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**SUBMISSION**

Response to the Department of  
Home Affairs consultation on  
Managing Australia's Migrant  
Intake

February 2018

**The Business Council of Australia draws on the expertise of Australia's leading companies to develop and promote solutions to the nation's most pressing economic and social policy challenges.**

## **ABOUT THIS SUBMISSION**

This is the Business Council's submission to the Department of Home Affairs consultation on Managing Australia's Migrant Intake.

## **RECOMMENDATIONS**

- The permanent migration intake should remain at least 190,000 per annum in 2018-19, with approximately two thirds of the program filled by skilled migrants and the remainder predominantly allocated to the family stream for reasons of social cohesion and wellbeing.
- Policy settings for permanent migrants need to be responsive to changes in labour demand and the changing nature of jobs (e.g. by placing a priority on applications where there is already a job offer), and visa approval processes need to be efficient to enable Australia to attract the best and brightest in an increasingly competitive global market for talent.
- The pathways between temporary visas and the permanent migration program should be strengthened. One in two permanent skilled migrants to Australia transfer from a temporary visa, with the initial temporary period effectively operating as a trial period that works well for Australia and the migrant. The pathway approach ensures new permanent migrants already have a job and are well settled in Australia.
- Migration policies should be integrated with other policies in a broader strategy to ensure population growth is managed effectively, including through adequate planning and investment in infrastructure and the provision of education, training and other services across the economy. The Business Council recommends the development of a National Population Strategy that explicitly sets out Australia's long-term economic and population goals and the policies to manage population growth in a way that maximises net benefits for the community.

## **CONSULTATION RESPONSES**

**What factors are important to consider in planning the Migration Program over the next five years? Would those factors change over the next 10 or 15 years? If so, how?**

### **Australia's immediate and longer term economic and population needs**

The annual permanent migration intake needs to consider both Australia's immediate and longer-term economic and population needs. The skills and attributes of migrants are a critical factor in determining the impact of the migration program on national income.

At the same time, decisions about the migration program must be cognisant of the absorptive capacity of the economy and community, to ensure the program promotes the best interests of the Australian community and the migrants themselves. Absorptive capacity is influenced by government planning, investment and other policy settings.

### *Immediate term*

In the immediate term, the program should primarily meet the needs of the labour market to address skills shortages and contribute to higher productivity and a growing economy. Australia's migration policies should be designed to attract migrants that complement our domestic labour market, and fill critical roles that cannot otherwise be adequately filled by local workers.

Australia's permanent skilled migration program (128,550 places) has several streams: employer sponsored (48,250 places), skilled independent, or points based (43,990 places), state and territory and regional sponsored (28,850 places), the Business Innovation and Investment Program (7,260 places) and the Distinguished Talent program (200 places).

Globalisation and technological development are causing structural shifts in the economy with flow-on effects that result in changing demand for skilled labour. It is especially important that the program enables employers to fill newly emerging and uniquely specialised roles that require company-specific, technical or global skills and experience that is not available in Australia.

These needs will always emerge even though Australian businesses overwhelmingly prefer to employ Australians (as it is more cost effective and easier to do so) and are making substantial contributions to developing skills within the local workforce.

This is one reason why the system should prioritise eligible skilled migrants that already have an offer of a job in Australia. In a review of skilled migration systems around the world, an OECD paper in 2014 observed that "points-based systems often prioritise job offers over other criteria."<sup>1</sup>

Consideration should therefore be given to raising the proportion of skilled migrants allocated to the employer-sponsored scheme.

In addition to labour market considerations, the immediate pressures of population growth on urban infrastructure and amenity also need to be acknowledged and addressed as effectively and efficiently as possible. The permanent migration program is only one source of these pressures, with significant temporary migration, including students, also playing a role.

### *Longer-term*

In the longer term, the size and composition of the program should be set with a view to securing the population growth that is considered to be in Australia's long term national interest.

The Business Council considers that moderate population growth of around 1.4 per cent, which is in line with the retention of the permanent intake at current levels, will be in

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<sup>1</sup> OECD, Migration Policy Debates, 2014

Australia's best interests over the coming decades, based on a wider consideration of Australia's future economic and social needs.<sup>2</sup>

With natural increase set to decline (due to fertility rates below the replacement rate), net overseas migration is and will continue to be the primary source of future population growth.

The 2015 Intergenerational Report (IGR) assumes average net overseas migration (NOM) of 215,000 over the next forty years, leading to a population of 39.7 million by 2055<sup>3</sup>. (NOM has averaged around 206,000 over the past five years.)

Independent modelling also finds that annual net overseas migration between 160,000 and 220,000 to the middle of the century can increase GDP growth per capita through promoting labour force participation which offsets to some degree the impact of population ageing,<sup>4</sup> .

The permanent migration intake has been set at 190,000 since 2012-13 and is consistent with these NOM outcomes. The Business Council supports maintaining the intake at this level in 2018-19 and in the years ahead.

It should be noted that a consistent permanent migration intake of 190,000 per annum will result in a gradual decline in the annual rate of population growth over time.

### *Skills and attributes of migrants*

The size of the benefit to Australia (per capita) from migration depends on the skills, attributes and age of the immigrants we attract.

The Australian economy is more likely to gain when migrants bring different skill sets that complement rather than compete with the domestic workforce for jobs<sup>5</sup>. The productive capacity of our economy is raised when the skills and expertise of migrants enable us to produce goods and services that previously would not have existed without their specialised input; and this is a key reason why the skilled component of the program is so valuable.

To date, Australia has been successful at attracting a diverse migrant population (in 2016, Australians were born in close to 200 different countries<sup>6</sup>) who have brought new ideas and differing expertise to the business community.

### **Global context and competing countries**

Australia's migration programs must be competitive to enable Australia to attract the best and brightest skilled migrants. Other developed and developing countries, particularly those with declining workforces due to ageing, are increasingly seeking to attract skilled migrants.

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<sup>2</sup> The factors we consider in supporting population growth include our future prosperity, the liveability of our cities and regions, environmental sustainability and international influence and national security. See Business Council of Australia submission on the Development of Australia's Sustainable Population Strategy, 2011.

<sup>3</sup> 2015 Intergeneration Report *Australia in 2055* p3

<sup>4</sup> P McDonald & J Temple, *The long term effects of ageing and immigration upon labour supply and per capita gross domestic product: Australia 2012–2062*, Canberra, October 2013, p. 12.

<sup>5</sup> *The New Americans: Economic, Demographic, and Fiscal Effects of Immigrations*, Chapter 4 Immigration's Effects on Jobs and Wages: First Principles

<sup>6</sup> ABS 2024.0 - Census of Population and Housing: Australia Revealed, 2016

For example, the United States will compete more strongly for skilled migrants, if, as expected, it moves from a lottery approach to a points-based skilled migration program (similar to Australia). European and Asian countries are also going down this path.

This means there will be much greater global competition for skilled migrants. Australia is a sought after destination for skilled migrants, largely for lifestyle reasons, but we must continue to improve our attractiveness. Costs, uncertainty and delays in visa approvals reduce our relative attractiveness.

### **How can we plan migration to ensure it is balanced to manage the impact on the economy, society, infrastructure and environment in a sustainable way?**

The Business Council has long argued that the migration intake and migration policy settings should be informed by a National Population Strategy.

A National Population Strategy would explicitly set out Australia's long-term economic and population goals, as well as supporting migration policies and the wider policy settings needed to manage population growth well. It would articulate the roles of the Commonwealth, which is responsible for migration policy, and the States and Territories, which are responsible for planning and ensuring the provision of social and economic infrastructure to accommodate a growing population.

A National Population Strategy would provide all levels of government and the private sector with greater certainty about future population growth to allow them to plan and invest in critical infrastructure such as transport, education and training, housing and utilities, and health and other services to accommodate population growth effectively. It would provide the community with a clear rationale for the population strategy and the confidence that governments at all levels are doing what's needed to plan and invest for a higher population and an ageing population. Infrastructure Australia has also recently recommended that a Strategy is required.

### **What information do you need about migration? Would information about future migration planning levels numbers assist you?**

Currently, the permanent migration program is planned and managed annually, with the ceiling number of migrants announced as part of the Budget process. However, there may be merit in taking a multi-year approach. Governments and the business sector could plan for migration and population growth with more certainty if the migration intake was set over, say, a three year or five-year period.

The potential under the current approach to alter migration numbers annually, and hence Australia's population growth, makes it more difficult to effectively plan for future demand, particularly in relation to critical infrastructure that can take a substantial amount of time and investment to implement.

The proposed National Population Strategy would complement this approach by providing a framework for setting the multi-year intake and by giving governments and business greater certainty over longer term population growth.

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