



CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

DISCUSSION PAPER

*Evidence-based Review of the Temporary Skilled Migration Income
Threshold (TSMIT)*

Department of Immigration and Border Protection

March 2016

Introduction

1. As Queensland's peak business body, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a submission to the Department of Immigration and Border Protection on the Review of the Temporary Skilled Migration Income Threshold (TSMIT).
2. The 457 visa programme has long been viewed by the business community as vital to ensuring the adequate talent and supply of workers for the continued success of small businesses in Queensland. Having the right people at the right time facilitates further economic growth through increased business investments.
3. It is important to recognise the contribution of migrant workers in adding skills to the economy and assisting in training Australian workers. Because of their demographics, skilled migrants typically also make long term economic contributions to Australia through their consumption of goods and services and their payment of taxes, outweighing the benefits they receive over their lifetime.
4. Much needs to be done on the widespread "misinformation" regarding the scheme that benefits skilled foreign workers. The most common misrepresentation is that foreign workers are being employed in positions that Australians would have otherwise filled.
5. The temporary skilled migration programme adds to our skills pool in areas of need while only representing around 2 per cent of our total skilled workforce and less than 1 per cent of our total workforce. These roles need to be appropriately remunerated and should not represent a figure that is lower than that of the equivalent local worker in the same region.
6. CCIQ advocates that the dollar value of the TSMIT should increase according to the CPI or changes to the minimum wage, with CCIQ advocating for the next increase to occur from 1 July 2017 onwards given the timing of this review.

Calculations of the TSMIT and eligibility

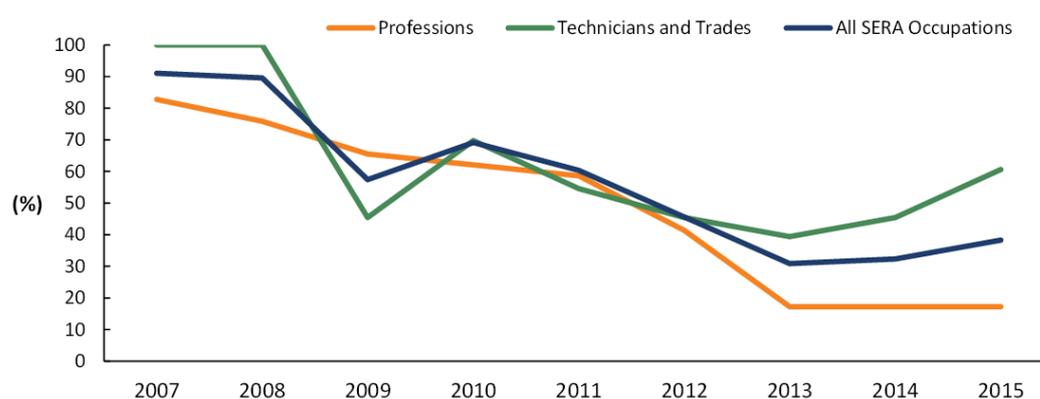
7. CCIQ supports the move by the 457 Integrity Review which led to the Minister for Immigration and Border Protection using his discretion not to index TSMIT from 2014. As at 1 July 2013, the TSMIT was set at \$53,900 which had risen by annual indexation from \$45,220 in 2009.
8. This was at a much faster pace than the wage rates of the skilled occupations at the lower end of the skilled occupations income scale which made even more vacancies ineligible. Furthermore, the TSMIT had been previously increased based on the growth of Average Weekly Earnings (AWE), which encompasses occupations across the income scale. As such, the dollar value of the TSMIT should only increase according to the CPI or changes to the minimum wage.
9. The role of TSMIT as an eligibility threshold to assess whether a vacancy is eligible to be filled by a temporary skilled migrant should be abolished as eligibility should be based solely on whether the role is a skilled occupation on the CSOL and where the role is a genuine one. Employers in industries and regional areas where the market rate of skilled workers is often below the TSMIT should not be denied the opportunity to use the 457 visa programme if they are experiencing shortages.

10. A major issue with the existing rate of \$53,900 is that in a number of cases it is evidently higher than the market rate of many skilled jobs, particularly in regional locations, making the 457 programme inaccessible to many employers. This rate should be frozen until it can be demonstrated that skills shortages are being reduced by the sufficient uptake of foreign workers.
11. In relation to the eligibility role, the annualised earnings of the role should be \$4000 less than the TSMIT. This extra \$4000 paid to the foreign worker can be justified on the basis of the extra expenses that the foreign worker would likely incur over the Australian worker.
12. This maintains equivalence in market rates (at least in terms of capacity of earnings), and is important from the business perspective as it will ensure more occupations particularly in regional locations are eligible to be filled by 457 visa workers. This two tier approach was envisaged by the integrity review report.

Skills shortage and 457 demand

13. Currently, most industries are seeing the skills shortage intensify but the number of 457 visas being granted is decreasing. There were 38,130 subclass 457 primary visas granted in 2014-15 to 31 March 2015, 4.1 per cent lower than the same period in the previous programme year (39,770).
14. Employers are finding it harder to find suitable workers yet are still not aggressively pursuing the 457 visa program. As an example of insufficient uptake of 457 workers by employers, 'Technicians and Trades' are experiencing a degree of skills shortages, with only 64% of vacancies being filled between 2014-15, down from 69% in the previous year.
15. While Figure 1 below shows the rise in skills shortage (by the proportion of assessed occupations in shortage nationwide) and Figure 2 shows an increase of 457 visas being granted for these occupations by 15.8%, the skills shortage is growing. Evidently, more needs to be done so employers can access more 457 visa workers.

Figure 1: Proportion of assessed occupations in shortage, Australia, 2007 to 2015 (%)



Source: Department of Employment, Skill shortage research. Based on a set of around 80 consistently assessed occupations

Figure 2: Number of primary applications lodged in 2014-15 to 31 March 2015 by nominated occupation

Nominated Occupation	2013-14 to 31/03/14	2014-15 to 31 /03/15	% Change from 2013-14	2014-15 as % of Total
1 Managers	6 970	8 120	16.5%	19.9%
2 Professionals	18 240	20 770	13.9%	50.8%
3 Technicians and Trades Workers	8 470	9 810	15.8%	24.0%
4 Community and Personal Service Workers	490	580	18.1%	1.4%
5 Clerical and Administrative Workers	440	530	19.3%	1.3%
6 Sales Workers	220	280	25.4%	0.7%
7 Machinery Operators and Drivers	260	230	-13.5%	0.6%
8 Labourers	80	100	21.3%	0.2%
Not Recorded	270	470	73.5%	1.1%
Total	35 440	40 870	15.3%	100.0%

Source: Department of Immigration and Border Protection: Subclass 457 quarterly report, quarter ending at 31 March 2015.

16. Furthermore, a discount should be made because there is a significant difference between regional and metropolitan labour markets. Employers located in regional areas should have the capabilities to hire skilled foreign workers on a salary that is at a discount to the threshold, so long as this was in agreement to the market rates of Australia for the people in that specific regional areas.
17. The TSMIT should be 10% less for regional employers, outside of 100km from capital cities, as the salary packages are lower and the cost of living also lower. This would make the TSMIT for regions \$48,510 and the eligibility threshold as to whether a job can be filled by a 457 visa holder \$44,510.

Update of ANZSCO codes

18. Industry feedback on workforce planning and development has pinpointed the outdated ANZSCO codes as one of the priority issues with ensuring 457 visa workers are able to alleviate the pressures of skills shortages across the State. This has broader links to 457 visas greater than just income thresholds, including a more accurate Skills Occupations List and richer data on the Australian workforce.
19. Given the purpose of 457 visas is to help Australian businesses source the skilled workers they need when they are unable to find suitable skilled labour domestically, visas need to be extended to cover skills not included in the outdated ANZSCO codes. These codes urgently need revising to reflect modern workplace employment.

20. A number of industries have naturally gone through considerable skills depending and broadening, particularly with new technician and trade level roles becoming more pronounced. These roles and the qualifications are commonly not evident within ANZSCO.
21. The flow on effect of the limitations within ANZSCO impact on a wide range of labour market and migration initiatives. At the heart of these impacts is a lack of recognition of the occupations and roles within industries that have evolved. Typical results have been a smaller percentage of migrants being deployed to work, particularly in regional areas, as skilled migrant labour is being refused on the basis of incorrect ANZSCO classifications.
22. Without a concerted effort to record accurate skilled labour demand, industries are at risk of a possible contraction in production over the next 5-10 years. The accuracy of the ANZSCO Codes have and will have, an increasingly critical impact on the industry's ability to access labour through a variety of labour market initiatives. These include improved training and access to training, the status and attractiveness of occupations within the industry, and the formulation of the Skilled Occupation List and its impact on industry access to migrant labour.
23. There is an urgent need for a comprehensive national data collection to occur from which to develop robust occupational profiles. Such data will have serious implications for VET and Higher Education funding, the SOL and broader migration eligibility for the industry. Robust, evidence-based forecasting is essential to frame policy, funding and timelines for education and training.
24. What is needed is a comprehensive revision and expansion of the current ANZSIC and ANZSCO systems. Government will require the input from individual industry organisations to effectively update the ANZSCO codes. This revision would necessarily include additional industry and occupational classifications and would have embedded in it sufficient flexibility to enable regular updating as structural and technology shifts occur.
25. Furthermore, the development of an annual national standardised labour and skills survey based on these revised occupational profiles would deliver contemporary data which could be projected and provide more reliable forward projections on labour and skills requirements.

Further enquiries

26. We thank the Department for the opportunity to provide comment and welcome any feedback. Please contact Catherine Pham, Policy Advisor, at cpham@cciq.com.au for matters relating to this submission.