NATIONAL OFFICE
Level 6, 50 Clarence Street
Sydney NSW 2000
GPO Box 56
Sydney NSW 2001

T. 02 8252 6700
E. info@consultaustralia.com.au
W. www.consultaustralia.com.au
ABN. 25 064 052 615

CONSULT AUSTRALIA

Driving business success for consulting firms in the built and natural environment

3 February 2021

Migration Policy Framework Branch
Department of Home Affairs
Australian Government

By email to: migration.policy@homeaffairs.gov.au

Whom it may concern,

Australia's 2021-22 Migration Program

I write on behalf of Consult Australia regarding the Department of Home Affairs' (the Department) consultation on Australia's 2021-22 Migration Program (the migration program). We welcome this consultation, and the opportunity to contribute our feedback. This letter outlines our submission, which focuses on the skill stream of the migration program. Our submission is structured on the following topics:

- The migration program's responsiveness to business needs;
- The Skilling Australians Fund (SAF) Levy;
- The age threshold; and
- Removing barriers by re-establishing the Industry Outreach Officer Initiative.

We believe all of these topics highlight the importance of the migration program to Australia's recovery efforts from COVID-19, and outline all of our recommendations through this lens.

For background, Consult Australia is the industry association that represents the interests of consulting firms who provide design, advisory and engineering services for the built and natural environment. We represent an industry comprising of some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms, with a combined revenue of over $40 billion per year.

<u>Responsiveness to business needs</u>

Consult Australia believes the current composition between streams under the migration program is appropriate. The skills focus of the program (making up close to 70 per cent) helps ensure migration outcomes are effectively responding to Australian skills needs and delivering strong social and economic benefits. The skills focus of Australia's migration program has played an important role over time in strengthening the Government's fiscal and budget position, in helping to create new local jobs, and in strengthening Australia's comparative advantage over other countries.

We believe that a failure to hit planning level caps before the pandemic for some visa types under the skill stream, particularly for employer sponsored visa types, cannot be attributed to improvements to domestic skill shortages. Feedback from the business community demonstrates that it is in fact due to the current barriers within the skilled migration system, such as the high cost of the Skilling Australians Fund (SAF) levy and slow visa application processing times, which has deterred businesses from utilising the visa system.

As such, and given the significant inroads made by the Australian Government in dealing with population growth challenges such as a new strategy and upscaling infrastructure investments, we also recommend the Government restore planning levels back to the 2018-19 levels as an economic growth measure. Because planning levels are ceilings, any change to planning levels would have no impact on the current reduced numbers due to global impacts from the virus or border restrictions. Instead, this would create a greater gap between actual numbers and planning levels when global mobility increases with the rollout of vaccines, and would ensure a strong flow of skilled migrants to support Australia's long-term recovery efforts.

NATIONAL OFFICE
Level 6, 50 Clarence Street
Sydney NSW 2000
GPO Box 56
Sydney NSW 2001

T. 02 8252 6700
E. info@consultaustralia.com.au
W. www.consultaustralia.com.au
ABN. 25 064 052 615

The impacts from COVID-19 on the domestic jobs market has been uneven. As such, we are still seeing many industries and job types experiencing skill shortages which requires a strong supply of skills through the migration program to address these local challenges. One example is the infrastructure industry where economic stimulus efforts from governments have resulted in many new investments and projects being brought forward, which in turn is creating workforce capacity challenges in some areas.

Some of the workforce capacity challenges in our industry have been identified in our latest skill shortages report, which we released in December 2020. This report notes significant skill shortages in occupations such as structural, civil, transport and geotechnical engineering are still being experienced throughout the pandemic, and highlights significant challenges in Australia's ability to deliver infrastructure and built environment projects at scale without an appropriate supply of skills through the migration program.

Support for regional Australia

While we support unlocking social and economic growth opportunities in regional Australia, we believe there are more effective longer-term policy tools that can help the Australian Government to achieve these goals than through the migration program and planning levels. There are significant opportunities for the Australian Government to coordinate more infrastructure investments with state and territory governments, particularly through the new Centre for Population, to create more employment opportunities and additional services in these locations.

The Australian Government could also work with state and territory governments to investigate other incentives to encourage skilled migration to the regions, such as offsetting full-fee public education costs in these locations. We therefore discourage any decrease to the planning level for the employer-sponsored and skilled independent visa categories, particularly if this is in lieu of further increases to the planning levels for state and territory nominated and skilled regional visa categories.These are, in our opinion, not as effective in responding to skills shortages in our industry because they are predominately in major cities.[1]

A more refined approach to the application of the SAF levy

While not specifically part of the migration program framework, Consult Australia has concerns with the National Training Contribution Charge under the SAF (the SAF levy) and believe its application is a constraint on the overall effectiveness of the migration program. The logic is unclear why employers experiencing systemic or cyclical skills shortages, and needing to explore options under skilled migration systems, are required to contribute. We believe this is particularly the case for our sector that is almost entirely dependent on the flow of skills from the education system determined by the related investment decisions and policy frameworks of governments. We therefore do not see the role of the SAF levy in assisting to address any skill shortages in our industry.

We also have concerns about how refunds for the SAF levy are applied, and the requirement to have the fee paid upfront when lodging certain visa applications. At present, this charge is only refundable if an employee ceases employment with the sponsor within the first year. Therefore, if an employee keeps changing sponsor, then each sponsor is required to pay the charge with every application. It seems that industry is penalised by paying the SAF levy upfront, and it is not clear what deters the employee from changing sponsors.

Furthermore, as highlighted in our 2020 skills shortages report, shortages are highest in key mid-level and senior staff roles where years of professional experience and training is required to supplement qualifications.

[1] Consult Australia, skill shortages survey report (2020)

NATIONAL OFFICE
Level 6, 50 Clarence Street
Sydney NSW 2000
GPO Box 56
Sydney NSW 2001

T. 02 8252 6700
E. info@consultaustralia.com.au
W. www.consultaustralia.com.au
ABN. 25 064 052 615

Expanding these capabilities within the domestic market, particularly when the development of these skills is also heavily influenced by cyclical investment periods, requires a long-term approach which cannot be addressed in the short-term by increasing apprenticeships and traineeships under the SAF.

To increase the effectiveness of the migration program, and to remove the deterrence of skilled migration options due to the prohibitive cost of the SAF Levy, we recommend the Department consider a more refined approach to the application of the SAF levy.

This should include exemptions to:

- Occupations that do not link to the intent of the SAF (i.e. when the skill shortage is not due to an insufficient number apprenticeships or traineeships);
- Skills of strategic interest to the Australian Government (such as those to support infrastructure priorities); or
- strategic visa types such as the Global Talent Employer Sponsored (GTES) visa.

Increased age threshold for high-income earners under the Employer Nomination Scheme visa

Consult Australia also has concerns about the Australian Government's decision to decrease the age threshold for most visa categories under the skill stream of the migration program. The age threshold is a factor when professionals are looking for international work opportunities, including for temporary visa options, and particularly for individuals with valuable experience in senior roles. The majority of these roles are held by people in their 40s, and we therefore believe this requirement impacts the overall effectiveness of the migration program in addressing skill shortages in our industry. Additionally, our members have flagged that the pathway for permanent residency is key for attracting professionals who are settled in their respective fields in other countries, and therefore this requirement also creates a disincentive when temporary visa options are being explored.

As highlighted earlier in our submission, the vast majority of skill shortages in our industry are at key mid-level and senior experience levels. For example, 75 per cent of business indicated they are experiencing recruitment difficulties at the senior level, 83 per cent for the mid-level, and only eight per cent for both early career and graduate levels. The challenge here is that mid-level and senior roles in professional consulting businesses require years of professional experience, and many are therefore over the age of 45. These roles are critical in providing oversight of a growing number of large and complex projects in the Australian market, some of which are multi-billion-dollar projects.

We do not accept the rationale for the decrease in the age threshold to 45 years on the tipping point for a skilled migrant being a 'net tax contributor' over their life-time instead of a 'net taker'. This overlooks both the salary circumstances and continuing productive contribution of experienced professionals, which shifts the tipping point to an older age. We also believe it overlooks the actual retirement age of many professionals, which anecdotally tends to be older in engineering roles.

For example, according to research from Engineers Australia on transition probabilities for employed engineers leaving the labour force by age between 2006 to 2011, the probability for engineers remaining in the workforce over the age of 65 was 44 percent.[2] Therefore, an engineering manager with a base salary of $140,000 (which aligns to the 2016 salary guide by Professionals Australia)[3] would contribute $39,432 in taxable income over the current financial year. If this engineering manager was 45 when granted a permanent skilled visa and retired in their late 60s, with salary increases in line with inflation they would be contributing well over $500,000 in taxable income alone over their working years in addition to their contributions from other taxes. A scenario such as this is a 'net gain' to the Australian economy.

[2] Engineers Australia, The Engineering Profession: A Statistical Overview (2017)
[3] Professionals Australia, Salary Guide for Managers in Engineering, Science and IT (2016)

NATIONAL OFFICE
Level 6, 50 Clarence Street
Sydney NSW 2000
GPO Box 56
Sydney NSW 2001

T. 02 8252 6700
E. info@consultaustralia.com.au
W. www.consultaustralia.com.au
ABN. 25 064 052 615

CONSULT AUSTRALIA

Consult Australia recommends the age threshold for the migration program should be increased back to 50 years under the Employer Nomination Scheme visa (subclass 186) for visa applicants with a position with minimum annual earnings that exceeds the Fair Work High Income Threshold ($148,700 as at 1 July 2019). This is the same earnings threshold that is applied as an applicant criterion under the GTES visa.

<u>Remove migration program access barriers by re-establishing the Industry Outreach Officer Initiative</u>

Consult Australia believes the Department could help improve the effectiveness of the migration program, particularly for small and medium sized business and strategic growth sectors, by providing direct assistance to businesses in industries that are experiencing skills shortages and helping to embed knowledge regarding the significant range of reforms that have occurred over the past few years.

The key goal of this assistance would be to help those businesses most affected by skills shortages in areas that are critical to growing the economy to navigate the skilled migration system by increasing their knowledge of visa types, how they operate, and the application process. With a number of reforms to the migration program over recent years, and the introduction of new visa types, we consistently receive feedback from our members that the skilled migration system is difficult to navigate and not easily understood. This is deterring some businesses from the process altogether.

A support program previously existed when shortages were experienced during the mining boom – the Industry Outreach Officer initiative. Consult Australia was a beneficiary of the program and an immigration officer was seconded to assist our membership during the height of the skills shortages between 2005 and 2014. We see a strong case to reinstate this programme to help address the increasing skills gap in our sector from the current 'infrastructure investment boom'.

During the mining boom, our sector experienced significant skills shortages and the professional relationship built between industry outreach officers and our members was a key success factor in meeting demands. A detailed understanding by the Department of the key skills issues facing our members, particularly an increased reliance on specialist engineers and other technical professions, helped ensure that our skilled migration needs were efficiently met. This included a threefold increase in those on temporary visas from 2,260 in 2003-04 to 6,940 in 2010-11.

The reintroduction of the Industry Outreach Officer initiative we recommend should focus on sectors that contribute substantially to the broader productivity of the economy, and where additional support to address systemic skills shortages are in the national interest. Particularly in the context of Australia's COVID-19 recovery, where our members for example, play a key role. This more tailored approach to the previous initiative recognises the need to apply fiscal discipline, but also recognises the benefits of supporting industry sectors like ours that are key to driving economic growth.

Consult Australia thanks the Department for the opportunity to contribute to this consultation. If you would like to discuss our input, please contact James Robertson (Policy Lead, People and Pipeline) at 0448853144 or james@consultaustralia.com.au.

Yours sincerely,

Nicola Grayson
Chief Executive
Consult Australia