



MINERALS COUNCIL OF AUSTRALIA

PRODUCTIVITY COMMISSION ISSUES PAPER MIGRANT INTAKE INTO AUSTRALIA

JUNE 2015

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EXECUTIVE SUMMARY

The primary focus of this submission is the contribution that an effective skills migration program can make in maintaining an uninterrupted skills pathway for the industry, regardless of business cycles.

An effective skilled migration program with the capacity to respond to economic demand within a framework that ensures integrity and efficiency is vital to meeting the skills needs of the sector.

The minerals industry is a discerning employer of skilled migrants, leveraging skilled migration to address 'hard to fill' experienced professional roles. The industry's use of Subclass 457 Temporary Skilled Visas, for example, sits at only 2.5 per cent of the minerals workforce.¹

Overwhelmingly, permanent migration has been an economic positive for both the minerals industry and the wider Australian economy, with skilled migrants having an enviable record of settling smoothly into the Australian economy and broader society, with good labour market outcomes.

Migration is a key integration point with the Asia-Pacific economic region, with six out the top ten migrant source countries being located in this region. Migration can also moderate the effects of population ageing on the workforce in both the short and the long term.²

Temporary skilled migration, particularly subclass 457 visas, has been a highly flexible mechanism that has successfully filled Australia's skills gaps and contributed to two decades of unbroken economic growth. Overwhelmingly, temporary migration, while selectively used, has been of benefit to the minerals sector.

The MCA also sees the transition of temporary skilled migrants along a permanent migration pathway as a positive, enhancing the permanent skilled migration stream. This is because successful temporary migrants have experienced Australian working life and are, as such, better equipped to settle into Australian working life and Australian society more broadly.

The MCA is ultimately sceptical of using alternative methods for determining intakes, especially 'user pays' methodologies. A proposition supporting user pays across the board militates against a merit-based approach (as is the case with skills criteria), and could compromise support for the overall migration programme. A 'user pays' model may also place Australia at a competitive disadvantage in the global 'war for talent'.

User-pays migration would better align with investor visas in the Business Innovation and Investment Program subset rather than work visas.

The Minerals Council of Australia (MCA) appreciates the opportunity to participate in this inquiry and will continue to contribute as the inquiry progresses.

INTRODUCTION

The Minerals Council of Australia's mandate is to represent Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society.

- The MCA is a member company funded industry association operating as an incorporated private company limited by guarantee
- The organisation's governance structure is as for a corporate entity - full council, board of directors, standing committees and secretariat
- Mineral product coverage is base metals, precious metals, coal (thermal, metallurgical, lignite), iron ore, uranium, mineral sands, diamonds and light metals - to first stage of primary transformation.

MCA member companies share an interest in:

- Advocating precompetitive or generic public policy for a socio-economic environment conducive to growth and prosperity
- Identifying and promoting leading operation principles and practices that companies agree they will not compromise for competitive advantage.
- Engaging with opinion leaders and other stakeholders, and advocating public policy and operational practice for a world-class industry that is safe, profitable, innovative, environmentally and socially responsible and attuned to community needs and expectations.

CONTEXT: THE INDUSTRY AS A GLOBAL EMPLOYER OF SKILLED LABOUR

The minerals industry is a discerning employer of skilled migrants, leveraging skilled migration to address 'hard to fill' experienced professional roles. The industry's use of Subclass 457 Temporary Skilled Visas, for example, generally sits between two to three per cent of the minerals workforce.

The minerals industry is the most globally oriented of all Australian industry sectors. In addition to being a significant recipient of foreign investment, the industry has invested more than \$160 billion in projects in major mining provinces around the world. The industry's requirement for the mobility of skilled personnel reflects this global orientation.

Temporary skilled visa holders are a small but important component of the mining workforce, comprising 2.5 per cent of all mining employees.³ Despite a downturn in industry conditions, subclass 457 visa holders are still being recruited in technical and professional occupations, particularly in hard-to-fill remote positions, although in lesser numbers. Sponsoring them is very expensive and their use is seen as 'last resort' once local options have been exhausted.

The minerals sector also sources permanent skilled migrants both directly and through the conversion of temporary migrations to skilled migrants. The phenomenon of subclass 457 visa holders settling well into their roles in the Australian minerals sector and then applying for permanent resident status is not uncommon.

DISCUSSION OF ISSUES PAPER

1. The benefits and costs that the intake of permanent entrants can generate

The MCA agrees with the Productivity Commission's approach, which is to 'have regard to the need to achieve higher living standards for all members of the Australian community'.⁴

In this context, MCA views skilled migration as a key element in the Australian migration success story.

Since World War II, Australia has accepted six million migrants, who have contributed to our economic and social success.⁵ Today, around a quarter of Australians are born overseas, with 43 per cent of the population having at least one parent born overseas.⁶

In recent years, the migration focus has switched from family to skilled migration, with a proportion of two-thirds skilled and one-third family.

Table 1: Employment outcomes for skilled primary applicants by category

Visa reporting category	Participation rate at six months	Unemployment rate at six months	Participation rate at twelve months	Unemployment rate at twelve months	Participation rate change	Unemployment rate change
Employer sponsored	98	0.5	99	0.5	1	0
Family/state sponsored	98	7	97	4	-1	-3
Offshore independent	97	10	96	3	-1	-7
Onshore independent	98	6	97	3	-1	-3
Skilled graduates	98	3	96	2	-2	-1
Other skilled	86	7	90	3	4	-4
All skilled	96	5	96	2	0	-3

Source: Department of Immigration and Border Protection

Skilled migrants have an enviable record of settling smoothly into the Australian economy and broader society, with good labour market outcomes.

For example, only 3 per cent of skilled independent and 0.5 per cent of employer-sponsored migrants are unemployed.⁷

Australia's skilled migration program also fits with the notion of Australia in the Asian Century. Six of the top 10 permanent migration source countries are Asian. In 2011-12, India became our largest source of permanent migrants for the first time.⁸ This immigration trend is deepening our economic engagement with the fastest growing region in the world.

The current Department of Immigration and Border Control's review of the current skilled migration and 400 series programmes acknowledges the economic and social success of the skilled migration programme – it has 'transformed the character of the Australian workforce by enhancing it in both size and skill level, resulting in superior labour market outcomes, which would not have occurred if prospective migrants were chosen at random'.⁹

With their high employment participation and generally low unemployment, skilled migrants are likely to settle successfully, which helps build social cohesion and broader community support for migration - including family and humanitarian migration.¹⁰

Sometimes immigration outcomes are a double-edged sword. While immigration may, to some extent, promote increased use of common infrastructure and occasionally congestion, it may also create greater economies of scale or density, leading to further infrastructure provision. For example,

the per capita cost of providing government services may fall as population increases.¹¹ Furthermore, many mining 457s are located on-site (often remotely), boosting regional economies.

One useful way of thinking would be to imagine the counter-factual – what would Australia be like without its successive waves of permanent migration?

2. An examination of the scope to use alternative methods for determining intakes – including through payment – and the effects these would have.

The minerals sector's primary migration selection criteria relate to skills. A proposition supporting user pays across the board militates against a merit-based approach and could compromise support for the overall migration programme.

Furthermore, as the issues paper points out, 'Australia may be competing for particular types of migrants against comparable economies', and a "user pays" model may place Australia at a disadvantage in the global "war for talent".¹²

The MCA's initial thinking is that user-pays migration could better align with investor visas in the Business Innovation and Investment Program subset rather than work visas.

3. The benefits and costs of temporary migration with an examination of the use of charges as the primary basis for regulating the level and composition of this migration

The main form of temporary migration used by the minerals industry is the subclass 457 visa. Introduced almost 20 years ago, the use of '457s' has been a highly flexible mechanism that has successfully filled Australia's skills gaps and contributed to two decades of unbroken economic growth.

Temporary skilled visa holders are a small but important component of the mining workforce, comprising 2.5 per cent of all mining employees.¹³ Despite a downturn in industry conditions, subclass 457 visa holders are still being recruited in technical and professional occupations, particularly in hard-to-fill remote positions, although in lesser numbers. Sponsoring them is very expensive and their use is seen as 'last resort' – the average cost of sponsoring a subclass 457 visa holder is estimated at up to \$60,000.¹⁴

Furthermore, the sector's use of subclass 457 visas moves in line with labour market conditions, with the number of subclass 457 visa holders in the mining industry falling markedly over 2014-15 as labour market conditions in the sector and broader economy deteriorated.¹⁵

The 457 is designed to respond to the economic cycle. This is demonstrably the case in the mining sector with a recent drop off in the use of 457 visas coinciding with a higher unemployment rate, as demonstrated below:

PRIMARY 457 VISA HOLDERS AT 31 MARCH 2015¹⁶

Mining	4,910 or 2.5% of mining workforce
Construction	10,660 (includes all construction - residential, commercial, industrial, infrastructure, resources, etc.)

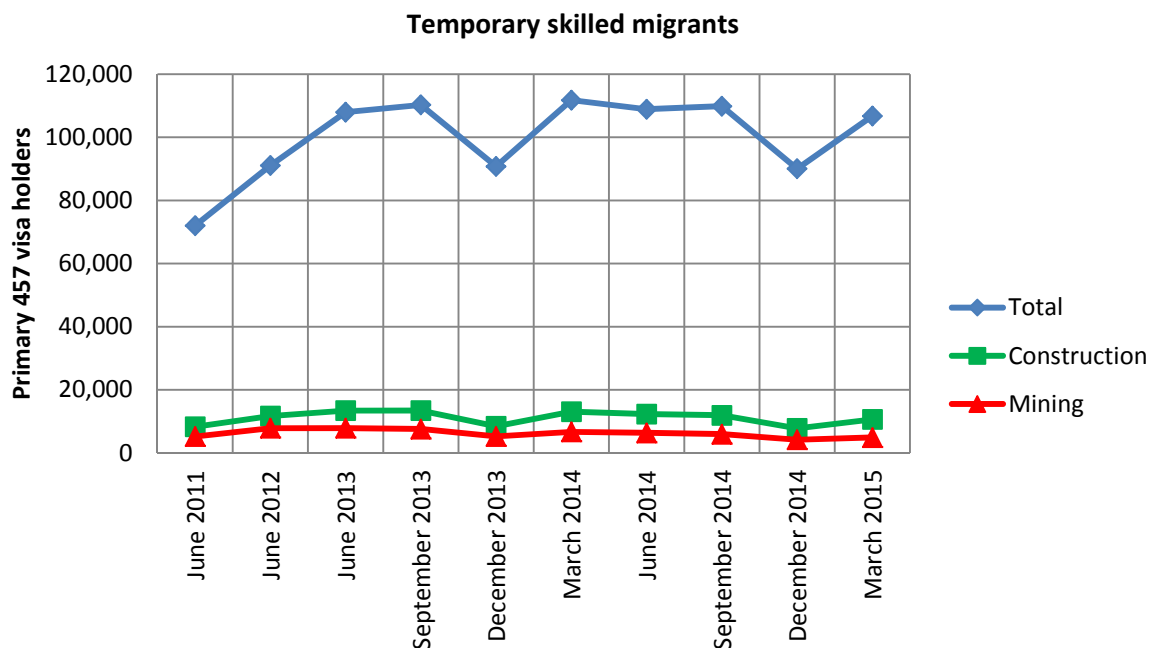
Unemployment rate (trend) May 2015 – 6.3%¹⁷

PRIMARY 457 VISA HOLDERS AT 31 OCTOBER 2012¹⁸

Mining	8,820 or 3.8% of mining workforce
Construction	13,380 (includes all construction - residential, commercial, industrial, infrastructure, resources, etc.)

Unemployment rate (trend) Oct 2012 – 5.5%¹⁹

Time series chart of primary 457 visa holders:



Data Source: Department of Immigration and Border Protection

Furthermore:

- 457 visas are often part of a ‘two step’ process to permanent migration. In the 12 months to 31 March 2015, a total of 37,430 permanent/provisional visas were granted to holders of 457 visas, with 59.7 per cent of those processed under the employer nominated scheme. On an annual basis this represents more than 50 per cent of temporary skilled migrants converting to permanent migrants.²⁰
- 457 visa holders are adding to our ‘skills bank’. A report by the Australian Bureau of Statistics indicates that Australia won’t reach its 40 per cent higher education attainment target without migrants. Migrants, including 457 visa holders, make up 40 per cent of degree-qualified 25 to 34 year olds.²¹
- Research by Peter McDonald from the Australian National University shows that, in relation to economic outcomes including labour supply, GDP and GDP per capita, migration is able to moderate the effects of population ageing to a large extent in both the short and the long term.²²
- 457s play a key role in training Australians – according to a report by the Migration Council, 76 per cent of 457 visa holders are helping to train or develop other workers, connecting them with global practice.²³

The upskilling of Australians by 457 visa holders occurs frequently in the mining sector. Some examples of upskilling in the resources and infrastructure industry, provided by an MCA member company, are as follows:

Project director

- Participated in the firm's leadership program, designed for employees to participate in a structured learning and mentoring program
- Recommended employees to participate and complete the firm's Diploma of Project Management
- Mentored middle management, package leaders, project leadership teams and engineers.

Senior project manager

- Mentored and upskilled package leaders and project teams throughout the duration of the project. Due to the exemplary leadership exerted by this employee, the project has been selected as a finalist in the industry awards
- Participated in the firm's leadership program
- Recommended employees to participate and complete the firm's Diploma of Project Management.

Construction manager

- Completed firm's Diploma of Project Management
- Mentored site and project engineers
- Mentored graduates.

The Commonwealth Government outlined its response to the independent review into the integrity of the subclass 457 programme on 18 March 2015.²⁴

The MCA was supportive of the independent review recommendations at the time of their release (September 2014). Overall, the MCA supports the general direction of the reforms, which are aimed at reducing regulatory burden on the vast majority of 457 visa sponsors and focusing enforcement attention on the minority of miscreants, while upholding the overall integrity of and public support for the 457 visa programme.

The Government supports or supports in-principle the majority of the review's recommendations, with the exception of the recommendation to abolish the requirement for labour market testing (recommendation 2) which is noted, and the sub-recommendation (recommendation 7.4) to expand the list of nationalities that are exempt from the English language requirement, which is not supported.

The MCA is concerned about the lack of support for the removal of labour market testing, which the review acknowledged is a failed policy.

The labour market testing barrier however, will not apply to the proposed 12 month Short Term Mobility Visa that has been discussed as part of the ongoing Department of Immigration and Border Protection Review of Skilled Migration and 400 Series Visa Programmes. This replaces the current 3 month Temporary Work (Subclass 400) Visa, which the industry finds to be too short in duration to be useful.²⁵

4. Mechanisms for achieving an optimal interaction between temporary and permanent migration noting that temporary migration is an established pathway to permanent migration

Encouraging meaningful links between temporary and permanent migration is also desirable where appropriate, so that skilled migrants are not lost to the economy and wider society.

For example, the MCA views the successful transition of subclass 457 visa temporary skilled migrants along a permanent migration pathway as positive, enhancing the permanent skilled migration stream. This is because successful temporary migrants have experienced Australian working life and are, as such, better equipped to settle into Australian working life and Australian society more broadly.

We note that this view has bipartisan support:

That pathway from temporary to permanent if managed well has great opportunities for this country. It is probably one of the best ways to manage the integrity of the programme and to ensure that those who do get permanent residency are well suited to it, well qualified for it. They have earned it. They have demonstrated that, rather than the simple processing of applying one day offshore and then turning up some months later in Australia. My preference is the other pathway because it gives greater surety around not just the national security and integrity issues that are so relevant but also the economic and social participation issues that are vital to social and economic cohesion²⁶

Minister for Immigration and Border Protection, the Hon Scott Morrison MP, Migration Institute of Australia's National Conference in October 2013

Around four in five permanent employer-sponsored visa applicants previously held a 457 visa and the majority of them stay with the same employer doing the same job.... We know these workers can do the job and are ready to make a commitment to Australia, so it makes sense to streamline their pathway to permanent residence.²⁷

Former Minister for Immigration and Citizenship, the Hon Chris Bowen MP

Some recent examples of successful company-sponsored transition from temporary to permanent migration in the minerals industry are listed below. These are two examples provided by an MCA member company:

Example 1: Visa holder - employee and family (wife and two children) were granted a company-sponsored permanent residency in early 2015

Country of origin	<i>South Africa</i>
Occupation	<i>Electrician</i>
Time on 457	<i>1 year, 10 months</i>
Cost to company of PR application	<i>approx. \$11,516</i>

Example 2: Visa holder - employee granted a company sponsored permanent residency in late 2014

Country of origin	<i>Philippines</i>
Occupation	<i>Metallurgist</i>
Time on 457	<i>2 years, 11 months</i>
Cost to company of PR application	<i>approx. \$3,850</i>

CONCLUSION

The MCA appreciates the opportunity to participate in this inquiry and will continue to contribute as the inquiry progresses.

We support increased rationalisation, simplification and flexibility around visas and will carefully assess any proposals in this respect, with a view to building a publicly supported refreshed skilled migration framework that will further Australia's successful migration story.

ENDNOTES

1. Data Source: Department of Immigration and Border Protection - Subclass 457 State/Territory summary report quarter ending at 31 March 2015
2. The Long Term Effects of Ageing and Immigration Upon Labour Supply and Per Capita Gross Domestic Product: Australia 2012-2062, by McDonald, P & Temple J, Canberra, October 2013
3. Data Source: Department of Immigration and Border Protection - Subclass 457 State/Territory summary report quarter ending at 31 March 2015
4. Migrant Intake into Australia, Productivity Commission Issues Paper, Canberra, 2015, p.2
5. Skilled migration is the key to a thriving and cohesive economy, by Michael Easson, The Weekend Australian, 9-10 February 2013
6. Migrant Intake into Australia, op cit, p.4
7. Department of Immigration and Border Protection Fact Sheet 14
8. Australia's Migration Trends 2012-13, Department of Immigration and Border Protection, October 2013
9. Proposal Paper, Simplification of the skilled migration and temporary activity visa programmes, Department of Immigration and Border Protection, December 2014
10. Skilled migration is the key to a thriving and cohesive economy, op cit
11. Migrant Intake into Australia, op cit, p.20
12. Ibid
13. Data Source: Department of Immigration and Border Protection - Subclass 457 State/Territory summary report quarter ending at 31 March 2015
14. AMMA urges cautious approach to 457 visa reforms, Australian Mines and Metals Association, February 2013
15. Data Source: Department of Immigration and Border Protection - Subclass 457 State/Territory summary report quarter ending at 31 March 2015
16. Ibid
17. ABS Labour Force Cat 6202, May 2015
18. DIAC Subclass 457 State/Territory Summary Report 2012-13 to 31 October 2012
19. ABS Labour Force Cat 6202, October 2012
20. Data Source: Department of Immigration and Border Protection - Subclass 457 State/Territory summary report quarter ending at 31 March 2015
21. Migrants 'adding to our intellectual bank', The Australian, 15 May 2013
22. The Long Term Effects of Ageing and Immigration Upon Labour Supply and Per Capita Gross Domestic Product: Australia 2012-2062, by McDonald, P & Temple J, Canberra, October 2013
23. 457 visas shown to perform vital role, The Australian, 11-12 May 2013
24. Government response to the Independent Review into integrity in the subclass 457 programme, Department of Immigration and Border Protection, 18 March 2015
25. Proposal Paper, Simplification of the skilled migration and temporary activity visa programmes, Department of Immigration and Border Protection, December 2014
26. The Hon Scott Morrison MP, Minister for Immigration and Border Protection, Address to the Migration Institute of Australia National Conference, Canberra, October 2013
27. 'Simplifying sponsorship for permanent skilled migrants', media release from The Hon Chris Bowen MP, Minister for Immigration and Citizenship, 12 March 2012.