills assessment were waived in 2022-23, resulting in a spike of applications for that stream in the past year, including from graduates of vocational courses who would not normally have been eligible for a graduate visa (Figure 1.3).²⁴

The number of people on the Temporary Graduate visa is likely to grow substantially in coming years

Under current policy settings, the number of people on the Temporary Graduate visa is likely to grow significantly over the next few years. This increase reflects a number of factors:

- The growing proportion of international students coming from south Asia, who are more likely than other international students to take up the Temporary Graduate visa upon graduation.²⁵
- The longer duration of the Temporary Graduate visa offered for Masters by coursework, as well as the two-year extension of the duration of Temporary Graduate visas for selected degrees in

Figure 1.4: More students are taking up the Temporary Graduate visa
Next visa granted after first student visa for each visa cohort



Notes: Sector based on the course level of first student visa. Visas where the student does not change provider or course level are not counted as a new student visa. 'No substantive subsequent visa' includes people who left Australia or are on a bridging visa awaiting a decision about a future visa. 'Still on student visa' calculated based on who still had a valid graduate visa as at 30 December 2021. Primary visa-holders only. Source: Grattan analysis of ABS (2021a).

24. Vocational graduates who studied courses ineligible for a skills assessment in an occupation on the Medium- and Long-term Strategic Skills List (MLTSSL) were historically ineligible for a Temporary Graduate visa.

25. Doshi (2023).

areas of shortage,²⁶ which means many Temporary Graduate visa-holders will be in Australia for longer on average.

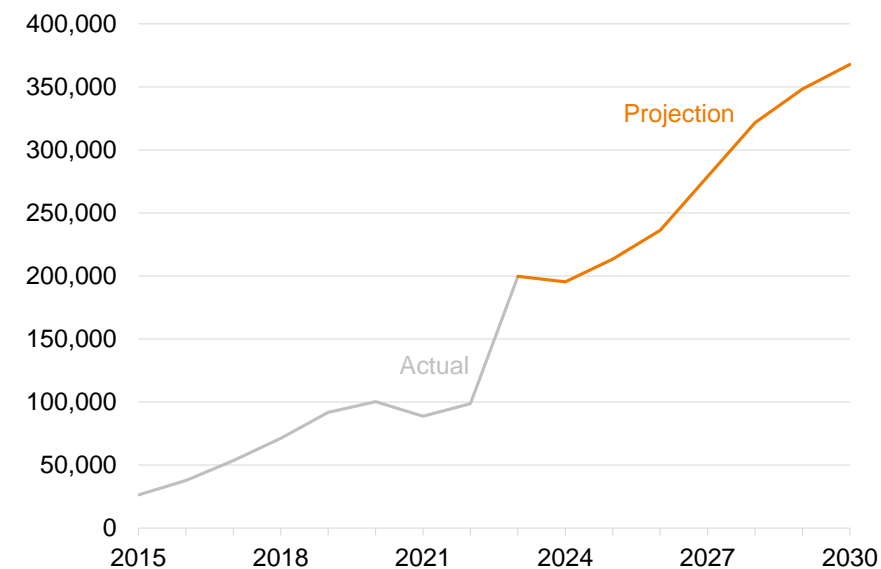
In addition, the number of Temporary Graduate visa-holders in Australia could grow as students change their course to one that is eligible for the longer post-study work rights,²⁷ or because additional international students choose to study in Australia due to the extended graduate work rights on offer.²⁸

Grattan Institute modelling incorporating these factors suggests that the number of Temporary Graduate visa-holders in Australia is on track to almost double to about 370,000 by 2030 (Figure 1.5).²⁹

These reforms will also mean that there are many international graduates who are here for an extended period before they either leave or receive permanent residency.³⁰ This runs counter to the government's stated objective of ending 'permanent temporariness'.³¹

Figure 1.5: Under current policy settings, the number of Temporary Graduate visa-holders in Australia could grow to about 370,000

Projected number of Temporary Graduate visa-holders in Australia, financial year ending



Notes: Assumes a larger behavioural response to recent changes to post-study work rights. This scenario assumes that: 45 per cent of graduates are eligible for longer post-study work rights (as degrees that offer extended work rights become more popular); the proportion of university students that transition to a Temporary Graduate visa after graduation grows to 40 per cent by 2027; and international student university completions grow at 4 per cent per year (and VET completions at 3 per cent per year), reflecting increased demand due to the more generous post-study work rights on offer in Australia. Includes primary and secondary visa-holders.

Sources: Grattan analysis; Department of Home Affairs (2023a).

26. Mainly in engineering, science, health, education, and IT: Department of Education (2023a). The federal government expects about 220,000 enrolments across 500 qualifications will be eligible for the extended Temporary Graduate visa over the next two years: Post-Study Work Rights Working Group (2022, p. 3).

27. Ibid (p. 38).

28. Ibid (p. 38).

29. Changes to migration policy as part of the Australia-India Comprehensive Economic Cooperation Agreement may also result in more Indian students coming to Australia and progressing to a Temporary Graduate visa at the end of their studies. Changes include a pilot scheme for Indian graduates and early career professionals to be able to work and stay in Australia for up to two years without requiring a sponsoring employer: Tillett (2023).

30. For example, a Bachelor's student who studied in an area of shortage in a regional university could be in Australia for nine years on a temporary visa.

31. O'Neil (2023).

1.3 Many Temporary Graduate visa-holders struggle to find work in Australia

Many Temporary Graduate visa-holders struggle to find employment in Australia, especially in their chosen career. Half of Temporary Graduate visa-holders earn less than \$53,300 a year, most work in low-skilled jobs, and just 55 per cent work full-time.

Most worryingly, one-in-three recent Temporary Graduate visa-holders return to further study after their visa expires, typically to study a lower-level VET course – suggesting that the visa is not acting as a stepping stone to full-time work in their chosen profession.

Temporary Graduate visa-holders are more likely to work in less-skilled jobs

Temporary Graduate visa-holders are more likely than domestic graduates to work in low-skill jobs.³² In 2021, 38 per cent of employed Temporary Graduate visa-holders worked in a job in the highest occupational skill level (up from 33 per cent in 2016), compared to 58 per cent of all 20-to-29 year-olds in Australia who had a Bachelor's degree or higher. Only 42 per cent of employed Temporary Graduate visa-holders worked as managers or professionals in 2021, compared to 61 per cent of all 20-to-29 year-olds in Australia who had a Bachelor's degree or higher. Temporary Graduate visa-holders were also almost twice as likely to work as labourers, the least-skilled major occupation group.

A large number of Temporary Graduate visa-holders work in hospitality and retail. The most common occupations among Temporary Graduate visa-holders in 2021 were chefs and sales assistants. And

in 2021, one-in-four Temporary Graduate visa-holders worked in accommodation and food services, or retail trade.³³

International graduates typically earn much less than local graduates

Temporary Graduate visa-holders typically earn much less than equivalent local graduates.

In 2021, the typical Temporary Graduate visa-holder earned \$53,300, only slightly more than working holiday-makers (\$50,700) and much less than all 20-to-29 year-olds who had a Bachelor's degree or higher (\$64,400) (Figure 1.6). In fact, Temporary Graduate visa-holders on average earned less than working holiday-makers.³⁴ In total, nearly 75 per cent of Temporary Graduate visa-holders earned less than the median Australian worker in 2021.³⁵

The difference between domestic and international graduates is most pronounced for students with a post-graduate coursework degree (Figure 1.7). International graduates with a postgraduate coursework degree in business and management typically earn \$58,100 a year less than domestic graduates who hold the same degree.³⁶ Computing and engineering postgraduate coursework international graduates earn about \$40,000 less.

32. Tran et al (2019).

33. Grattan analysis of ABS (2021b). This is down from 2016 when one in three worked in accommodation and food services, or retail trade: Chew (2019). The change is probably explained by the fact that the 2021 Census was conducted on a night when many parts of Australia were in lockdown.

34. Temporary Graduate visa-holders earned an average of \$56,300 in 2021, compared to an average of \$56,600 among working holiday-makers. Grattan analysis of ABS (2021b) and ABS (2021c).

35. The median Australian worker earned \$63,041 in 2021, which includes many part-time workers, whereas 74 per cent of Temporary Graduate visa-holders earned less than \$65,000 in that year. Just 10 per cent of full-time Australian workers earned less than \$52,000 in 2021. See Coates and Moloney (2023).

36. 50 per cent of 2021 international student Masters-by-coursework commencements were in a management and commerce degree: Department of Education (2023b).

For people with an undergraduate degree, the biggest differences in earnings between international and domestic students are among those who studied engineering and computing, where domestic students earn about \$12,000 a year more. The difference between earnings for business graduates is about \$10,000 a year.³⁷ International graduates who studied a health-related degree reported the highest earnings, followed by science graduates, but earnings were still lower than domestic graduates in the same fields.

A 2022 study of PhD students also found that international graduates from a non-English speaking background earn less than domestic PhD graduates.³⁸

International graduates' employment prospects improve over time, but lag those of local graduates

The Longitudinal Graduate Outcomes Survey shows that the proportion of local students who graduated from Australian universities in 2018 into full-time employment was much higher than for international graduates immediately after graduation (Figure 1.8). The gap in full-time employment between local and international graduates closes somewhat three years after graduation,³⁹ although part of the improvement probably reflects the fact that those graduates who found a good job were more likely to remain in Australia and were also more likely to get permanent residency.⁴⁰

37. 43 per cent of 2021 international student Bachelor's degree commencements were in a management and commerce degree: Department of Education (2023b).

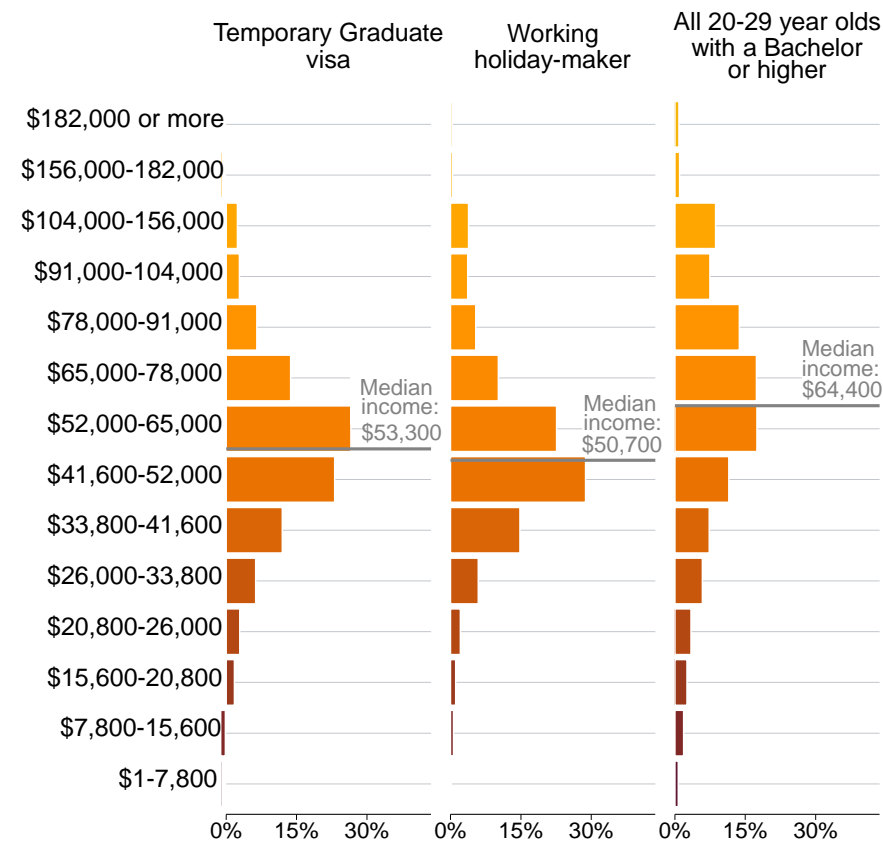
38. Tani (2022).

39. Similarly, the 2016-to-2019 survey of 1,156 Temporary Graduate visa-holders found that employment outcomes for graduates improved considerably after a few years. Only 28 per cent of current holders of a Temporary Graduate visa had a full-time job in their field of study soon after graduation, but this rose to 52 per cent for past holders of a Temporary Graduate visa: Tran et al (2019, pp. 25–26).

40. Ibid (pp. 25–26).

Figure 1.6: 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

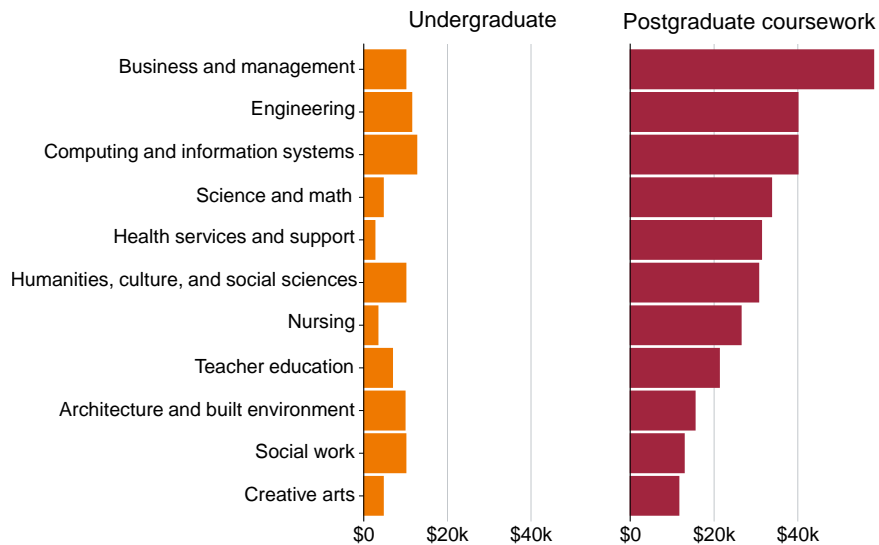


Notes: The third column includes Temporary Graduate visa-holders, which are about 5 per cent of the group. Uses total personal weekly income as recorded in the Census, which includes wages and salaries, government transfers, investment income, and business income. Median assumes a uniform distribution within income buckets.

Source: Grattan analysis of ABS (2021b) and ABS (2021c).

Figure 1.7: There are large gaps between what domestic and international students earn

Difference in median salary between domestic and international students, by field of study and course level, 2022

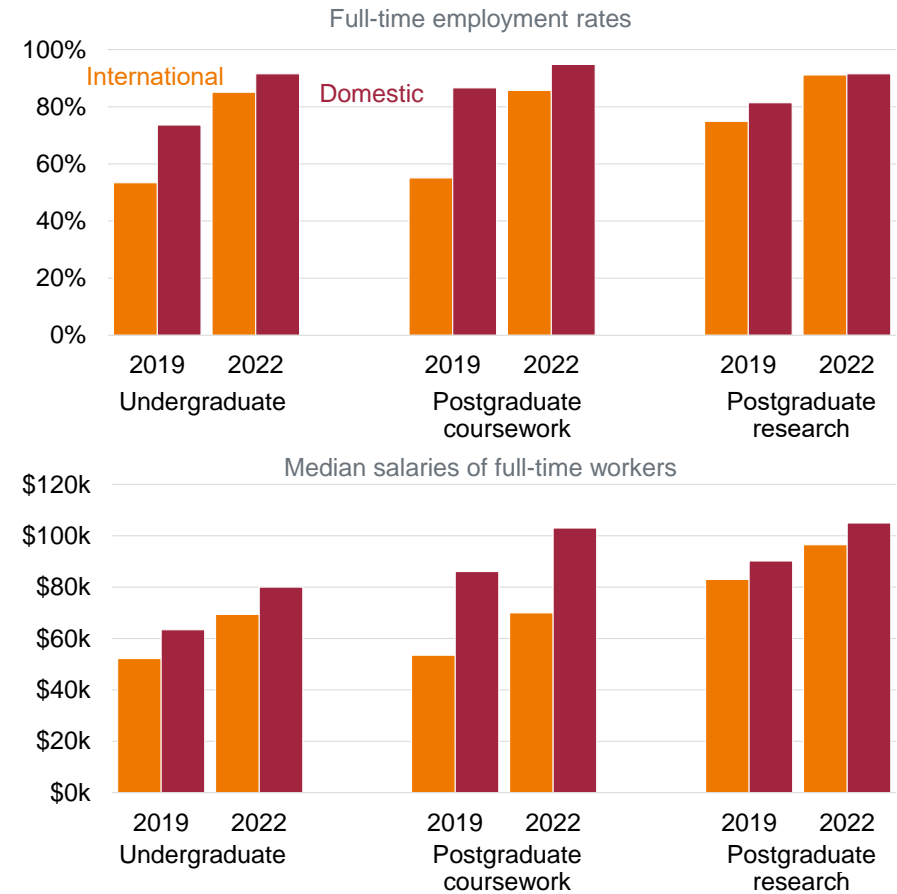


Notes: Only a selection of fields of study included. Missing fields are: tourism, psychology, dentistry, law, medicine, pharmacy, veterinary sciences, communications, agricultural sciences, and rehabilitation.

Source: Quality Indicators for Learning and Teaching (2023b).

Figure 1.8: International graduates are less likely to be employed, and more likely to earn less, than domestic graduates

2018 international and domestic cohorts



Notes: Nominal dollars.

Source: Grattan analysis of Quality Indicators for Learning and Teaching (2022).

In the longer term, international students often perform worse than other, permanent migrants. Permanent migrants with an Australian degree earn less than permanent migrants who did not study in Australia. Skilled permanent migrants aged between 25-34 with an Australian degree earned on average \$78,000 a year within 18 months of receiving permanent residency, compared to \$96,000 among those who had an overseas qualification only.⁴¹

Forthcoming research finds that given their education, international students do worse than expected. After taking account of age, English, education, and other characteristics, international graduates earn between 7 per cent and 15 per cent less than permanent migrants who never held a temporary visa.⁴²

1.4 International graduates struggle to find well-paid jobs, for several reasons

International graduates struggle in the Australian labour market for a number of reasons, including: employers' reluctance to hire temporary visa-holders; graduates' often-poor English language skills and weaker networks; and discrimination.

Employers are reluctant to hire international graduates because of uncertainty over their future visa status

The biggest reason international graduates struggle in Australia appears to be because employers are reluctant to hire temporary visa-holders.⁴³

Many leading Australian employers of skilled workers are unwilling to employ and invest in training temporary visa-holders. Employers prefer

permanent visa-holders and Australian citizens, because the employer can be confident that they can benefit long-term from the investments they make in upskilling workers.

A Grattan Institute and Australian Association of Graduate Employers (AAGE) survey of graduate employers, conducted for this report, found that fewer than half considered temporary visa-holders in their current or most recent graduate intake, and that more than one-third had never recruited temporary visa-holders.⁴⁴ These results are consistent with a 2014 survey in which 46 per cent of graduate employers said they only employed Australian citizens or permanent residents.⁴⁵

According to global education provider Navitas, 'a large share of employers hold a view that recruiting an employee that is anything other than a permanent resident or citizen is risky'.⁴⁶ However, some sectors, such as IT, appear more open to hiring international graduates.⁴⁷

In our survey of graduate employers, the most common response to a question about the reasons temporary visa-holders were not eligible for a graduate role was uncertainty about whether the applicant would be eligible for a future visa after their graduate visa (Figure 1.9). One employer told us: 'The main concern would be they are unable to remain in the country at the end of the program'.⁴⁸

44. This online survey was sent to AAGE members in July 2023. There were 87 respondents, of which 86 per cent were large firms with more than 500 employees. Of those employers that do hire international graduates, many say doing so gives them access to a broader talent pool or helps overcome skills shortages.

45. A survey of 638 graduate employers: Graduate Careers Australia (2016, Table 6). A recent Migrant Workers Centre survey also found that 36 per cent of respondents reported having been told that job applications from permanent residents would be given priority: Migrant Workers Centre (2023).

46. Navitas (2022, p. 11).

47. Tran et al (2023) attributes this to the more diverse international backgrounds of management and because short-term contracts are common in the industry.

48. Another employer said: 'Significant investment is made in the development program, so weighing up the risk of temporary visas not leading to permanent

41. Grattan analysis of Department of Home Affairs (2021).

42. Varela and Breunig (n.d.).

43. Tran et al (2020); Navitas (2022); and Tran et al (2019).

In response to a follow-up question about what factors contributed to this uncertainty, employers cited concerns that visa rules or skilled occupation lists would change, or that they lacked knowledge about how to sponsor a worker. Some also said the duration of the Temporary Graduate visa was too short.

In principle, Temporary Graduate visa-holders in many occupations would qualify for employer sponsorship – for either a further temporary visa of up to four years, or for a permanent visa – provided they were employed full-time and earned at least \$53,900 a year, rising to \$70,000 a year since 1 July 2023.⁴⁹

Yet the cost and complexity of employer sponsorship was cited by many employers as a barrier to employing international graduates (Figure 1.9). In particular, employers cited the complexity of visa paperwork, ensuring compliance with visa restrictions, and a lack of knowledge about how to sponsor a worker as factors that stopped them employing temporary visa-holders.⁵⁰ One respondent wrote that ‘the visa process is too long and too expensive when we have Australian candidates’.

These findings support previous studies, which also found that ‘concerns about complexities and uncertainties’ relating to visas contributed to fewer employers recruiting international graduates.⁵¹

International graduates also believe not having permanent residency is a major barrier to getting a good job. In a 2022 survey, this was the

ones, we have made the decision not to extend the program to international students.’

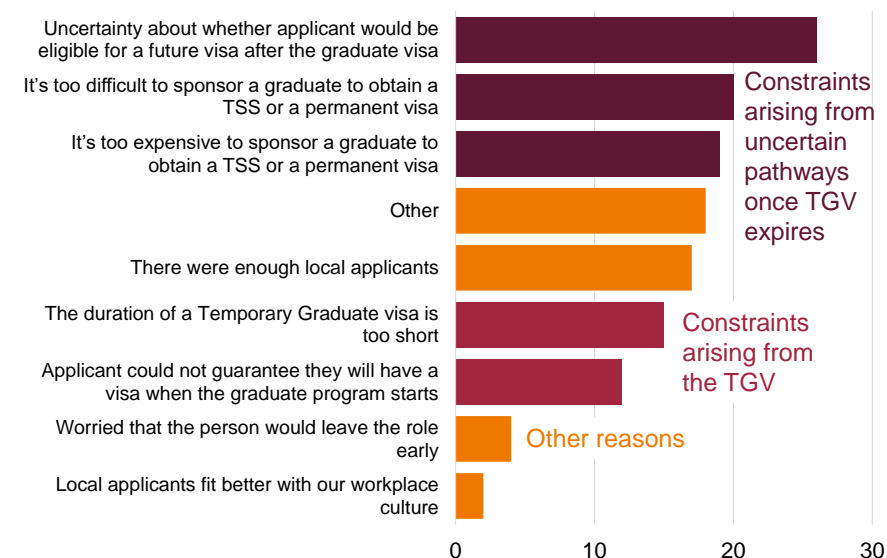
49. See Coates et al (2022a); Department of Home Affairs (2023h).

50. One employer told us: ‘Managing and keeping track of visa-holders... knowledge/experience required to ensure compliance with visa restrictions, costs of visa agency support, penalties on organisations if visa requirements not met. Very time consuming managing visas for such a small employee population.’

51. Tran et al (2020, p. 499).

Figure 1.9: Uncertainty over future visa pathways, and the cost and complexity of sponsorship, are the main reasons employers don’t hire international graduates

Number of responses from graduate employers to statement about reasons for not employing international graduates



Notes: TGV = Temporary Graduate visa. TSS = Temporary Skill Shortage visa. There were 87 respondents to our survey. Multiple responses allowed (there were 133 responses to this question). The full question was: ‘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.’

Source: Grattan Institute and AAGE survey of graduate employers.

major reason international graduates cited for working a job that didn't fully utilise their education.⁵²

Many employers are unfamiliar with the Temporary Graduate visa and the work rights it offers

Many employers are unfamiliar with the Temporary Graduate visa and the work rights it offers, which also contributes to their reluctance to hire international graduates.⁵³

One respondent to our survey wrote: 'We have limited understanding of requirements and obligations around working rights.' Another wrote: 'It is hard to know if they will be successful in moving from a student visa to a graduate visa when offering them a role.' This is despite the fact that virtually every international student who graduates from an Australian university is guaranteed the Temporary Graduate visa.

The 'Temporary' in the title of the visa also deters employers from recruiting international graduates.⁵⁴

Delays in issuing the Temporary Graduate visa also harm graduates' employment prospects

It often takes a long time for the Temporary Graduate visa to be granted after graduation. The 2023 Parkinson Review of Australia's migration system found that the processing time is typically five months but can be up to 13 months.⁵⁵

52. Quality Indicators for Learning and Teaching (2023b, Table 12). About one-quarter cited this as the reason. The next most common answer was that the job was a career stepping stone.

53. According to Navitas, 'Many employers are not aware of the program [and] have low familiarity with its benefits': Navitas (2022). See also Tran et al (2020).

54. Tran et al (2023) and Tran et al (2020). Before 2011, the visa was known as the Skilled Graduate visa.

55. 'Prospective employers often make graduate offers to students before they have completed their studies. This means international students are at a distinct

One respondent to our survey wrote: 'Most students apply on a 500 [student] visa and mention their eligibility for a 485 [Temporary Graduate visa] after graduating. Unfortunately we cannot hire them, on the basis they do not yet have a 485.'

Some international graduates have poor English and skills

Poor English language skills among some international graduates also harms their job prospects.

In 2021, 72 per cent of Temporary Graduate visa-holders spoke only English, or spoke English very well, compared to 89 per cent of all 20-29 year-olds in Australia who held a Diploma qualification or higher.⁵⁶

In our survey, some employers said poor English language skills meant some international graduates struggled in interviews and assessment centres during the application process. Poor English also makes it harder for the graduate to build the social and professional networks often needed to find a good job.⁵⁷

Some employers also express concern about the poor quality of international graduates, which could make them unattractive to employers. Media reports suggest some academics feel pressure to pass struggling international students, especially where international students account for a large share of course enrolments.⁵⁸ Whether soft marking exists or not, international students receive lower marks than domestic students. International students are substantially more

disadvantage at this important point of transition. Employers who are not confident a student will have the right to remain and work in Australia take a significant risk in making an employment offer to an international graduate': Parkinson et al (2023, p. 116).

56. Grattan analysis of ABS (2021b) and ABS (2021c).

57. Tang et al (2022a).

58. Cook (2019). International students account for up to 50 per cent of students at some Australian universities, and in particular faculties at other universities: Shields (2020).

likely to self-report average marks below 70 per cent and were more likely to fail subjects.⁵⁹ The interim report of the Universities Accord acknowledged concerns about the poor quality of education offered to some graduates.⁶⁰

Weaker local networks, limited experience, and discrimination all harm graduates' employment prospects

Unfamiliarity with Australian workplace culture has also been found to be a barrier to employment for international graduates. In previous surveys, employers state that international graduates can lack interpersonal skills, or would struggle to fit in with workplace culture.⁶¹

International graduates often also lack local work experience.⁶² Other barriers, notably lack of permanent residency but also restrictions on international students' work rights,⁶³ often prevent the graduate from gaining this experience.

Finally, discrimination against international graduates is also a factor.⁶⁴ A recent Australian study found that job applicants with non-English names received fewer positive responses to applications for positions.⁶⁵ And earlier studies have found high levels of discrimination among employers against minority groups, especially those from Middle Eastern backgrounds.⁶⁶

59. Norton et al (2018, pp. 30–31).

60. Department of Education and Training (2023, p. 7).

61. Tran et al (2020); and Tang et al (2022a).

62. Tran et al (2019, p. 29); and Tran et al (2023).

63. See Section 5.5 and Parkinson et al (2023, p. 112).

64. Tang et al (2022a); and Blackmore et al (2023).

65. Adamovic and Leibbrandt (2023).

66. Booth et al (2012).

1.5 Fewer international graduates are now transitioning to permanent residency

Many international students are attracted to study in Australia by the prospect of obtaining permanent residency (Section 1.2). And getting the best international students to stay offers big benefits to Australia (Box 2). But far fewer international graduates are now transitioning to permanent residency, including among high-performing Temporary Graduate visa-holders.

A smaller proportion of international students are transitioning to permanent residency

While the number of international students on temporary visas grew significantly in the decade before COVID, the number of permanent visas did not. A lower share of international students are obtaining permanent residency upon graduation than in the past. In the late 2000s, up to 25 per cent of student visa-holders transitioned to a permanent visa within six years of commencing study in Australia. For more recent student cohorts that figure has halved to just 12 per cent.⁶⁷

The decline in the share of international students transitioning to permanent residency reflects – at least in part – the decision taken in 2010 to decouple student visas from permanent skill visas. But since then the growth in the number of international students and recent graduates, combined with fewer permanent visas allocated via the points test, has resulted in intense competition for permanent skilled visas among international students.

There are currently about 1.5 million temporary migrants in Australia, whereas only 190,000 permanent visas are to be issued in 2023-24,

67. Coates et al (2022b, Figure 2.9). Older data have the historical share lower: according to Clare and O'Neil (2022), 16 per cent of international students gain permanent residency. This compares to 27 per cent in Canada: Navitas (2022, p. 12).

in addition to 13,750 humanitarian visas, and 3,000 new permanent Pacific Engagement visas.⁶⁸

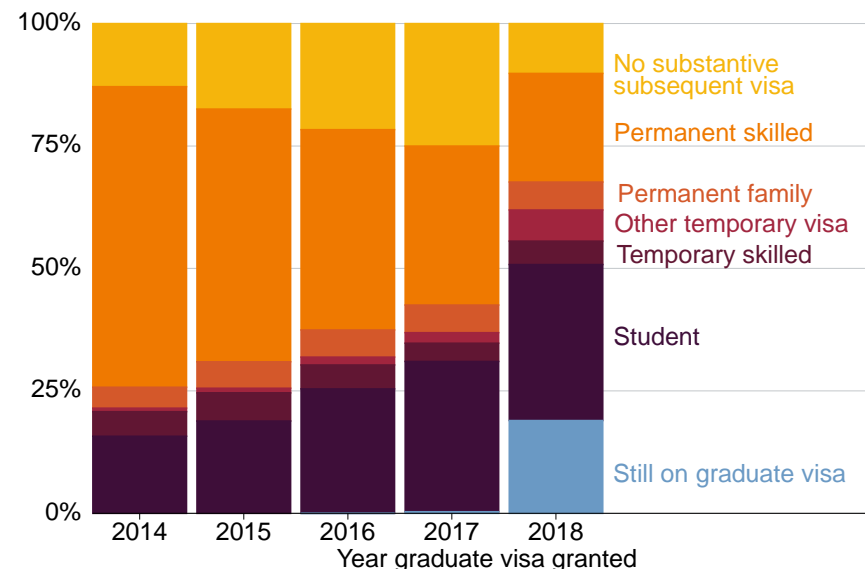
Recent changes to permanent skilled migration enacted by the federal government to boost the number of permanent skilled visas available – from an average of 111,000 per year in the decade to 2021-22 to 137,100 for 2023-24 – may increase graduates’ prospects of obtaining permanent residency in the short term.⁶⁹

Historically, most Temporary Graduate visa-holders have transitioned to a permanent visa

Historically, most Temporary Graduate visa-holders have transitioned directly to a permanent visa (Figure 1.10). For instance, two-thirds of graduates issued with a Temporary Graduate visa in 2014 transitioned straight onto a permanent visa after their graduate visa.⁷⁰

More than 80 per cent of high-performing Temporary Graduate visa-holders have historically transitioned to permanent residency.⁷¹ Even a majority of Temporary Graduate visa-holders who have comparatively low incomes have historically made the jump to permanent residency (Figure 1.11).

Figure 1.10: A declining share of Temporary Graduate visa-holders transition directly onto a permanent visa after their graduate visa
Next visa granted after Temporary Graduate visa for each visa cohort



Notes: Data only available up to 31 December 2021. ‘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. Primary visa-holders only.

Source: Grattan analysis of ABS (2021a).

68. Excluding tourists and New Zealanders holding special category visas, around 1.5 million people are in Australia on a temporary visa: Department of Home Affairs (2023a).

69. The federal government increased the size of the permanent migrant intake from 160,000 in 2018-19 to 190,000 in 2023-24. Changes in the composition of the intake, including scaling down the Global Talent visa and Business Investment and Innovation Program, and re-allocating those places to additional points-tested visas, have further increased the number of permanent visas available to international graduates. See Department of Home Affairs (2023d) and Coates et al (2021).

70. ABS (2021a).

71. Of those issued a Temporary Graduate visa in 2016 and among the top 10 per cent of income earners in their cohort, 82 per cent went on to get permanent residency within five years of receiving their graduate visa.

Now, fewer Temporary Graduate visa-holders transition to a permanent visa

The share of Temporary Graduate visa-holders transitioning to permanent residency is falling.

Just under 30 per cent of those issued the visa in 2018 transitioned directly onto a permanent visa after their graduate visa (Figure 1.10). And the share of Temporary Graduate visa-holders who had obtained a permanent skilled visa by December 2021 fell from 80 per cent among those first awarded a Temporary Graduate visa in 2014, to just 60 per cent among those first awarded the same visa in 2016.⁷²

A smaller share of Temporary Graduate visa-holders transitioning to permanent residency in itself is not a bad thing if those who don't make that transition are studying, gaining valuable experience in the Australian labour market, and then returning home. But many Temporary Graduate visa-holders are transitioning to another temporary visa once their graduate visa expires, most likely to prolong their time in Australia.

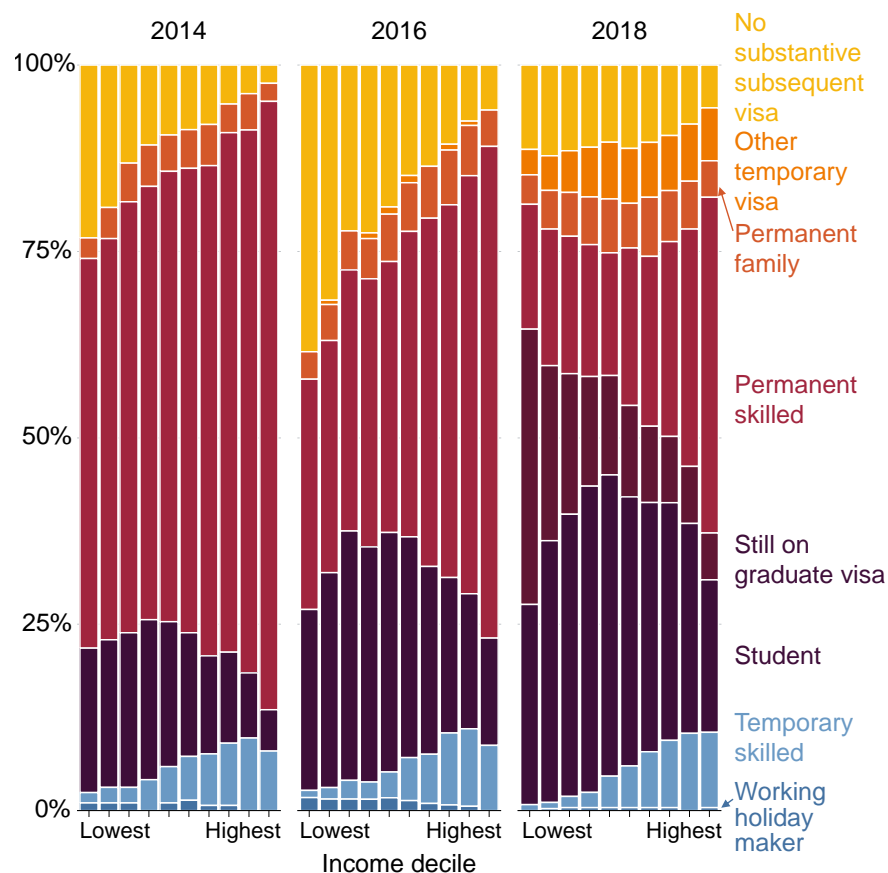
In particular, a growing share of Temporary Graduate visa-holders are returning to study when their visa expires: up from 16 per cent of those first issued with a Temporary Graduate visa in 2014, to 32 per cent for those issued with the visa in 2018.

A large proportion of high-performing graduates are also returning to study. In 2016, 20 per cent of those Temporary Graduate visa-holders in the top three income deciles among that visa cohort returned to study, compared to 30 per cent of those in the bottom three deciles (Figure 1.11).

72. Data only available to 2021. Transitions to permanency may increase over time, particularly for later cohorts, as they may move onto other visas before getting permanent residency.

Figure 1.11: High-income graduates transition to permanent visas, but many low-income graduates do too

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



Notes: Data only available up to 31 December 2021. Primary Temporary Graduate visa-holders only. 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. Data excludes individuals who do not submit a tax return within two years of receiving their graduate visa; these are likely to be disproportionately low-income earners.

Source: Grattan analysis of ABS (2021a).

Of those who return to study, most go on to study a VET course despite mostly already holding a higher degree, especially if they initially studied a Masters-by-coursework degree (Figure 1.12).

This suggests that many international graduates are returning to study when their Temporary Graduate visa expires in order to prolong their time in Australia. Graduates may be motivated by the hope of securing permanent residency, or simply to continue to access the higher wages offered in Australia. Either way, they are returning to study a degree that is unlikely to boost their lifetime income or career prospects.

The Parkinson Review identified that of the 145,000 Temporary Graduate visa-holders in Australia in December 2022, about 20,000 had been here for six or more years.⁷³ The number of Temporary Graduate visa-holders who become stuck in Australia for an extended period is likely to grow further in coming years, because post-study work rights have been extended for many graduates, and competition for permanent places has become even more fierce (see Section 1.2).

1.6 This report shows how offering students clearer, fairer visa pathways after graduation is in everyone’s interests

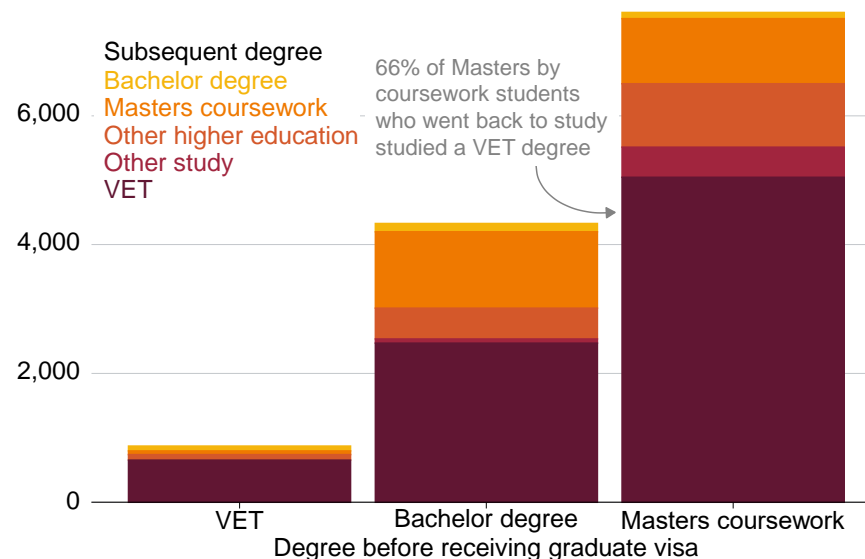
This chapter has shown how, and why, many international graduates struggle in Australia.

The policy challenge is to offer visa certainty to talented students and graduates, so employers can have confidence that they will reap the return from hiring and investing in them, thereby helping Australia identify which graduates should be offered permanent residency. And offering more-certain visa pathways after graduation ensures that Australia does not lose talented graduates to other countries.

But there are real constraints on the degree of visa certainty that can be offered to international graduates. International graduate numbers

Figure 1.12: Most Temporary Graduate visa-holders who go back to study, study a VET course

Temporary Graduate visa-holders who went on to further study, by degree level before and after receiving graduate visa



Notes: VET = Vocational Education and Training. Based on 2018 graduate visa recipients. ‘Other higher education’ and ‘Other study’ omitted due to small sample sizes. Cohort based on year graduate visa was granted. Based on confirmation of enrolment.

Source: Grattan analysis of ABS (2021a).

73. Parkinson et al (2023, Figure 31).

are large and growing. Extending the duration of post-study work rights offered to international graduates – with the aim of offering more certainty to employers – risks increasing those numbers even further. Each additional post-study work visa offered to international graduates reduces others' prospects of securing permanent residency. Similarly, it is impractical to expand the number of permanent visas on offer each year to meet the demand of a growing stock of international graduates who wish to stay permanently.⁷⁴

As the Parkinson Review acknowledged, the best thing for Australia and those students who struggle in Australia after graduating may be for them to return home.⁷⁵

The remainder of this report shows how talented international students who wish to stay can be given their best shot at succeeding in Australia after they graduate, while reducing the number of graduates we leave in limbo.

Chapter 2 shows why leaving a growing number of international graduates to struggle in the workforce, with declining prospects of securing permanent residency, is in no one's interests.

Chapter 3 shows how the Temporary Graduate visa should be reformed to more quickly identify talented graduates who are good prospects for permanent residency, while limiting the growth in the stock of international graduates in Australia on temporary visas.

Chapter 4 shows how other skilled visas should be reformed to encourage talented graduates to stay.

Chapter 5 shows what needs to be done to help international graduates succeed in the labour market.

74. For a detailed discussion of the trade-offs in expanding the number of permanent visas on offer, see Coates et al (2022b, Chapter 2).

75. Parkinson et al (2023, p. 118).

What this report is not about

This report is not about the design and regulation of international student visas. Nor is it about the regulation of Australia's higher education and VET sector. However, raising the bar for international students and lifting the standards of education providers would improve outcomes for international graduates, enhance Australia's international reputation, and make it harder for non-genuine students to enter Australia. These issues may be the subject of future Grattan Institute reports.

2 Leaving so many international graduates in limbo is in no one's interests

The growing number of international graduates who struggle while stuck in limbo in Australia is in no one's interests.

It erodes public trust in our migration program.

It runs counter to the government's stated objective of reducing the number of 'permanently temporary' visa-holders in Australia.

Seeing so many disenchanted international graduates eventually return home after struggling in Australia for years damages the reputation of our international higher education sector.

The growing stock of Temporary Graduate visa-holders in Australia adds to population pressures in areas like housing, for little gain.

Leaving so many international graduates in limbo harms the long-term prospects of those international graduates who do eventually secure permanent residency, and increases the risk that less-talented graduates find a pathway to permanent residency.

And it's unfair to those graduates who invest years in Australia with little prospect of ever securing permanent residency.

2.1 International graduates left in limbo add to the number of 'permanently temporary' visa-holders in Australia

The growing number of Temporary Graduate visa-holders who remain in Australia for an extended period adds to the growing number of 'permanently temporary' visa-holders in Australia.

As the number of temporary visa-holders grows – currently about 1.5 million people – so does the number of people in Australian society who live under a restricted set of rights, such as not being able to vote or get unemployment support.

While the impact is hard to quantify, the fact that a growing number of people in Australia live without full political rights and other entitlements available to permanent residents and citizens, risks eroding our democratic norms and institutions.⁷⁶

Lower-skilled temporary migration is unpopular in Australia. One 2021 opinion poll showed that when the phrase 'short-term' is used, support for migration halves.⁷⁷ Another found 72 per cent of Australians agreed that temporary work visas should cover genuine skills shortages, not provide cheap labour.⁷⁸

Further increasing the numbers of temporary migrants working in less-skilled jobs, especially under the guise of a skilled migration program, undermines public confidence in the system. This is particularly problematic if there is a cohort of Temporary Graduate visa-holders who are not using their post-study work experience as an opportunity to develop the skills they learnt while studying, but instead are using it as a way to stay and work in Australia for as long as possible.

The government has already identified the growing number of 'permanently temporary' visa-holders in Australia as an undesirable outcome. As Home Affairs Minister Clare O'Neil said recently:⁷⁹

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.

76. Coates et al (2022b, p. 40).

77. Essential Media (2021)

78. Lewis (2021).

79. O'Neil (2023).

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.

Yet the government’s policies to make post-study work rights even more generous risks taking Australia in the opposite direction, adding substantially to the stock of temporary visa-holders in Australia for an extended period.

2.2 International graduates’ poor outcomes may deter prospective international students from choosing Australia

The quality and reputation of Australia’s education system are important to prospective international students.⁸⁰

Increasing post-study work rights may boost international student numbers in the short term. But a growing cohort of Temporary Graduate visa-holders, many of whom struggle to gain sought-after work experience after graduation, may return home frustrated that the reality of their Australian education experience did not meet their expectations.

This risks harming Australia’s reputation in the international student market and, in the long run, could deter international students from choosing Australia.

2.3 The poor outcomes for many international graduates risks compromising Australia’s permanent skilled migrant intake

If international graduates struggle for an extended period in Australia before eventually securing permanent residency, it could reduce the sizeable benefits of Australia’s permanent skilled migrant intake (Box 2).

80. Quality Indicators for Learning and Teaching (2023a, Table 15).

While the share of Temporary Graduate visa-holders who transition to a permanent visa is falling (Figure 1.10), international graduates still account for a sizeable share of permanent skilled visa-holders each year. And international students overall accounted for one-in-three recent permanent skilled visas and one-in-five family visas issued in recent years.⁸¹

There is a substantial literature showing that young workers who graduate into a weak labour market, or find themselves out of work for an extended period early in their careers, can be ‘scarred’ by the experience and face lower long-term earnings.⁸² Temporary Graduate visa-holders who cannot secure a good job can be expected to experience similar, if not larger, economic scarring.

A lack of clear transition pathways compromises the career development of international graduates who do eventually gain permanent residency. About half of those graduates issued with a Temporary Graduate visa in 2016, but who were among the lowest fifth of income earners in the two years after receiving their Temporary Graduate visa, had secured a permanent visa by June 2021.⁸³ Working in a low-skill job, or not in the occupation they studied for, risks reducing the long-term earnings prospects of the many Temporary Graduate visa-holders who do eventually transition to permanent residency.

International graduates have been found to give priority to obtaining permanent residency over advancing their careers, such as by changing to an occupation on the skilled occupation list or moving to a regional area.⁸⁴ International graduates who return to study after their Temporary Graduate visa lapses earn less in Australia in the long

81. Varela et al (2021).

82. Coates and Ballantyne (2022, Section 2.3.1), Parkinson et al (2023, p. 114) and Borland (2020).

83. Income decile calculated using total income in the personal income tax data for the first two years after receiving their graduate visa. Grattan analysis of ABS (2021a).

84. Tang et al (2022a); and Blackmore et al (2023).

term than their peers who stay in Australia and never return to study (Figure 2.1).⁸⁵

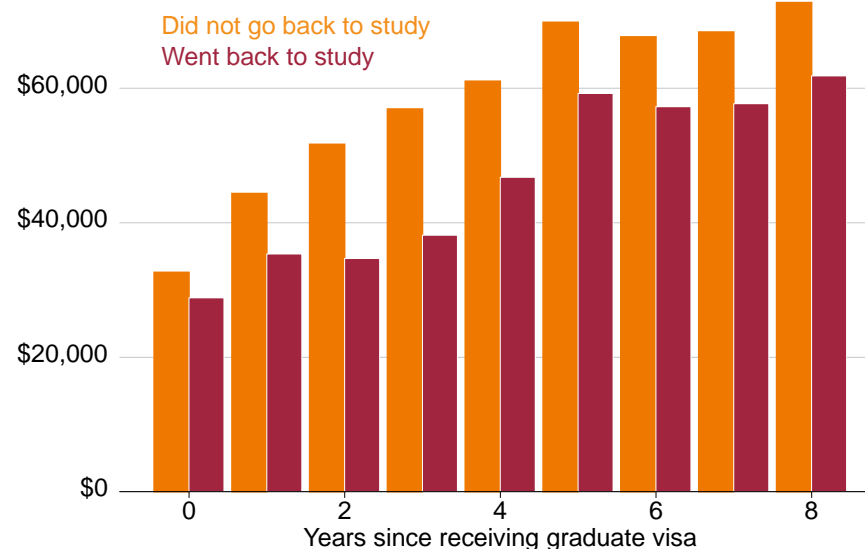
The long-term scarring of international graduates stuck on temporary visas for extended periods may help explain why international students who secure permanent residency tend to perform worse than might be expected given their education.⁸⁶ In contrast, evidence from Canada suggests that in the long term, former international students can perform better in the labour market than skilled migrants who obtained qualifications overseas before migrating.⁸⁷

2.4 Allowing many struggling graduates to stay increases the chances that poor performers secure permanent residency

Allowing so many international graduates to stay in Australia for extended periods, despite clearly struggling in the labour market, risks compromising the quality of the cohort of those granted permanent residency each year. Many international graduates earning very low incomes still manage to secure a permanent skilled visa (Figure 1.10).

As Home Affairs Minister Clare O’Neil has said, while our existing permanent skilled visa programs perform well, parts of those programs reward persistence rather than talent.⁸⁸ This is especially a risk given the current design of points-tested visas, where points are on offer for characteristics which don’t predict applicants’ long-term success in Australia.⁸⁹

Figure 2.1: The earnings of Temporary Graduate visa-holders who return to study in Australia never catch up to the earnings of those who don’t
Mean total income, 2023 dollars, 2013 Temporary Graduate visa recipients



Notes: Data only available up to 31 December 2021. Primary Temporary Graduate visa-holders only. Income based on total income reported in personal income tax returns. Data exclude individuals who do not submit a tax return; these are likely to be disproportionately low-income earners. Income inflated by Average Weekly Ordinary Time Earnings (AWOTE) to 2023 dollars.

Source: Grattan analysis of: ABS (2021a).

85. This could be due to scarring or because those who do not get a permanent visa immediately have lower earnings potential than their peers.

86. Varela and Breunig (n.d.).

87. Parkinson et al (2023, p. 110).

88. O’Neil (2023).

89. See Coates et al (2021, p. 66).

2.5 Temporary Graduate visa-holders stuck in limbo are more vulnerable to exploitation at work

A growing number of Temporary Graduate visa-holders stuck in limbo and working in low-skill jobs heightens the risk they will be exploited in the workplace, damaging our global reputation and undermining confidence in our migration program.⁹⁰

With a greater number of temporary visa-holders vying for permanent residency, and more international graduates dedicating years of their lives to securing permanent residency in Australia, more international graduates may be willing to accept poor pay or unsafe working conditions if it helps them to jump through the hoops to secure a permanent visa.⁹¹

2.6 A growing number of Temporary Graduate visa-holders adds to Australia's population pressures, for little benefit

A growing number of Temporary Graduate visa-holders in Australia who struggle in the labour market adds to Australia's population pressures, for little benefit to the Australian community (Box 1).

Several studies have found that migration modestly increases Australian house prices and rents. 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 2018.⁹²

The growth in the number of Temporary Graduate visa-holders in Australia, from 50,000 in 2017 to 200,000 today, has probably raised

90. Australians expect that workers, including migrant workers, will be treated well in the workforce and have their workplace rights upheld. See Coates et al (2023, Chapter 1).

91. Ibid (Section 2.2).

92. Tulip and Saunders (2019).

rents across Australia by up to 1.3 per cent over that period. Further expected increases in the number of Temporary Graduate visa-holders – to about 370,000 by 2030 – would increase rents by a further 1.4 per cent (Figure 1.5).⁹³

While there is debate about the optimal size of Australia's annual migrant intake,⁹⁴ there is clearly a limit to the pace of migration that Australia can accommodate without eroding living standards. And it's clear that Temporary Graduate visa-holders left in limbo for an extended period, most of whom struggle to make best use of their skills in Australia, benefit Australia less than many other cohorts of permanent and temporary migrants.⁹⁵

2.6.1 It's unfair to international graduates who invest years in Australia for little return

While the primary objective of Australia's migration program should be to maximise the wellbeing of the Australian community,⁹⁶ Australia does have a responsibility to treat temporary visa-holders well while they are here.

As the Parkinson Review outlines, Australia has an ethical responsibility to not offer false hope to temporary visa-holders.⁹⁷

93. Assumes an average of 2.5 Temporary Graduate visa-holders per additional dwelling and an elasticity of supply in the stock of housing of 4 per cent for each 10 per cent increase in house prices/rents. Grattan analysis of Figure 1.5; ABS (2021c); Daley et al (2018).

94. See Parkinson et al (2023); Productivity Commission (2016).

95. For example, each Temporary Graduate visa-holder offers a fiscal dividend of just \$7,800, compared to \$38,600 for a Temporary Skill Shortage visa-holder. Varela et al (2021, Table B2).

96. Previously defined by Grattan Institute as including both citizens and permanent residents. See Coates et al (2021, Chapter 3).

97. Parkinson et al (2023, pp. 99, 102).

Over time, migrants lose their connection with their home countries and become embedded in the Australian community.⁹⁸ They develop personal relationships, start families, and build lives in Australia. After this point, sending migrants home has the potential to cause harm both to the migrant and to Australia's social cohesion.

Yet, as outlined in Chapter 1, many more Temporary Graduate visa-holders want to stay in Australia than there are permanent visa places available each year to accommodate them. Therefore, as a matter of ethics, we should seek to limit migrants' temporary stay by either facilitating a permanent pathway or requiring temporary migrants to leave Australia.

98. Parkinson et al (2023, p. 99).

3 Reform graduate visas

Post-study work visas allow international graduates to demonstrate their potential in the labour market, helping Australia to identify the best graduates for permanent skilled visas. Yet Australia has allowed post-study graduate visas to become too generous.

The federal government should reform the current Temporary Graduate visa to offer a shorter period of work rights to international graduates, although still long enough to identify which graduates are likely to be good prospects for permanent residency. The visa should also be renamed the 'Post-Study Work' visa.

A 'University Graduate' stream should be available to all graduates from Australian universities. It should last two years for graduates of Bachelors and Masters-by-coursework degrees, three years for Masters by research, and four years for PhD-holders.

A 'Vocational Work' stream should replace the existing 'Graduate Work' stream for graduates of vocational courses, and should offer two years of work rights to graduates with good prospects of getting permanent residency.

Visa extensions for graduates with tertiary degrees in nominated areas of shortage, and for living in the regions, should be scrapped. Instead, Post-Study Work visa-holders should be eligible for a two-year extension if they find a job earning more than \$70,000 a year – a strong signal that they will succeed in Australia in the long term. And age and English requirements for the new visa should be tightened.

A new stream of the Global Talent visa called the 'Exceptionally Talented Graduate' stream should be offered to a limited number of the most talented international graduates.

3.1 Reform the Temporary Graduate visa

The federal government should rename the Temporary Graduate visa as the Post-Study Work visa and shorten the period of work rights available to international graduates.⁹⁹

A new University Graduate visa stream should replace the existing Post-Study Work stream

A University Graduate visa stream offering the same or shorter work rights to international graduates should replace the Post-Study Work stream of the Temporary Graduate visa, to more clearly show that the visa is intended for university graduates (see Table 3.1).

The new Post-Study Work visa should be available to almost all graduates, but the duration of the visa should be the same or shorter than that previously offered by the Temporary Graduate visa:

- PhD degree-holders would be offered a four-year visa, down from six years currently;
- Masters-by-research degree-holders would be offered a three-year visa, the same as currently offered;
- Masters-by-coursework degree-holders would be offered a two-year visa, down from three years currently; and
- Bachelor degree-holders would be offered a two-year visa, the same as currently offered.

99. The 'Temporary' in the name of the current visa deters employers from taking on international student graduates (see Section 1.4), contributing to the poor labour market outcomes of this cohort. Navitas (2022) recommended renaming the Temporary Graduate visa.

Table 3.1: The new Post-Study Work visa should offer the same or shorter post-study work rights as the Temporary Graduate visa

Post-Study Work visa stream	Qualification and duration	Visa extension	Future visa options	Other conditions
University Graduate stream	<p>PhD: four years (previous: six years)</p> <p>Masters by research: three years (previous: three years, or five years for selected occupations in shortage)</p> <p>Masters by coursework: two years (previous: three years, or five years for selected occupations in shortage)</p> <p>Bachelor: two years (previous: two years, or four years for selected occupations in shortage)</p>	<p>A two-year extension if:</p> <ul style="list-style-type: none"> earned at least \$70,000 a year while working full-time over a 12-month period have been in current full-time job for at least three months and it pays more than \$70,000 a year 	<p>Temporary:</p> <ul style="list-style-type: none"> Temporary Skill Shortage (subclass 482) <p>Points:</p> <ul style="list-style-type: none"> Skilled Independent (subclass 189) Skilled Nominated visa (subclass 190) Skilled Work Regional (Provisional) visa (subclass 491) <p>Employer sponsorship:</p> <ul style="list-style-type: none"> Employer Nomination Scheme (subclass 186) Skilled Regional visa (subclass 494/191) 	<ul style="list-style-type: none"> Maximum age: 35 English language: minimum IELTS score of 6.5 and a minimum score of 5.5 for each of the four parts Retain Australian study requirements Automatically issued upon graduation Cost: initial visa: \$1,895, extension visa: \$500
Vocational Work stream	<p>VET qualifications and university Diplomas: two years, longer for some qualifications (previous: 18 months, temporarily increased to 24 months)</p>	<p>A two-year extension if:</p> <ul style="list-style-type: none"> earned at least \$70,000 a year while working full-time over a 12-month period have been in current full-time job for at least three months and it pays more than \$70,000 a year 	<p>Temporary:</p> <ul style="list-style-type: none"> Temporary Skill Shortage (subclass 482) Training (subclass 407) <p>Points:</p> <ul style="list-style-type: none"> Skilled Independent (subclass 189) Skilled Nominated visa (subclass 190) Skilled Work Regional (Provisional) visa (subclass 491) <p>Employer sponsorship:</p> <ul style="list-style-type: none"> Employer Nomination Scheme (subclass 186) Skilled Regional visa (subclass 494/191) 	<ul style="list-style-type: none"> Maximum age: 35 English language: minimum IELTS score of 6.5 and a minimum score of 5.5 for each of the four parts Retain Australian study requirements Automatically issued upon graduation Keep skills assessment and use new Jobs and Skills Australia occupation list for middle-tier TSS visa Issued upon proof of graduation and if other conditions are met Cost: initial visa: \$1,895, extension visa: \$500

Notes: IELTS = International English Language Testing System. TSS = Temporary Skill Shortage. Extended post-study work rights are currently available predominately for graduates with health, IT, engineering, and education degrees: Department of Education (2023a). Longer duration visas are conferred at the discretion of the Department of Home Affairs where the course of study and work to qualify for a skills assessment exceed two years. For example, plumbers, electricians, air-conditioning mechanics, and refrigeration mechanics.

Source: Grattan analysis.

The longer duration visa for PhD and Masters-by-research graduates reflects their better labour market prospects after graduating.¹⁰⁰ In addition, the length and assessment of research-based degrees mean they are unlikely to be targeted by migrants who wish to come and work in Australia under the guise of undertaking international study.

Masters-by-coursework degree-holders should not be offered longer post-study work rights than graduates with a Bachelor degree, because graduates of these degrees typically have similar or worse labour market outcomes than Bachelor degree-holders.¹⁰¹ Masters-by-coursework graduates are also a large and growing proportion of international graduates, and offering students longer work rights for shorter degrees could encourage students to study in poor-quality Masters programs.¹⁰²

Recent visa extensions for studying particular courses should be scrapped

The federal government's recent decision to offer international graduates studying degrees in nominated areas of shortage an additional two years on their Temporary Graduate visa should be reversed.¹⁰³

The areas of study eligible for the extension are very broad, covering about 40 per cent of international student completions.¹⁰⁴ And that

100. According to the Knight Review: 'The economic benefit they bring to Australia is not from the money they spend here; it is from the jobs created for others by applying the research they create' (Knight (2011, p. ix)).

101. In 2019, 42 per cent of all international student higher education enrolments were in Masters-by-coursework degrees, much higher than the 19 per cent of domestic students enrolled in a Masters-by-coursework degree. See Figure 1.2. The Knight Review recommended that Masters-by-coursework and Bachelor graduates should both receive two years of work rights: Knight (ibid, Recommendation 4).

102. Hare (2023b).

103. Department of Education (2023a).

104. Grattan analysis of Department of Education (2022b).

is likely to grow as international students switch to these degrees in the hope of securing longer work rights. These extensions are a key reason the number of Temporary Graduate visa-holders in Australia is expected to almost double by the end of the decade (Figure 1.5).

Offering extensions of post-study work rights for studying particular courses is a poor way to identify which graduates are likely to be good prospects for permanent residency, and rewards those most motivated to stay in Australia. Individual courses, and the occupations they lead to, are not good predictors of students' long-term employment prospects in Australia.¹⁰⁵ And it is practically impossible to reliably identify which occupations are in shortage.¹⁰⁶

Privileging particular occupations in Australia's visa programs has led to perverse outcomes in the past. For example, tens of thousands of graduates with accounting degrees – equivalent to roughly one-in-four accountants employed in Australia today – have submitted expressions of interest for a points-tested visa.¹⁰⁷

The degrees for which the extra post-study work rights are offered do not seem well-targeted at areas that appear to have legitimate shortages. For example, science degrees are on the list, but labour market outcomes for these graduates are worse than average.¹⁰⁸ The full-time employment rate for engineering graduates is only 45 per cent and for IT graduates it is only 37 per cent. And only 25 per cent

105. Existing occupation lists do not give priority to high-skill, high-wage occupations: Coates et al (2021, Figure 7.9). Incomes also vary dramatically within occupations: Coates and Reysenbach (2022, Figure 4.3).

106. Governments lack the data to meaningfully identify skills shortages in the labour market. When employer demand increases and unemployment is low, employers become more willing to hire people regardless of their education and experience. See Coates et al (2022a, p. 23).

107. Coates et al (2021, Figure 7.11).

108. See Hare (2021)

of engineering graduates and 39 per cent of IT graduates work as professionals or managers.¹⁰⁹

Offering extended post-study work rights to international graduates who pursue particular degrees risks distorting the study choices they make, harming their long-term prospects if they are able to stay in Australia. And there is no guarantee that those students who are enticed to switch course by the prospect of extended work rights will pursue that career in the long term.

There should be no extension for graduates who study and work in regional areas

The Second Post-Study Work stream, which enables a person who has studied, lived, and worked in regional areas to get a second graduate visa of up to two years duration, should also be abolished.

This visa adds to population pressures by extending the duration of post-study work rights to a large cohort of graduates. International graduates who study, live, and work anywhere outside Sydney, Melbourne, or Brisbane are eligible for this visa. The visa is becoming more popular. In 2022-23, 6,183 Second Post-Study Work stream visas were granted, up from 439 in 2021-22 (Figure 1.3).

Migration is often seen as a way to support population growth in regional Australia. Yet diverting skilled migrants to regional areas is likely to reduce the net benefits the community derives from permanent skilled migration.¹¹⁰ Grattan Institute has previously called on Australian governments to stop trying to divert people to regional Australia.¹¹¹ Policies designed to artificially hold jobs or people in regional areas have not fared well in the past.

109. Parkinson et al (2023, p.115)

110. Coates et al (2021, p. 29).

111. Daley et al (2019, p. 8).

Requiring skilled migrants to live and work in regional areas is especially costly in the long term. Encouraging migrants to move to regional areas is likely to hurt their long-term career development – including for any spouses – by constraining their employment choices to regional areas early in their careers. It also remains unclear how many migrants diverted to regional Australia, especially for permanent visas, actually remain there in the long-term.¹¹²

A Vocational Work visa stream should replace the Graduate Work stream

A new Vocational Work stream within the new Post-Study Work visa should replace the existing Graduate Work stream of the Temporary Graduate visa, and be limited to graduates of particular vocational courses and university diplomas.¹¹³ The new stream should offer two years of work rights,¹¹⁴ or longer at the discretion of the Department of Home Affairs where the course of study and work to qualify for a skills assessment is longer than two years.¹¹⁵

The current requirements that applicants nominate one occupation on the Medium- and Long-term Strategic Skills List, have a qualification closely related to that occupation, and be assessed as having skills suitable for that occupation, should be maintained.¹¹⁶ Without this requirement, large numbers of VET graduates would have little prospect of becoming permanent residents on the graduate visa. It

112. More than one quarter of recent arrivals who were living in regional and remote areas in 2011 had moved to major cities by 2016, compared to about 10 per cent for people born in Australia. See Coates et al (2022b, p. 45).

113. Currently, international students who obtain a university degree can apply for the Graduate Work stream.

114. The duration of the Graduate Work stream visa was formerly 18 months, but has been temporarily extended to 24 months: Department of Home Affairs (2023i).

115. For example, the qualifications for plumbers, electricians, air-conditioning mechanics, and refrigeration mechanics take longer than two years.

116. Department of Home Affairs (2023i).

would also make VET study more attractive to non-genuine students seeking to use the VET system as a way to access the Australian labour market.

The new skilled occupation lists for the middle tier of the Temporary Skill Shortage visas should be used to determine eligibility for the Vocational Work visa stream once it has been created (Section 4.1).

Visa extensions should be offered only to graduates who earn more than \$70,000 a year

Extensions to the Post-Study Work visa should be offered only to people who succeed in the labour market. This visa should offer an additional two years of work rights if the person is working full-time and earning at least \$70,000 per year, or if they earn at least \$70,000 while working full-time in any 12-month period (Table 3.1). The wage threshold should be indexed to growth in Average Weekly Ordinary Time Earnings (AWOTE).

A \$70,000 wage threshold would ensure the extension is offered only to international graduates with good prospects of securing a further visa, such as via a sponsoring employer or a permanent points-tested visa, and to succeed in the long term in Australia. The \$70,000 wage threshold for the visa extension is the same as the Temporary Skilled Migration Income Threshold (TSMIT), which was increased to \$70,000 from \$53,900 on 1 July 2023.

The extension would give employers certainty that talented graduates will be able to work for them for a long enough time to make hiring them worth it. The extra time would also enable graduates to acquire the required experience to apply for a Temporary Skilled Shortage

visa,¹¹⁷ as well as increase their chances of getting a points-tested visa, because they could gain more Australian experience.¹¹⁸

To be eligible for the extension, graduates will have to provide evidence that they have earned at least \$70,000 a year while working full-time over a 12-month period.¹¹⁹ Alternatively, graduates would be eligible for the visa extension if they have been in their current full-time job for at least three months and it is paying more than \$70,000 a year.

Employers found to have made false or misleading statements, such as by falsifying pay slips or group certificates, should be subject to civil and criminal penalties. The Department of Home Affairs should create a new automated process of data matching with the Australian Tax Office to ensure that the employers of Post-Study Work visa-holders are paying workers the salaries claimed when seeking the visa extension.¹²⁰

About 20 per cent of international graduates holding a Temporary Graduate visa today would be expected to qualify for the extension (Box 4). Assuming wage growth of 4 per cent, a \$70,000-a-year threshold for the visa extension will be \$72,800 by 1 July 2024.

117. Currently, to get a TSS visa, applicants need two years of experience in the nominated occupation. For graduates who did not get a job immediately after graduating, the extension would allow them to acquire two years of experience.

118. In the current points test, Australian experience is more heavily weighted than overseas experience, and individuals get more points for more experience.

119. Visa-holders could earn the \$70,000 in any 12-month period while holding the Post-Study Work visa, including by working for more than one employer, provided they were employed full-time in both roles and did not work for those employers concurrently.

120. Data matching should also be used to ensure employers are complying with their obligations for temporary and permanent employer sponsorship. The Australian Tax Office already has a visa data-matching program, in operation since 2009. See: Coates et al (2022a, pp. 52–54).

By comparison, the typical Australian university graduate earns \$75,000 two years after graduating.¹²¹ Bachelor graduates earn less than other graduates, with the typical bachelor graduate earning \$70,000 within two years of graduating. Graduates who obtain full-time work in essential professions such as nursing, school and early childhood teaching, or as allied health professionals such as physiotherapists, would qualify for the extension as they typically earn more than \$70,000 with two years experience.¹²²

Other eligibility rules should be tightened

The new Post-Study Work visa should be available only to people younger than 35, down from 50 currently.¹²³ A lower age threshold would better target people who are likely to qualify for subsequent skilled visas and be good prospects for permanent residency.¹²⁴

English language requirements for the new visa should be raised, so that only applicants who achieve an English competency score of at least 6.5 on the International English Language Testing System (IELTS) (up from at least 6 currently), and a minimum score of 5.5 for each of the four parts, are eligible. Graduates will need to show that they have achieved this score within the past three years, which aligns with current IELTS requirements.¹²⁵

121. Grattan analysis of ABS (2022). 2023 AWOTE-inflated dollars. Includes Bachelor, Masters, PhD, graduate diploma, and graduate certificate-holders. Based on highest qualification obtained and median full-time earnings.

122. Coates et al (2022b, Figure 4.6).

123. In 2021, 93 per cent of primary Temporary Graduate visa-holders were younger than 35 (Grattan analysis of ABS (2021b)).

124. The maximum age for permanent employer-sponsored and points-tested visas is 45. See Coates et al (2021, Table 7.1).

125. Graduates from the UK, the US, Canada, New Zealand, or Ireland are exempt from having to sit the IELTS test: Department of Home Affairs (2023e). This provision should also be kept.

Box 4: Setting the appropriate wage thresholds for the extension visas

Of the 58,686 primary Temporary Graduate visa-holders in Australia in August 2021, 19 per cent were working full-time and earned more than \$65,000 per year.^a Accounting for wages growth, earnings of \$65,000 in 2021 would be equivalent to about \$72,000 a year by July 2024, when the new visa starts.^b

This calculation includes visa-holders who had just graduated, so earnings would probably be a bit higher for people at the end of their Temporary Graduate visa. But, because these Census and Home Affairs data were from August 2021, when the borders were closed, labour market outcomes for Temporary Graduate visa-holders were probably stronger than in normal times. This number also includes people working full-time hours, but not necessarily in a full-time job.

Personal income tax data tell a similar story. About 20 per cent of international graduates in 2021 reported their total income was higher than \$65,000 a year within two years of graduating, and 15 per cent reported total income higher than \$70,000.^c

So a wage threshold of \$70,000 in a full-time job would mean about 20 per cent of Temporary Graduate visa-holders would be able to gain the two-year extension. And that share should rise if barriers to employing international graduates are removed, as recommended in Chapter 5.

a. ABS (2021b). Another 4 per cent were working part-time and earned more than \$65,000 per year.

b. AWOTE used from 2021 to July 2023. Assumes 4 per cent from July 2023 to July 2024.

c. In 2021 AWOTE-inflated dollars. Includes graduates who received their graduate visa between 2014 and 2018. Data exclude anyone who didn't have a tax return, primarily those earning below the tax-free threshold.

Lifting minimum English language requirements would bring the visa more in line with what graduates typically need to secure a permanent points-tested visa and a good job.¹²⁶

New research shows that permanent migrants who speak English 'very well' earn 12 per cent more than permanent migrants who speak English 'well' and 24 per cent more than migrants who speak English 'not very well'.¹²⁷

Post-Study Work visas should be issued automatically upon graduation

The Post-Study Work visa should be issued automatically to all eligible students upon graduation.¹²⁸

This would help international students overcome the barrier of not being able to guarantee to a future employer that they will have a visa when their graduate job starts (see Section 1.4).

Students would be able to apply for the visa in advance of finishing their studies, and the visa would be granted, subject to meeting other conditions, unless the education provider informed the Department of Home Affairs that the person did not graduate.¹²⁹

3.2 Transition arrangements

Transition arrangements should be introduced for the changes to the graduate visa.

126. For instance, while applicants only need an IELTS score of 6 to apply for a permanent points-tested visa, very few visas are issued to people with an IELTS score of less than 7. See Coates et al (2021, Table 7.1).

127. Varela and Breunig (n.d.).

128. In line with Parkinson et al (2023) Recommendation 27.

129. Applicants would still need to satisfy other criteria, such as the character test and English language requirements.

The new Post-Study Work visa should be introduced on 1 July 2024, provided changes to the Department of Home Affairs operating systems can be completed in time. If not, then the new visa should start on 1 July 2025.

People in Australia on a Temporary Graduate visa should have the terms of their current visa honoured, including those who have a longer visa due to having a degree in a nominated area of shortage. People who applied for a Temporary Graduate visa prior to any announced changes should also still be eligible for the Temporary Graduate visa as it existed at the time they applied.

Once the new Post-Study Work visa is introduced, international students should be eligible only for the new visa. This should be the case even though some students may have come here with the expectation of obtaining more generous post-study work rights upon graduation.

3.3 Our proposed Post-Study Work visa would help Australia to identify the best graduates for permanent residency

Allowing students to stay and work after graduating helps Australia to identify the best graduates for permanent residency.

Australia currently lacks the tools to effectively identify which international graduates are good prospects for permanent skilled visas immediately upon graduation. For instance, the institution at which international graduates study is not a good predictor of their long-term potential. Studies have found either a small earnings advantage from attending a top-ranking Australian university, or no advantage at all.¹³⁰

130. What a person studies matters more: See Norton (2021) and Norton and Cherastidtham (2014). One study found an earnings disadvantage for regional university graduates: Norton (2021). See also Parkinson et al (2023, p. 122).

Nor should Australia determine eligibility for post-study work rights, or permanent residency, by using international graduates' university results. Different institutions, and faculties within those institutions, adopt different approaches to grading student progress. And the quality of students will vary across degrees. For example, graduates with poorer marks in highly sought-after courses such as Medicine or Law may prove to be better candidates for permanent residency than top graduates in other, less-competitive courses.¹³¹

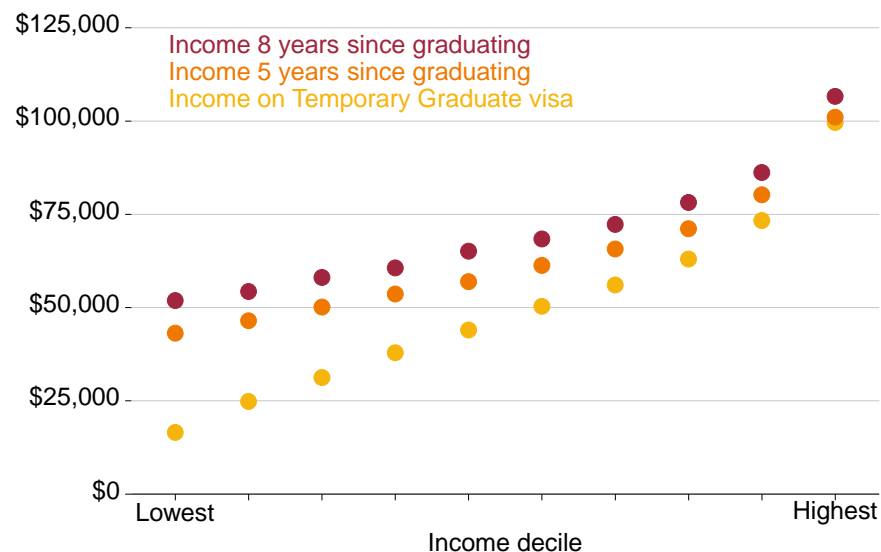
Grattan Institute analysis shows that initial employment outcomes of international graduates are a good indicator of graduates' employment prospects 5-to-10 years later (Figure 3.1). For example, five years after graduating, graduates who were in the top income decile on their graduate visa earned on average \$100,000 a year, compared to \$43,000 a year for graduates who were in the bottom decile on their graduate visa.¹³²

Our proposed post-study work rights would give graduates enough time to find a job – to help Australia identify talented graduates with strong labour market outcomes – without the length of work rights being so long that it offers false hope to those who are unlikely to ever get permanent residency and adds to Australia's population pressures (see Chapter 2).

Offering shorter post-study work rights to international graduates may make it harder for some to secure a good job and secure employer sponsorship, or apply for a permanent points-tested visa. But by reducing the stock of international graduates on temporary visas in Australia after graduation, we increase the certainty of future visa pathways for this cohort, which Chapter 1 showed was the most important consideration for employers hiring international graduates.

Figure 3.1: Graduates who succeed on the Temporary Graduate visa also succeed in the long term

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. Data exclude individuals who do not submit a tax return; these are likely to be disproportionately low-income earners.

Source: Grattan analysis of ABS (2021a) .

131. See Carroll (2023).

132. Grattan analysis of ABS (2021a).

3.4 Our reforms would mean fewer international graduates in Australia

Our reforms would slow the expected growth in the number of Temporary Graduate visa-holders in Australia over the next few years.

Grattan Institute modelling suggests that, under our proposed Post-Study Work visa, there would be about 260,000 international graduates in Australia by 2030, compared to about 370,000 if current Temporary Graduate visa settings remain in place (see Figure 3.2). This change largely arises from the decline in the period that graduates are expected to remain in Australia on the Post-Study Work visa.

Fewer people on temporary visas in Australia would be a step in the direction of the government’s stated goal of ending ‘permanent temporariness’. There would be fewer people competing for scarce permanent places, and those who stayed in Australia on the extension visa would be good candidates for permanent residency.

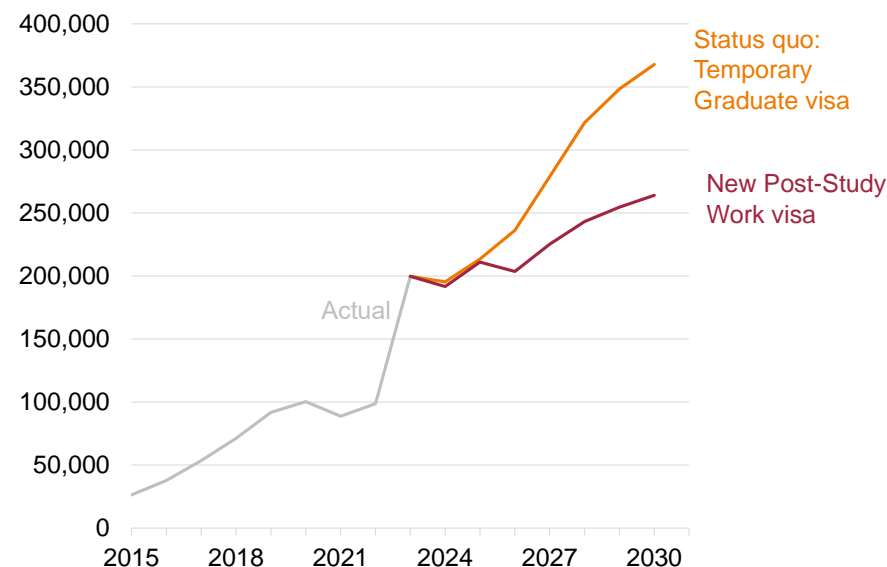
Our reforms may modestly reduce the number of international students who choose to study in Australia

As noted in Section 1.2, many international students choose to study in Australia because of the generous work rights on offer. Shortening the period and tightening the eligibility for an extended graduate visa may discourage some international students from choosing to study in Australia. However, we expect any decrease in student numbers would be modest.

Our proposed reforms are still broadly aligned with the post-study work rights of countries that Australia competes with to attract international students, if not still more generous (Table 1.2). And international students pick where to study based on a variety of factors, such as the safety of the country, labour market prospects, and education quality, not just the availability of post-study work rights.

Figure 3.2: Our proposed changes to post-study work rights would mean fewer Temporary Graduate visa-holders in Australia

Projected number of Temporary Graduate visa-holders in Australia, financial year ending



Notes: Includes primary and secondary visa-holders. Status quo projection as per Figure 1.5. Projected numbers for the new Post-Study Work visa assume that 20 per cent of Post-Study Work visa-holders get an extension visa across all degrees (see Box 4). 40 per cent of university graduates take up the Post-Study Work visa by 2027, and 10 per cent of VET graduates transition to a Post-Study Work visa at the end of their visa. International student university and VET completions grow at 3 per cent per year. The number of future international graduates eligible for the new visa is expected to fall by 5 per cent due to the lowering of the maximum age of eligibility to 35 years.

Sources: Grattan analysis; Department of Home Affairs (2023a).

We expect our reforms would result in international student numbers rising by 3 per cent a year, compared to 4 per cent under current policy. By 2030, that would equate to about 40,000 fewer international students in Australia.¹³³

Our reforms should make Australia more attractive to the most talented international graduates

By reducing the number of international students who struggle in the labour market, with little prospect of permanent residency, our reforms would also protect the reputation of Australia's education sector. And by reducing competition for the limited number of permanent skilled places available, our reforms would increase the chances that talented graduates are offered permanent residency.

Therefore our reforms may act to support international student numbers, especially among talented students who are attractive prospects for permanent residency, offsetting the decline in international students highly motivated by the prospect of extended post-study work rights.

Fewer poor-quality graduates would secure permanent residency

Improving the quality of the stock of graduate visa-holders in Australia could unlock further long-term gains via improving the quality of the applicant pool for permanent residency. As shown in Box 2, the biggest benefits from Australia's international exports arise from getting the most talented graduates to stay in Australia.

Yet many international graduates earning very low incomes still manage to secure a permanent skilled visa (Figure 1.11). And Section 3.3 showed that international graduates who earned low wages while holding a Temporary Graduate visa earned much less than other international graduates once they acquired permanent residency.

133. Based on higher education enrolments in 2019.

By reducing the post-study work rights offered by default to all international graduates, and only offering extensions to the Post-Study Work visa to graduates earning more than \$70,000 a year, the composition of international graduates applying for permanent skilled visas may improve. Preventing less-talented graduates from staying in Australia would mean fewer less-talented graduates would be able to stay long enough in Australia to secure a permanent visa.

Fewer international graduates would mean modestly lower rents

International students and graduates who reside in Australia place extra pressure on Australia's already-constrained housing stock (Box 1). Reducing the expected stock of international graduates in Australia by 100,000 by 2030, and reducing the number of international students in Australia by 40,000 by the same date, would reduce the number of extra homes Australia needs to build by about 60,000 by the end of the decade. Therefore our reforms to graduate visas could result in rents in Australia being about 1 per cent lower than otherwise by 2030.¹³⁴

Fewer graduates in low-paid jobs could mean higher wages for less-skilled workers

There is limited evidence that migrants 'take jobs' or materially reduce incumbents' incomes, at least in aggregate (Box 1). However, improving the quality of the Temporary Graduate visa cohort by targeting high-wage workers, and reducing international student numbers, would probably boost the wages of less-skilled Australian

134. Assumes an average of 2.5 international graduates per additional dwelling and an elasticity of supply in the stock of housing of 4 per cent for each 10 per cent increase in house prices/rents. Also assumes that international graduates do not stay here on another visa, such as a further student visa. Therefore, these estimates should be treated as an upper-bound impact of our reforms on Australia's housing market. Grattan analysis of Figure 1.5; ABS (2021c); Daley et al (2018).

workers in occupations where lower-skilled Temporary Graduate and student visa-holders are concentrated, such as in hospitality and retail.

Reducing the number of international graduates in Australia in visa limbo working in less-skilled jobs would also reduce the risk that international graduates are exploited in Australia. Exploitation is more common for those earning lower wages, because higher-wage workers have more bargaining power and are better able to protect themselves from being exploited.¹³⁵

Some stakeholders have raised concerns that reducing the number of international graduates in Australia on temporary visas, and only offering extensions to graduates in higher-paid jobs, would make it harder for employers in the care economy to meet their workforce needs. Yet pushing highly-qualified international graduates to work in less-skilled and typically low-paid roles in the care economy is not a sustainable solution to workforce shortages in those sectors. An endless cycle of international graduates with little intention to stay working in low-paid care-economy jobs is unlikely to lead to high-quality care. And relying on temporary visa-holders to fill lower-wage, less-skilled jobs in the care economy risks further exploitation of migrant workers.

Offering more competitive wages for less-skilled care-economy jobs is the only way to sustainably close workforce shortages in the care economy in the long term.¹³⁶ In an effort to reduce worker shortages in the care economy, the government has announced it will pilot a new essential-worker visa stream for temporary sponsorship, for migrants who work in the aged-care sector and earn at least \$51,222 a year.¹³⁷ But creating a new, low-skilled care economy visa comes with big risks that will require careful management.¹³⁸

135. Coates et al (2023).

136. Coates et al (2022b, p. 95).

137. Department of Home Affairs (2023h) and Department of Home Affairs (2023j).

138. Coates and Wiltshire (2023).

3.5 Create an Exceptionally Talented Graduate permanent visa for outstanding international graduates

The government should create a new stream of the Global Talent visa called the ‘Exceptionally Talented Graduate’ stream, which would give permanent residency to a small number of exceptional international students at the end of their studies. At first, no more than 200 such visas would be issued each year. Subject to an effective evaluation of graduate outcomes, the program could be expanded in time to 500 or 1,000 places.

The stream would be restricted to students studying Bachelor-level, Masters-by-research-level or PhD-level qualifications.

To get the visa, international students would have to be nominated by their institution in the final year of their studies.¹³⁹ Applications would be assessed by a panel of experts set up by the Department. The panel could recommend a shortlist to the Department, which would then offer the visas to selected high-achieving individuals. The criteria should include: academic results and awards, other awards, academic publications, level of study, references from lecturers and other university staff, and extra-curricular activities.

Offering a clear pathway to permanent residency for the most talented students would encourage more to choose to study in Australia.¹⁴⁰ While there are other pathways that these students may take, offering them a direct pathway would ensure they stay in Australia, rather than move to faster paths to permanent residency in another country.

139. Students would first express an interest to their university about obtaining the visa, then universities would nominate students. For example, universities could select students who were in the top 2-to-5 per cent of their student cohort and who received strong references from lecturers. Each university should be allowed to nominate a maximum of 50 students each year.

140. Parkinson et al (2023, p. 122).

The government would need to clearly communicate that this visa is offered only to a small number of exceptional students, to deter false advertising by unscrupulous education agents to prospective students that there is a direct pathway to permanent residency for all students who study in Australia.

4 Reform skilled visas

The biggest benefits for Australia of international education come from getting the best students to stay in Australia. Yet Chapter 1 showed that many employers are reluctant to hire international graduates because of uncertainty about their visa pathways once their graduate visa expires.

The federal government is reforming employer sponsorship of migrant workers. These changes are a step forward, but further reform is needed to create a simpler and more-certain pathway to permanent residency for international graduates.

First, skilled occupation lists should be abolished for both temporary and permanent employer sponsorship. Employers should be able to sponsor graduates earning more than \$70,000 a year for a temporary visa, and more than \$85,000 a year for a permanent visa. Temporary Graduate visa-holders who receive the extension visa should be eligible for a temporary skilled visa by the end of their extension.

Second, the points test should be reformed, to reward talent rather than persistence. The points test is increasingly bloated with characteristics that are not well-correlated with migrants' long-term success in Australia. In a reformed points test, younger workers should get more points, and more consideration should be given to the skills of secondary applicants.

Offering more permanent skilled visas would increase graduates' chances of securing permanent residency. However, there are practical limits on the number of permanent visas that can be offered each year. And skilled visas should not prioritise international graduates simply because they have studied in Australia.

4.1 Planned changes to employer sponsorship do not provide clear pathways for Temporary Graduate visa-holders

Employer-sponsored visas are one pathway available to international graduates once their Temporary Graduate visa lapses. In 2021-22, 10 per cent of Temporary Graduate visa-holders who remained in Australia and moved to another visa moved onto a Temporary Skill Shortage (TSS) visa, compared to about 5 per cent pre-COVID.¹⁴¹ In total, 5.5 per cent of Temporary Graduate visa-holders receive a permanent employer-sponsored visa within eight years of graduating.¹⁴²

High-income graduates are more likely to transition onto a TSS visa after their Temporary Graduate visa: 10 per cent of those among the top 30 per cent of income earners on the Temporary Graduate visa transition to a TSS visa, compared to just 1 per cent among the bottom 30 per cent of Temporary Graduate visa-holders.¹⁴³

In response to the Parkinson Review, the federal government plans to create three tiers for employer sponsorship of migrant workers, covering both temporary and permanent employer-sponsored visas:¹⁴⁴

1. A fast, simple route for specialised, highly skilled workers above a certain (as yet unspecified) wage threshold.¹⁴⁵ It may be limited to high-paying jobs in high-tech sectors, or extended to a broader range of jobs in any occupation.

141. Department of Home Affairs (2023k).

142. Based on 2013 Temporary Graduate visa recipients: Grattan analysis of ABS (2021a).

143. Based on 2018 Temporary Graduate visa recipients.

144. O'Neil (2023).

145. The Parkinson Review recommended at least \$90,000 a year. And early reporting suggests it will be between \$120,000 and \$150,000: Read and Coorey (2023).

2. A mainstream sponsored visa pathway, with a minimum wage threshold of \$70,000 a year from 1 July 2023. It will be restricted to occupations deemed in need by Jobs and Skills Australia.
3. An essential-worker visa, focused on care-economy workers. This visa has a lower minimum salary of \$51,222 a year, a lower English language requirement, and a shorter pathway to permanent residency. The visa started in May 2023 with an aged care pilot.¹⁴⁶

Other reforms include allowing TSS visa-holders up to 180 days to find a new employer before their visa lapses, instead of the current 60 days. And the government has committed to making employer-sponsored visas portable, allowing migrants to switch more easily between sponsoring employers should they find a better job once in Australia.

The government is also exploring a switch to monthly fees for employer sponsorship, which would mean employers would not have to pay a large fee upfront to sponsor international graduates.¹⁴⁷

These reforms are a step forward, but will do little to increase international graduates' certainty about their future visa prospects. Most graduates are unlikely to be eligible for the high-wage tier at the end of their graduate visa, so will still rely on their occupation being on a list when they graduate.

Using occupation lists for employer-sponsored visas adds cost and complexity to the sponsorship process. Continuing to use occupation lists as the basis for temporary and permanent employer sponsorship means employers and graduates will remain uncertain about whether an international graduate can move from a graduate

visa to a temporary sponsored visa, and finally to a permanent employer-sponsored visa.

In our survey of graduate employers, concerns that skilled occupation lists would change, making it harder to sponsor workers in the future, was a factor that deterred employers from recruiting international graduates (see Section 1.4).

The government's proposed changes to employer sponsorship may also distort the career choices of graduates who want to obtain permanent residency. For example, some international students may choose to study an aged care course, mainly because it offers the quickest and most certain pathway to permanent residency, even if they never intend to pursue that career long term.¹⁴⁸

At a minimum, Jobs and Skills Australia should base its updated occupation lists for skilled migrants on high-skill occupations that attract high wages, rather than seeking to identify occupations in shortage.¹⁴⁹ This change would ensure skilled migration is better oriented towards skilled migrants, and it would offer greater certainty to graduates that their occupation will be on the occupation list when they finish their graduate visa.

4.2 Skilled visas should be further reformed to strengthen visa pathways for graduates

Further changes to skilled visas are needed to provide clearer pathways for talented graduates to stay in Australia once their graduate visa expires. Past work by Grattan Institute has shown that permanent skilled visas should prioritise younger, high-skilled migrants.¹⁵⁰

146. The Aged Care Industry Labour Agreement. See: Department of Home Affairs (2023j).

147. Department of Home Affairs (2023h, p. 6).

148. Hare (2023c).

149. Targeting high-wage jobs is more likely to target occupations in shortage than the methodology currently employed. See Coates et al (2022a, Section 2.4.1).

150. See Coates et al (2022b, Chapter 3).

Skilled occupation lists should be abolished for both temporary and permanent employer sponsorship

Temporary employer sponsorship should be available for any job that pays more than \$70,000, and permanent employer sponsorship should be available for any job that pays more than \$85,000.¹⁵¹ In both cases, the market salary rate would still need to be met, to ensure that sponsored workers are paid no less than local workers doing the same job.

A guaranteed offer of a high-wage job is a strong sign that applicants have valuable skills and will succeed in Australia. Offering sponsorship for high-skilled workers capable of attracting high wages is also better for targeting skill shortages, since workers in areas of genuine shortage are likely to attract a wage premium over time, and workers who attract high wages are likely to be harder to train quickly when in short supply.¹⁵²

Sponsored workers would still be required to be proficient in English and have a minimum of two years of relevant work experience. The two-year extension visa would mean that most high-wage graduates should be able to get the necessary experience. And all temporary sponsored workers would have a pathway to permanent residency, provided they earn at least \$85,000 a year.

Labour market testing for temporary sponsorship should also be abolished, reducing impediments to employers hiring international graduates.¹⁵³ Current rules for labour-market testing effectively act

as an additional tax on temporary sponsorship employers, adding to delays and uncertainty in sponsoring skilled workers.

Wage thresholds would mean graduates would be more likely to make choices about their studies and work that improve their career prospects. They would be less likely to study degrees that offer clearer pathways to permanent residency but do not suit their natural talents, and less likely to eschew valuable experience in lieu of working in a job with a higher chance of permanency.

Our proposed reform would create a simpler and more-certain pathway to permanent citizenship for applicants – and more certainty for sponsoring firms. Firms would no longer need to fit the sponsored role into a particular listed occupation, and temporary visa-holders would no longer be at the mercy of occupation lists that can change at any time. This is particularly important for international graduates who may take at least three years to earn enough to be eligible for employer sponsorship.

Reform the requirements for permanent sponsorship

Workers on a Temporary Skill Shortage visa have a pathway to permanent residency via an employer sponsorship arrangement if they work for the same employer and in the same occupation for three years on the TSS visa. For graduates to take this pathway under our reforms, they will have been in Australia for at least eight years before they are eligible.¹⁵⁴

Grattan Institute has previously recommended that the government change the requirement to work with a single employer for at least three years to be eligible for permanent sponsorship, to two years of experience with any sponsor.¹⁵⁵ This would reduce exploitation,

151. See Coates et al (2022b, Chapter 4) for a full description of Grattan Institute's proposed reforms to the TSS visa, and Coates et al (ibid, pp. 54–61) for a full description of our proposed reforms to the permanent employer-sponsored visa.

152. Coates et al (2022a, Chapter 2).

153. Labour-market testing requires sponsoring employers to advertise a job before hiring a skilled migrant.

154. A one-year Masters degree, two years on a Post-Study work visa, two years on the extension, and three years on a TSS visa.

155. Coates et al (2023, Section 2.3.4).

because workers would not have to rely on their employer sponsoring them for permanent residency. It would also reduce the time that individuals are on a temporary visa.¹⁵⁶

The extension under our proposed Post-Study Work visa should also count towards eligibility for permanent sponsorship.

Visa fees for permanent sponsorship should be reviewed to ensure they are not a barrier to employers offering permanent sponsorship to TSS visa-holders.

The points test should be reformed, to reward talent rather than persistence

Many Temporary Graduate visa-holders utilise points-tested visas to gain permanent residency. About five-in-six Temporary Graduate visa-holders who receive permanent residency within five years receive a points-tested visa.¹⁵⁷

Australia's points-tested visas are broadly working.¹⁵⁸ In general, workers who gain a permanent points-tested visa are younger and earn more than incumbent Australians.¹⁵⁹ But the system can work better.

Some permanent points-tested visa streams attract more talented migrants than others. Grattan Institute has previously recommended that separate permanent points-tested visa streams for skilled

independent, state-nominated, and regional visas should be replaced with a single universal points-tested program that targets younger, higher-skilled workers.¹⁶⁰

The points test is increasingly bloated with characteristics that are not well-correlated with migrants' long-term success in Australia. These include characteristics such as regional study, the 'professional year', and studying at an Australian higher education institution.¹⁶¹ Points for these characteristics encourage international graduates to make study and career choices to seek additional points, rather than making choices that are best for their career prospects.¹⁶²

Younger workers should get more points. The points test already weights age heavily compared to other selection factors, and points-tested migrants are significantly younger than those selected via other skilled-worker streams. But the distribution of points relating to age is poorly designed. Currently, an applicant aged 25 gets only five points more than an applicant aged 39. Yet, all else being equal, the difference in future contributions from migrants of these two ages is substantial.¹⁶³

More consideration should be given to the skills of secondary applicants, who account for roughly half of all permanent skilled visas granted each year.

Points offered via the test for different characteristics should be re-calibrated to reflect the contribution those characteristics make to migrants' contribution to the welfare of the Australian community.

A revamped points test should better align migrants' incentives to pursue permanent residency with investing in their own long-term

156. The typical domestic graduate working full-time with a Bachelor degree or higher earns \$82,000 four years after graduating.

157. 49 per cent received an independent points-test visa, 19 per cent state or territory nominated, and 15 per cent regional points. Partner and employer-sponsored were less common, with 12 per cent and 4 per cent respectively. Based on 2016 Temporary Graduate visa recipients who received permanent residency by 2021.

158. Specifically, the subclass 189 skilled independent visa, the subclass 190 skilled nominated visa, and the subclass 491 skilled work regional (provisional) visa (which provides a pathway to permanent residency via the subclass 191 visa).

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

160. See Coates et al (2022b, Chapter 3).

161. See Coates et al (2021, Section 7.3.2).

162. Tang et al (2022b); and Parkinson et al (2023, p. 108).

163. See Coates et al (2022b, Section 2.3).

career development. This would especially be the case if permanent selection was more focused on wages and skills, rather than characteristics such as whether the person studied in Australia or in a regional area.

The Home Affairs Minister has said the government intends to overhaul the points test.¹⁶⁴

Grattan Institute is doing further research on exactly how to revamp the points test, which will be published in coming months.

4.3 Australia cannot offer all international graduates permanent residency

Offering clearer pathways to permanent residency for international graduates would improve their employment prospects after graduation. And clear pathways to permanent residency are also important for attracting and retaining the best talent to stay in Australia. But there are constraints on the degree of visa certainty that can be offered to international graduates.

The federal government plans to offer 190,000 permanent visas in 2023-24, including 137,100 places in the various permanent skilled visa programs.¹⁶⁵ And one third of permanent skilled visas, and one in five permanent family visas, have historically been issued to those whose first visa was a student visa.¹⁶⁶

Expanding the number of permanent visas available each year would allow Australia to offer more-certain pathways to permanent residency for international graduates. But it would be unrealistic to offer permanent residency to all international graduates who want to stay –

164. O'Neil (2023). The points test has not been reviewed since 2006: Birrell et al (2006).

165. Department of Home Affairs (2023d).

166. Varela et al (2021).

there were more graduate visas issued this past year than there were permanent skilled visas available (Figure 1.3). And most permanent skilled visas are offered to people who never studied in Australia.¹⁶⁷ In fact offering more permanent visas may attract even more temporary visa-holders to Australia.

An increase in the size of Australia's permanent migrant intake would offer a fiscal dividend to the country, provided the extra permanent visas went to younger workers. But by expanding Australia's population in the long term, a larger permanent intake would also impose costs on members of the community, such as more expensive housing, higher levels of urban congestion, and broader environmental impacts.

Whatever its merits, a big increase in the number of permanent visas offered each year would be politically difficult. A 2022 survey found that 24 per cent of Australians believe too many migrants are being accepted, and 52 per cent believe the current number is 'about right'.¹⁶⁸ However, the proportion of people wanting fewer migrants has fallen from 44 per cent in 2018, probably in part because Australia had less migration during the pandemic.¹⁶⁹

Even if the permanent skilled intake was larger, it's not clear that offering all the extra places to international graduates would be in Australia's national interest. After all, international graduates tend to have lower incomes once granted permanent residency, on average, than similar permanent skilled visa-holders who obtained their degrees abroad (Section 1.3). And less-talented graduates – those with fewer

167. Varela et al (ibid, Table B1).

168. 22 per cent want more migrants accepted into Australia. Data from O'Donnell (2022).

169. The 2022 Mapping Social Cohesion Survey found that support for migration and multiculturalism is high and growing. For example, the proportion of people who agree or strongly agree that 'accepting immigrants from many different countries makes Australia stronger' increased from 63 per cent in 2018 to 78 per cent in 2022.

outside options in other countries – are often among those mostly highly motivated to secure permanent residency in Australia.

The policy choices we make about who gets each of the limited number of permanent skilled visas available each year have an enormous impact on the well-being of Australians. Even small improvements in the selection of permanent skilled migrants can have enduring benefits over an extended period.¹⁷⁰ Conversely, mistakes made in selecting permanent skilled migrants will have long-lasting impacts on the composition of Australia's population, and the well-being of the Australian community.

Guaranteeing all international graduates an automatic pathway to permanent residency would make Australia's student visa program a de-facto part of Australia's permanent skilled migrant program. Offering privileged pathways to permanent residency for graduates risks selecting less-talented international graduates already in Australia over higher-skilled applicants from abroad.¹⁷¹

The best way to strengthen pathways to permanent residency is to align them with the characteristics that best predict migrants' long-term success in Australia.¹⁷² This would align graduates' incentives to get permanent residency with advancing their own careers.

170. For instance, past Grattan Institute analysis estimated that improvements to Australia's permanent skilled migration program could add \$159 billion to Australian government budgets combined over the next 30 years. Coates et al (2022b, p. 70).

171. Coates et al (ibid, p. 43).

172. Coates et al (ibid, Section 2.10).

5 Help international graduates to succeed in the labour market

Chapter 1 showed that international students face many barriers to getting a good job once they graduate. They need more help, and barriers to their employment should be removed.

A government campaign should educate employers about graduate visas, especially the work rights they offer, as well as other visa pathways after graduate visas.

Universities need to invest more in career advice and support services for international graduates.

The federal government should regularly publish detailed league tables of the employment outcomes of international graduates, including their earnings, broken down for each course of study offered by Australian higher-education providers.

Federal, state, and territory governments should remove the requirement for permanent residency for public sector graduate jobs.

And the federal government should change the fortnightly cap on working hours for international students to an annual cap of 1,560 hours (an average of 30 hours a week).

5.1 A government campaign should educate employers about graduate and other visas

A government campaign should educate employers about temporary and permanent visas.¹⁷³ Many employers have a poor understanding of the Temporary Graduate visa and other visas. This can unnecessarily deter them from hiring international graduates (see Section 1.4). Increasing employers' understanding of graduate and other visas should make employers more willing to employ international graduates.

173. Navitas (2022).

The campaign should be run by the Department of Home Affairs and involve online and in-person education sessions for human resources staff and senior management, particularly at organisations that have graduate programs. The campaign should also target job advertisement sites such as SEEK, Indeed, and LinkedIn, and industry bodies, so that these organisations can advise their clients and members about visa rules and how best to advertise jobs to get access to a bigger pool of talent.¹⁷⁴

The campaign should also aim to improve employer understanding of overseas qualifications, and to reduce discrimination against international graduates.

Universities should also play a greater role in changing employer attitudes to international graduates. The Australian Universities Accord found that:¹⁷⁵

Industry attitudes towards hiring international students and graduates requires significant attention. Universities play a pivotal role in connecting industry with international students, including communicating the benefits of employing international students and addressing misinformation regarding international visa limitations.

5.2 More funding is needed for settlement and support services for international graduates

International students need more help to transition to work after graduating.¹⁷⁶ The Parkinson Review found that the combination of

174. In our survey of graduate employers, 'Access to a broader talent pool' was the most common response when employers were asked what the primary reasons were for recruiting temporary visa-holders among university graduates.

175. Department of Education (2023c, p. 57).

176. Parkinson et al (2023, p. 122).

generous post-study work rights, unclear pathways to permanent residency, and a lack of support to succeed in Australia's labour market has led to 'uncertainty, distress, and confusion' among international students and graduates.¹⁷⁷

Not-for-profits, government agencies, and for-profit settlement services all play an important role in helping international graduates find employment, by providing settlement services for people who relocate for work, providing networking opportunities, writing job applications, helping people prepare for interviews, and helping them understand Australian workplace culture and laws.

The Australian Universities Accord raised the idea of a levy on international student fee income as a way to help fund housing, infrastructure, research, and other national priorities.¹⁷⁸ This levy, if enacted, could help to fund the education campaign and the support services recommended in this report.¹⁷⁹ Alternatively, an additional charge on international student visas could fund these activities.

Universities should also invest more in career advice and support services for international graduates. The Universities Accord says universities should 'play a role in supporting international students who may not always be aware of what employment opportunities exist for them both during and post-study. Ensuring international students, particularly those studying in areas of Australia's skills needs, are connected to industry throughout their education will facilitate better pathways into employment and therefore help meet workforce shortages'.¹⁸⁰

177. Ibid (p. 108).

178. Department of Education (2023c, p. 16).

179. The cost of the levy would be likely to be shared between the university and the international student, via the university charging higher tuition fees, even if universities were legally required to pay the levy.

180. Department of Education (2023c, p. 57).

5.3 The government should publish information about the employment outcomes of international graduates

The federal government should regularly publish detailed league tables of the employment outcomes of international graduates, including their earnings, broken down for each course of study offered by Australian higher-education providers. League tables would strengthen the incentives for universities to invest in helping international students succeed after graduating.

5.4 Governments should accept international students for public sector graduate jobs

Most public sector graduate jobs require applicants to be permanent residents. For example, only citizens are typically permitted to work for the federal public service.¹⁸¹ State government graduate programs typically are also restricted to citizens and permanent residents,¹⁸² although most fixed-term state public sector jobs are open to temporary visa-holders with valid work rights. Several public sector respondents to our survey of graduate employers said government hiring rules stopped their organisation from employing Temporary Graduate visa-holders (Section 1.4).

Where temporary visa-holders are able to apply for the role, governments should account for the fact that students may not have a visa with full work rights at the time of application, but will have one by the time the job starts. The NSW Government, for example, requires

181. A non-Australian citizen may be engaged in the Australian Public Service (APS) only if an Agency Head considers it appropriate, in accordance with subsection 22(8) of the Public Service Act 1999: Australian Public Service Commission (2023).

182. For example, the Victorian Government graduate program specifically excludes Temporary Graduate visa-holders, although they have committed to employing more international students: Victorian Government (2023) and Study Melbourne (2023).

that temporary visa-holders must have a current visa at the time of application that allows them to work for the 18-month program.¹⁸³ This means that students need to wait until they are on the Temporary Graduate visa before they can apply, and at that point, they may not have enough time left on their visa to complete the graduate program.

The federal and state governments should change their employment policies to make temporary visa-holders eligible for graduate roles. Under our proposed reforms outlined in this chapter and Chapter 3, an international graduate in a public sector graduate program would be eligible for an extension visa, and probably a Temporary Skill Shortage or permanent visa after that, so there should be no concerns about the length of time a graduate can work.

For the federal government, graduate jobs offered to international graduates on a temporary visa might need to be time-limited, but with the explicit understanding that the contract will be extended if an extension visa or other visa is granted.¹⁸⁴

International graduates employed by the federal government while holding a temporary visa would still need to satisfy the conditions to be granted a security clearance.¹⁸⁵ Security clearances are typically not required for employment in state and territory governments, unless

the job requires accessing information deemed classified by the federal government.¹⁸⁶

5.5 Reform the cap on work hours for international students

International student working hours are capped at 48 hours a fortnight during study periods, and work hours are unlimited during vacation periods.¹⁸⁷ This cap on working hours is intended to prevent non-genuine students from coming to Australia on a student visa and working full-time, and to ensure students have enough time to devote to studying. Most comparable countries have a similar cap on working hours.¹⁸⁸

The cap on working hours is intended to work in combination with other student visa conditions, such as attending class and making satisfactory course progress.¹⁸⁹ International students are also required to demonstrate they have sufficient savings to support themselves while studying in Australia.¹⁹⁰

Hours worked for internships or work experience which are a mandatory requirement of a course do not count towards the working hours cap.¹⁹¹ But the fortnightly working hours cap limits opportunities

183. NSW Government (2023).

184. The current policy is: 'Where the citizenship requirement has been waived for a temporary visa-holder, engagement should be on a non-ongoing basis and limited to the time available on the temporary visa... If an employee no longer holds a valid work visa, their employment can be ended for loss of an essential qualification under subsection 29(3)(b) of the Public Service Act': Australian Public Service Commission (2023).

185. For example, citizenship has historically been required in order to be eligible for an Australian Government security clearance. However, the employer can waive the citizenship or checkable background requirements if there is an exceptional business need and a risk assessment is conducted. See Department of Defence (2023).

186. For example, see Department of Defence (ibid).

187. Historically the cap was 40 hours a fortnight, but was uncapped during COVID to help address labour shortages. Students working in aged care can continue to work unlimited hours until the end of 2023.

188. Australia's new 48-hour cap per fortnight is more generous than the caps in Canada, New Zealand, the US, and the UK, where students can typically work 20 hours per week. Finland allows students to work any number of hours in a given week, as long as for the year their average working hours are no more than 30 a week. Sweden has no cap on working hours but students must study for at least 40 hours per week. See Coates et al (2023, Chapter 2).

189. See Department of Home Affairs (2023).

190. From October 1 2023, international students will need to show evidence of \$24,505 in savings: Clare et al (2023).

191. Parkinson et al (2023, p. 112).

for international students to gain valuable work experience that is not formally required as part of their studies. As the Parkinson Review noted:¹⁹²

At the moment, unless they are an approved element of the student's course, unpaid work (including work-integrated learning, internships, and work experience) are all counted towards the cap on working hours. International students are forced to choose between undertaking paid work or taking advantage of opportunities that could enable better success in their field of study or training and a more seamless transition into the labour market post-study.

Opportunities to gain relevant work experience and build networks are important for labour market success for graduates.¹⁹³ Work-integrated learning, unpaid internships, and work experience all provide students with these opportunities.

The Parkinson Review also found that full-time employment rates were higher among Temporary Graduate visa-holders who were vocational or had work-integrated learning, such as for pharmacists, teachers, and doctors.¹⁹⁴ A lack of local work experience, or lack of familiarity with Australian workplace culture, is often cited by employers as a reason for not recruiting international graduates (see Section 1.4).

Grattan Institute's 2023 report, *Short-changed: How to stop the exploitation of migrant workers in Australia*, showed that the cap on student working hours is a major contributor to exploitation of international students in the workplace.¹⁹⁵

192. Parkinson et al (2023, p. 112).

193. Jackson and Collings (2018).

194. Parkinson et al (2023, Figure 41).

195. Coates et al (2023). According to Farbenblum and Berg (2020, p. 3), 'This restriction profoundly contributes to exploitation of international students, and to their unwillingness to seek help for underpayment or report violations of workplace laws when they occur'. See also Boucher (2023, p. 158).

Students who have worked more than allowed under their visa conditions, possibly due to pressure from their employer or because of underpayment, are unlikely to complain to their employer about working conditions or report exploitation to the Fair Work Ombudsman due to fear of having their visa cancelled.¹⁹⁶ This creates a vicious cycle: once a student has breached their visa and their employer knows this, they become more vulnerable to exploitation.

Uncapping work hours would risk a boom in non-genuine students

Removing the cap on working hours completely could lead to more non-genuine students migrating to Australia primarily to work. This occurred during 2022 when students were allowed to work unlimited hours.¹⁹⁷

Uncapping student work hours would risk turning student visas into a de facto low-skill work visa, undermining confidence in Australia's migration program and potentially leading to exploitation of non-genuine students.

Uncapping working hours may also dilute the quality of higher education in Australia, because non-genuine students may enrol in poor-quality courses, or struggle to complete their course due to working too many hours.

Keeping some form of cap on working hours sends a signal that people coming to Australia on a student visa should be here to study and not work full-time.

196. Despite these fears, very few student visas are cancelled for breaching the cap on work hours: Farbenblum and Berg (2020, p. 7).

197. The relaxation of caps on student work rights coincided with a big jump in student visa lodgements and a decline in the proportion of visa applications granted: Coates et al (2023, p. 37).

The government should replace the fortnightly cap on international students' working hours with an annual cap

The government should change the fortnightly cap on working hours for international students to an annual cap. We recommend an annual cap that allows a student to work 30 hours per week on average across the whole year, a total of 1,560 hours per year. This is the approach used in Finland.¹⁹⁸

Such a cap would allow international students studying for an undergraduate degree to work an average of 20 hours a week during study periods, and an average of 40 hours a week during study breaks. And an annual cap could more flexibly accommodate study-related work experience.

An annual cap could reduce exploitation of international students, by reducing the bargaining power of employers who knowingly coerce students to work in breach of their visa rules in a given fortnight.¹⁹⁹

However, an annual cap on work hours would be marginally more difficult to enforce, compared to a fortnightly cap, especially where migrants work for multiple employers in a given year. It would put a greater burden on the Department of Home Affairs to collate the evidence that an international student has breached the cap on student work rights over the course of a year.²⁰⁰

198. Finnish Immigration Service (2023).

199. Coates et al (2023, Section 2.6).

200. In practice very few student visas are cancelled for breaching the cap on work hours: Farbenblum and Berg (2020, p. 7).

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