



Business SA submission: Senate inquiry into the effectiveness of the current temporary skilled visa system in targeting genuine skills shortages.

December 2018

Executive Summary

- South Australia's low population growth rate makes the state more reliant on skilled migrants filling vacancies, particularly in regional centres. The ability of South Australian businesses to attract migrant workers is often critical to both maintaining and expanding their existing operations, and indirectly to growing the entire South Australian economy which, while faring better than expected, is still undergoing a structural transformation.
- While the economic contribution of migrants is more evident within larger industrial sectors of South Australia's economy, particularly agriculture and food and beverage manufacturing, it is often other niche industries which can be just as reliant if not more reliant on migrant workers for a range of roles across various skills levels and Business SA also wants to ensure their voice is heard.
- Skills shortages should be informed by data collected by state/territory governments, as part of a more nuanced approach to bringing skilled migrants to Australia.
- The Federal Government should reconsider its decision not to undertake a review into Australian and New Zealand Standard Classification of Occupations (ANZSCO) codes.
- Recent changes to the Regional Sponsored Migration Scheme (RSMS) have diminished the attractiveness of South Australia as a designated regional location for migrants, particularly the changes to income thresholds and required work experience levels.
- Other changes, such as increases to the Skilling Australians Fund, visa application and sponsorship fees, as well as long waiting periods, have contributed to making it less financially viable for businesses to bring in skilled migrants.
- While Business SA is not arguing that employers should not have to justify why they need to employ a migrant worker, Governments still need to be mindful of how all the additional requirements and associated paperwork impact upon businesses, particularly small to medium sized employers.
- A Designated Area Migration Agreement (DAMA), similar to the one used in the Northern Territory but altered to suit South Australia, may be helpful in bringing skilled migrants to the state. While wary of associated costs, an appropriate DAMA, with concessions, could address concerns about the viability of South Australia's regional centres.

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Introduction

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has approximately 3,200 members across a wide range of industry sectors, from micro businesses right through to listed companies. We are a not-for-profit business membership organisation which not only works on behalf of members, but for the broader business community and in pursuit of economic prosperity for both South Australia and the nation. Business SA is also a founding member of the Australian Chamber of Commerce and Industry (ACCI) and on national issues such as migration, we work through ACCI to advance the interests of businesses across the nation.

For many years South Australia has faced well documented population growth challenges, with a growth rate less than half the national average bringing skills shortages across a wide range of industries. South Australia is dependent on skilled migrants to fill these vacancies to allow businesses to be sustainable and ultimately grow.

South Australia's population and migration statistics paint a bleak picture. Between the March quarter 2008 and March quarter 2018 South Australia had the lowest population growth rate of all mainland states.¹ Over the same period South Australia's net interstate migration was -41,527; more people left South Australia for another State/Territory than arrived.² While South Australia grew slowly during this period, this was predominantly fuelled by international migration.³ In 2017, South Australia's population grew by 10,677, after factoring in natural increase (4,722), net overseas migration (12,026) and net interstate migration (-6,071). That population growth represents less than three per cent of the national population growth for 2017.⁴

Major changes to Australia's skilled migration policy announced by the Federal Government in early 2017 and implemented in March 2018 have posed further challenges to attracting migrants to South Australia, particularly as they lessen the advantage of South Australia being a designated regional area. The changes have removed or restricted much of the flexibility for applicants seeking to migrate to a regional area, although we welcome recent Federal Government statements regarding policy to direct migrants to areas other than Sydney and Melbourne.

Visa changes have also made it less financially viable for businesses to bring in skilled migrants for jobs that local workers either cannot or will not fill. While initiatives such as the Skilling Australians Fund (SAF) are certainly well-intentioned, in practice it places a significant financial burden to bring in a skilled migrant with no opportunity for a refund if that migrant is not capable of adequately filling the position for which they have been sponsored (although Business SA does note other circumstances in which a business can have the SAF waived).

Migration has always been a strong driver of growth in South Australia. Policies and rules which seek to limit migration numbers or make it less attractive to bring in skilled migrants are counter-intuitive in a state and nation whose economy is founded upon migration. Many South Australian businesses still rely on accessing migrant labour where local skills shortages exist, even if that might only be through backpacker labour. Our members speak highly of the contribution of migrants to their businesses and communities, particularly in regional areas. We would welcome any reform to skilled

¹ ABS, '3101.0 Australian Demographic Statistics'.

² Ibid.

³ Ibid.

⁴ Ibid.

visas and/or migration policy which results in more skilled migrants coming to South Australia helping to increase our population and drive economic growth.

1. South Australian businesses' reliance on migrant labour.

Business SA has long operated its own migration service which provides us with direct experience on the workings of the South Australian market for migrant labour. Business SA's 'Move Work Stay' provides services including general skills migration, business investor visas, family visas, student and temporary graduate visas, guardian visas, resident return and bridging visas.

Business SA recently sourced direct feedback from a range of members as to why migrant labour is important to their business, from which we have produced the following case studies:

a) Balco Australia

Balco Australia is a leading oaten hay exporter, founded by four local farmers and businessmen and situated at Balaklava and Bowmans. The business is now in the top 2 to 3 hay exporters in Australia in any given year, predominantly supplying Japan and China. The business began as a diversification play back in 1990, and as a means to retain young people in the area. Like many other regional industrial businesses, Balco was finding it hard to attract enough local staff to support its growth back in the 2000s and successfully applied to bring six skilled Filipino workers out on subclass 457 visas. All of those first batch of migrant workers remained with the business for at least seven years, with some still there today. Many of the migrants' friends and family members have also since joined Balco. The management at Balco firmly believe the additional support provided by these migrants, and their enthusiasm, has been a critical part of maintaining and growing their business, particularly during peak operational times. Balco has also helped to get the pre-existing trade skills of their migrant workers recognised in Australia and believe they have been a very welcome addition to the local community.

b) Adelaide based freight services provider

One Business SA member providing freight services, predominately to importers and exporters, has long been an active employer of migrant workers, including international students seeking work beyond their initial student visa periods. The reality for this business is that they just cannot attract enough local staff to their operational jobs, be they clerical or manual. In one recent job advertisement for an operational position, 80 per cent of the applicants were either on temporary visas or based outside of Australia, and of the remaining 20 per cent, the vast majority were recent migrants. While many other businesses in the same sector have begun offshoring where possible, this business wants to keep the work local but has to rely on migrants to stay in business. Out of a current workforce of approximately 40, nearly half are either temporary visa holders, or recent migrants who have either received permanent residency or citizenship. They come from a wide range of countries including India, the Philippines, Columbia, Ukraine South Africa and Nepal. The owner speaks very positively of their migrant workforce and has found that those with families in particular are more likely to stay longer in the job. However, this business struggles with the high costs of employing migrants, particularly if they want to sponsor them, and recent changes to Federal legislation mean for four international students they would like to sponsor, the fees for the Skilling Australians Fund alone are \$5,000 each which is a significant barrier.

c) Parilla Premium Potatoes

Established in 1990, Parilla Premium Potatoes is a Murray Mallee based farming business with associated processing facilities based in Virginia, producing approximately 140,000 tonnes of fresh produce each year including potatoes, onions and carrots. Across both sites, the businesses' migrant workforce is approximately 50per cent of all workers. While the business also employs locals on its farm, and many have worked their way up in the business, there is much more demand for workers than can be met locally, which has to be filled by migrants. Many of the migrant workforce are also backpackers, who are often working on the farm for around 6 months, before going on to spend the next 6 months travelling. However, while backpackers fill the unskilled jobs sufficiently, it is hard for the business when they have to rely on them for skilled jobs such as operators, and the cost of time in lost production while training, when inevitably these workers have to move on.

Most of the migrants sponsored to stay with the business have remained long term, and there are already children of early migrants now working on the farm. Coming from a wide range of countries including South Africa, Ukraine, India, Pakistan, UK, Ireland and Asia, the migrants have been a fantastic boost to the local community and often marry locals. In recent years however, it has become much harder for Parilla Premium Potatoes to employ migrant farm workers due to increasingly stringent visa conditions, plus additional costs associated with rising training levies and additional educational costs being imposed on temporary visa holders with school aged children.

d) Rising Sun Pictures

Established in Adelaide in 1995 and employing on average 200 staff, Rising Sun Pictures is a now one of the leading independent visual effects companies in the world whose work has featured in an array of feature films and TV series including 'X-Men', 'Harry Potter' and 'Game of Thrones' to name just a few. As the global film visual effects business is subject to significant growth and contraction in line with international film release cycles, the labour force is highly mobile and moves between facilities and countries as projects become available. Rising Sun adopts long and short-term strategies to address staffing shortfalls; training new artists from entry to production level and importing artists from the global market. On average, foreign workers make up 30per cent of Rising Sun's workforce and it is these non-resident workers who provide their business with the opportunity to meet peak periods of activity by filling short-term skill requirements.

While Rising Sun has an educational partnership with Uni SA to develop future local visual effects professionals, the industry is relatively young and constantly evolving, and it is just not that simple to rely on local graduates to have a sufficient skill set to hit the ground running. It typically takes seven years of on the job training to become a visual effects professional and there are not enough skilled locals available to fill temporary skills gaps. Consequently, skilled migration is an essential component to sustain Rising Sun's business model.

Rising Sun's migrant staff bring innovative work practices and methodologies from their former workplaces that compliment and add value to existing business processes, improving productivity. Many of these employees are also active supporters of local festivals, sporting events, shows, cafes/restaurants and often travel together to experience significant South Australian destinations such as McLaren Vale, Barossa Valley and Flinders Ranges. Many of these workers are also active in the businesses' outreach programs to schools, providing support, advice and sharing their wisdom with aspiring local visual effects artists and technicians.

Unfortunately, recent changes in migration policy, including the increase in visa processing fees and hefty Skilling Australians Fund levy, are combining to make urgent short-term hires financially unviable. This has not been helped by the South Australian government move to impose school fees of approximately \$5,000 per child on temporary visa holders. Fringe benefits tax payable on temporary accommodation also adds further to high costs. With Rising Sun's future growth being intrinsically tied to the ability to quickly and cost effectively secure foreign workers, current immigration policy remains one of their greatest impediments to success and has already led them to recently reject some work due to an inability to recruit enough skilled staff in a timely manner.

e) Adelaide based manufacturer

With a workforce in excess of 150 staff comprising over 20 per cent recent migrants and rising, one leading Adelaide based manufacturing member is heavily reliant on foreign workers, including for both factory and technical work. While the business does not directly employ temporary visa holders, it relies heavily on recent migrants for two primary reasons; it cannot source enough local people for factory work and secondly, the businesses' technical requirements are quite niche, and they often find these skills are more in abundance in larger markets overseas. As a local exporter and paying above award wages for clean factory work, the business struggles to understand why it is so hard to get young people to work at their factory, particularly with well documented concerns about unemployment in the outer suburbs of Adelaide.

f) Sunpork Farms

Operating piggeries across 18 regional South Australian sites from Snowtown in the north, Meningie in the south and Lameroo in the east, Sunpork's 200 strong workforces typically comprises approximately 25-35 temporary visa holders. Sunpork relies on migrants for their willingness to live in rural areas, their sound animal husbandry skills which are often complimented through tertiary study, and a positive attitude towards working with pigs. Given pigs must be looked after seven days a week, they need a workforce willing to work weekends and public holidays and while Sunpork pays above the award and penalty rates, it is still very difficult to find enough local workers willing to work with pigs every day in remote locations. Sunpork have also found it much easier to find foreign workers who have already invested the time to learn about working with pigs and see the industry as one they want to commit to and equally prosper from.

Without the ability to attract foreign visa holders, Sunpork would be much less productive as the migrant workers also bring an understanding, skill and work ethic which enhances their local workforce. They would also be constantly short of staff and would have to close some of their more remote sites. Furthermore, the business would not be in a position to support the supply chain including abattoirs and processing operations in Murray Bridge and Port Wakefield, and other food related operations in Adelaide.

In recent years the process of attracting migrant workers has become increasingly more difficult, with extra hoops to jump through and fees which have become a significant burden, adding somewhere between a 20 and 40 per cent premium cost on an individual visa holder. Many of these fees (particularly the Skilling Australians Fund) are also paid up front and in advance and are generally not refundable with no regard for whether the worker actually stays for six months or four years.

Sunpork's migrant staff are committed to rural communities where they spend money, bring families to events and give their own time to improve the area. They are also happy to stay in those communities, and do not typically want to move to cities. Sunpork believes these migrants should be treated as a separate immigrant category rather than the present 'one size fits all' approach. They are not fly-in-fly-out workers and the Government should recognise rural workers and residents as a critical part of the State's agricultural future. While the Pork Industry is experiencing its challenges, with access to the necessary workforce, including migrants, Sunpork has potential for another 25 to 30 per cent growth over the next five years.

2. The temporary skilled visa system, training Australian workers, and determining skills shortages.

The March 2018 reforms to Australia's temporary skilled visa system have proven to be a mixed bag for businesses. From a South Australian perspective, the additional costs and income thresholds which accompany the Temporary Skill Shortage (subclass 482) visa are an imposition which negatively impacts the ability of businesses to address skills shortages. The most pressing concerns relate to the Skilling Australians Fund (SAF).

The SAF is an inflexible, and in most cases non-refundable levy that negatively impacts businesses who sponsor skilled migrants. Under the SAF, businesses with a turnover of less than \$10 million are required to pay a one-off fee of either \$3,000 for subclass 187 visa applicants, or \$1,200 for subclass 482 visa applicants. What's more, the levy must be paid in full for each 12-month period a subclass 482 visa holder is sponsored, even if they are employed for less than 12 months.⁵ This is in addition to all other visa costs associated with employing a migrant worker and is a significant disincentive for local businesses hiring migrants. While Business SA obviously supports funding to support local apprentices and trainees, that funding should be a part of the Federal Government's ongoing commitment to vocational education, and not linked to migration policy.

Business SA also supports ACCI's position as stated in their submission to the Senate Education and Employment Legislation Commission regarding the SAF. Their submission notes that the real cost of the SAF is borne by businesses who were able to previously demonstrate spending money on training. Under the previous system, businesses had to either put the equivalent of two per cent of their payroll into an Industry Training Fund, or demonstrate that they were spending the equivalent of one per cent of their payroll to train workers who were Australian citizens or permanent residents. All businesses spend money on training their staff; it is a necessary expense to ensure staff have the correct accreditations and knowledge to perform their role. Now, under the new system (which calculates fees based on turnover rather than payroll), those businesses would have to pay an upfront training levy of \$4,800 for a worker eligible for a four year subclass 482 visa, on top of the money they would already spend on training. ACCI recommends that the SAF fees be halved, so that small businesses pay only \$600 per year for subclass 482 visa holders (\$900 for large businesses), or \$1,500 for Employer Nomination Scheme (subclass 186) visa holders (\$2,500 for large businesses).⁶

In terms of skills shortages, the system by which they are determined is top-down, in that it is dictated to states and territories by the Federal Government. A more effective approach would be to have skills shortages informed by states/territories, with that information informing the skilled visa system. In South Australia, of the six occupational

⁵ <https://immi.homeaffairs.gov.au/visas/employing-and-sponsoring-someone/sponsoring-workers/learn-about-sponsoring/cost-of-sponsoring>

⁶ Australian Chamber of Commerce and Industry. 'Submission to the Senate Education and Employment Legislation Commission regarding the Migration Amendment (Skilling Australians Fund) Bill 2017 and Migration (Skilling Australians Fund) Charges Bill 2017 – 15 December 2017,' pp 6-7.

clusters that the Department of Jobs and Small Business uses in its research methodology, five identified some kind of shortage; the only cluster where there is no shortage is school teachers. This includes skills shortages in construction trades, mechanics, civil engineering, metal fabricating, welding, and a regional shortage of midwives.⁷ The current skills shortage reporting is also problematic, as the reporting for South Australia does not include ANZSCO level five jobs, and only includes two level four jobs.⁸

In a 2017 study by the South Australian Centre for Economic Studies (SACES) on the potential benefits of reforming migration policies to address South Australia's needs, SACES found that despite above average unemployment in South Australia, there was still a substantial number of unfilled vacancies, particularly in regional South Australia and across various skills levels. Importantly the study also concluded that migration has a neutral or slightly positive affect on per capita GDP, no impact on employment rates of the non-migrant population (including at lower skill levels), a small but positive impact on average wages, and a small but ambiguous impact on the wages of skilled occupations.⁹

3. The current skills assessment regime and skills testing requirements.

The ANZSCO list was last updated in 2013; since then, jobs have opened up in fields that are not accurately recognised by ANZSCO codes. This causes difficulty for businesses who are seeking to employ migrant workers because they do not know which code best applies to the vacancy they are seeking to fill. In July 2017, the Australian Chamber of Commerce and Industry, of which Business SA is a member, wrote to the then-Minister for Small Business, the Hon Michael McCormack MP, urging him to reverse the decision by the Australian Bureau of Statistics and Statistics New Zealand to not conduct a major review of ANZSCO that was due to commence in 2016. Failure to modernise ANZSCO has consequences for businesses and their ability to grow and innovate, and in some cases has impacted on the viability of businesses and projects.

Skills testing requirements before a migrant worker can work in Australia is necessary for two main reasons: to ensure that the applicant has the qualifications needed to do the job, and to ensure that person is not trying to enter Australia illegally. Unfortunately, skills testing adds delays to the visa application process. According to the Department of Home Affairs, one in every four applications for a subclass 482 visa (short-term stream) takes longer than 50 days, and one in 10 takes longer than 87 days.¹⁰ For state/territory nominated subclass 489 visas (which saw demand increase by 15.3 per cent in 2017–18¹¹), one in four applications take longer than seven months, and one in 10 longer than 10 months.¹² While an English language test is a reasonable measure to have in place in Australia, the skills assessment process is stringent and exhausting. The testing is done on all visa applicants, even if the applicant completed their vocational or tertiary education in Australia. Furthermore, all subclass 482 visa applicants must demonstrate at least two years' experience in the nominated occupation or a related field.¹³ Regional Sponsor Migration Scheme (RSMS) (subclass 187) visa applicants must now have at least three years relevant work

⁷ <https://docs.jobs.gov.au/collections/south-australia-occupational-cluster-reports>

⁸ <https://docs.jobs.gov.au/collections/south-australia-individual-occupational-reports>

⁹ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 1: Key Challenges' (South Australian Centre for Economic Studies, 18 April 2017) p ii

¹⁰ <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/temporary-skill-shortage-482/short-term-stream>

¹¹ Department of Home Affairs. '2017–18 Migration Program Report', page 13. <https://www.homeaffairs.gov.au/research-and-stats/files/report-migration-program-2017-18.pdf>

¹² <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/skilled-regional-provisional-489/invited-pathway#Overview>

¹³ <https://archive.homeaffairs.gov.au/visas/supporting/Pages/482/skills-qualifications-employment-background.aspx>

experience, be no older than 45 and be remunerated at no lower than the Temporary Skilled Migration Income Threshold (TSMIT), \$53,900 per annum excluding superannuation.

The requirement for three years relevant work experience has also mostly ruled out recent graduating international students from being able to access the subclass 187 visa. Changes introduced by the Federal Government in March 2018 have reduced South Australia's ability to leverage from its sizable international student cohort. Under the previous arrangements, students used two pathways to local employment, through the RSMS or more often a transition from a subclass 457 visa, with neither imposing work experience requirements. Under the new regime, the Federal Government has imposed a minimum three years of relevant work experience requirement on applicants for the subclass 187 visa, and two years' work experience for subclass 482 visa applicants, making it more difficult for graduates to fill skilled and semi-skilled vacancies in South Australia.¹⁴ While international students may still be able to access a Temporary Graduate Visa (485), this is quite limited for VET students and only allows them to stay for 18 months. Even students with a Bachelor's degree including Honours can only stay on this visa for two years and students must have a Master of Research degree to stay for at least three years, while a PHD offers four years.

For the best long-term outcome for South Australia, future changes to both the TSS and RSMS visa are still preferable and while perhaps taking longer to achieve, certainty of visa arrangements is important to the business community, and constantly changing rules are not.

4. The relationship between workers on skilled visas and other types of visas with work rights, including the 400 visa.

The examples above regarding the changes to visas highlight the inflexibility of the current system. While Business SA does understand the need for short-term visas, the nature of temporary work is such that a vacancy usually needs to be filled at short notice. The inflexibility of the Temporary Work (Short Stay Specialist) (subclass 400) visa does not allow for a sponsored migrant worker to stay longer than three months unless supported by a strong business case. Ernst & Young considers a strong business case to include:

- The nature, size and duration of the project;
- Significance of the project to the business and the community, including the number of Australians employed on the project;
- The impact should the project not proceed, including on employment opportunities for Australians;
- Evidence that specialist expertise from overseas is required;
- Evidence of attempts to hire Australians and an explanation of the time required to train an Australian to do the proposed work;

¹⁴ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 2: Areas Where the Migration System Does Not Meet South Australia's Needs' (South Australian Centre for Economic Studies, 7 June 2017) p 17.

- Subclass 457 (now subclass 482) visa requirements are not being circumvented; and
- Employment conditions meet Australian standards.¹⁵

The writing of such a business case is time-consuming and burdensome on small businesses. Consequently, if for example a sponsored migrant worker was to come to Australia and worked on a project for three months, and the project actually took five months, that migrant would have to either leave Australia or rely on the business case for them to stay having a positive outcome. The subclass 400 visa also cannot replace the subclass 482 visa, because of a combination of the short length of time a worker can stay, the specificity of the work under which the visa is granted, and the non-continuity of the visa. Either way, this makes the subclass 400 visa a somewhat unattractive option for businesses.

Aside from new training levy arrangements, visa fees under new temporary visa arrangements have also risen quite substantially for TSS visas. For skills in the short-term skilled occupation list, fees have risen eight per cent; for skills in the medium and long-term strategic skills list, as well as the regional occupation list, fees have risen 127 per cent.

While South Australia may be relatively more disadvantaged by changes to the RSM visa, it is equally important to consider how South Australian employers are also impacted by changes to the old 457, now TSS visa. All these changes combined are generally making it much harder for South Australian employers to employ migrants on temporary visas to fill skills shortages, whether that relates to the rate at which they should be paid being above market, the required work experience which is difficult for a graduate, the visa fees or the reduced age limit. Business SA questions whether current labour market testing arrangements can be amended to make the testing period shorter.

South Australia has historically underperformed in attracting previous subclass 457 visa holders. Despite our national population share of 7.1 per cent, in 2014-15 South Australia only attracted 3 per cent of national 457 visas. In contrast South Australia attracted 8.4 per cent of subclass 187 visas during that same period.¹⁶ In fact, recent data obtained by the Migration Institute of Australia (MIOA) shows a sharp decline in 187 visa applications in recent years. In the 2017-18 financial year there were 1,444 applications lodged, in comparison to the low number of 40 applications lodged from the 1 July to 24 September 2018. Business SA is quite concerned about this declining lodgment rate which MIOA predicts will see South Australia receive 160 applicants for the year, only 11 per cent of the total applications lodged last year.¹⁷

As previously shown, the imposition of the SAF on the subclass 482 visa, as well as skills testing requirements, work experience requirements, processing times and higher associated fees (including on subclass 187 and subclass 489 visas), makes it increasingly costly and burdensome for businesses to bring in foreign workers. However, the Federal Government should be careful not to make one visa subclass falsely more attractive than another, either by way of fees, processing times or visa conditions. All skilled and other working visas should make Australia an attractive

¹⁵ Ernst & Young. 'A review of Australia's subclass 400 and 457 visa regimes.' <https://www.ey.com/gl/en/services/people-advisory-services/hc-alert--a-review-of-australia-s-subclass-400-and-457-visa-regimes>

¹⁶ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 1: Key Challenges' (South Australian Centre for Economic Studies, 18 April 2017) p 3.

¹⁷ Migration Institute of Australia, 'Submission to the Inquiry into the Economic Contribution of Migration to South Australia', page 8.

destination to live and work. Any advantages that can come to South Australia via the skilled and/or working visas would be beneficial to the state's economy, particularly via the RSMS.

5. The effectiveness of the current labour market testing arrangements.

As outlined above, there are now much more stringent requirements applying on businesses needing to employ migrants under temporary skilled visas, and these extend beyond just those which impact South Australia alone in its capacity as a designated regional area.

One of these changes is that businesses are having to go to greater lengths to demonstrate that a position or positions could not be filled locally before applying to sponsor a migrant through a temporary visa. This includes proving that the business could not find an applicant in the entire country. While Business SA is not arguing that employers should not have to justify why they need to employ a migrant worker, Governments still need to be mindful of how all the additional requirements and associated paperwork impact upon businesses, particularly small to medium sized employers. Business SA also notes that the 2014 Independent Review into the integrity of the subclass 457 visa recommended that labour market testing be abolished, based on its unreliability and ineffectiveness.¹⁸

6. The adequacy of skilled visa enforcement arrangements, wages and conditions, and access to information about rights and protections.

In relation to visa enforcement arrangements, there were well-publicised issues associated with the former subclass 457 visa. While the vast majority of business owners/operators do the right thing, it is an unfortunate fact that there will always be some who seek to take advantage of the system. While measuring subclass 457 visa applications against job advertisements was imperfect, as job ads are for all positions whereas the subclass 457 visa did not allow for low-skilled jobs, there was a clear disconnect between 457 visa applications and growth in job ads.¹⁹

On wages and conditions, the entire state of South Australia is designated a regional and low-population growth metropolitan area. This designation previously afforded South Australian employers access to a broader range of skilled migration visas with inbuilt flexibility allowing visa requirements to adapt to local market conditions. This was a significant advantage for local businesses which would otherwise have to compete with high-wage areas such as Sydney and Melbourne. Unfortunately, this flexibility has been reduced through migration policy changes implemented in March 2018. For example, RSMS visa applicants must now have at least three years relevant work experience, be no older than 45 and be remunerated at no lower than the Temporary Skilled Migration Income Threshold (TSMIT), \$53,900 per annum excluding superannuation.

¹⁸ <https://archive.homeaffairs.gov.au/about/reports-publications/reviews-inquiries/independent-review-of-the-457-programme/response-to-integrity>

¹⁹ Henry Sherell, 'Losing its credibility: the abolition of the 457 visa program.'

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2018/March/the_abolition_of_the_457_visa_program

As a basis of comparison, the TSMIT is currently:

- 44 percent higher than the national minimum wage;
- 24 percent higher than the level 5 worker rate under the Horticulture Award;
- 20 percent higher than the level 6 worker rate under than Food, Beverage & Tobacco Manufacturing Award;
- 16 percent higher than the level 5 worker rate under the Wine Industry Award; and
- 6 percent higher than the level C5 worker rate under the Manufacturing Award.

Requiring regional employers to pay the TSMIT instead of simply a market salary, sets a wage floor which is above market salary for many skilled occupations required in South Australia. Application of TSMIT to RSMS visas is likely to significantly reduce the number of skilled workers coming to regional areas. If RSMS visas had been required to pay at least TSMIT since 2013/14, it is estimated that more than 1,000 less skilled workers would have migrated to South Australia during that period.²⁰

7. The use and effectiveness of labour agreements.

In seeking to fill large numbers of vacancies, labour agreements would be beneficial. However, such agreements are not effective to fill vacancies for small or regional-based businesses, because in most circumstances, such businesses are seeking to fill only one or two positions. This is especially true in South Australia where 97 per cent of businesses employ fewer than 20 people.

A Designated Area Migration Authority (DAMA), such as the one between the Commonwealth and the Northern Territory, may offer some benefits to South Australia. For instance, as with the Northern Territory agreement, it may allow regional South Australian businesses to employ workers with a TSMIT concession; this could be particularly helpful in a state where wages and salaries are lower than those in the eastern states. However, Business SA is mindful that this would still come with the administrative burden of employers having to access a labour agreement under a DAMA.

Conclusion

Immigrants have always been part of South Australia's economic fabric; successive waves of migrants from all over the world have made great contributions to the state's economy and social fabric. We only have to look at our food and wine industries as just one example of the benefits that migrants bring to the state more broadly, or how international students add to the vibrancy of Adelaide.

Unfortunately, changes to Australia's skilled visa system has resulted in higher fees, long processing wait periods, additional evidence and paperwork, and overall, a more difficult system for Australian businesses to navigate. In a state like South Australia, where our population growth is almost entirely dependent on migrant intake, these changes will have long-term consequences for population and economic growth. Changes to certain visa subclasses

²⁰ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 2: Areas Where the Migration System Does Not Meet South Australia's Needs' (South Australian Centre for Economic Studies, 7 June 2017) p 11.

have reduced South Australia's advantage of being classified as regional Australia. Higher fees and levies including for the Skilling Australians Fund, combined with the Temporary Skilled Migration Income Threshold, have also made it less financially viable for businesses to bring in skilled migrants.

There are many skill shortages in South Australia, particularly in the regions, that are not being filled by local workers. While on one hand it is disappointing for those business owners not to be able to find staff locally, by the same token they generally speak quite highly of their migrant staff and the value they not only bring to their own business, but to the broader community, which is more pronounced in regional South Australia where small towns often struggle to remain viable. Such businesses should not be financially punished in the manner they currently are, just because local workers are either unable or unwilling to fill the required positions.

Other issues, such as the delay in reviewing ANZSCO codes, time taken to conduct a skills assessment, and exhaustive labour market testing requirements need to be resolved by the Federal Government. Any measures that can be taken to reduce wait periods and administrative burdens on businesses would be welcomed by Business SA.

Changes to Federal legislation over the past year has made it much more difficult for South Australian employers to attract and employ migrant workers, particularly on temporary visas. South Australia is more reliant on immigration and should be able to have preferential benefits in the visa system to reflect the reality that that we have an older population, and also suffer more from net interstate migration. Recent changes to the RSMS visa have diminished its effectiveness in making South Australia a preferred regional location, and this new reality needs to be addressed.