MIGRANT INTAKE INTO AUSTRALIA

Response to Productivity Commission Issues Paper

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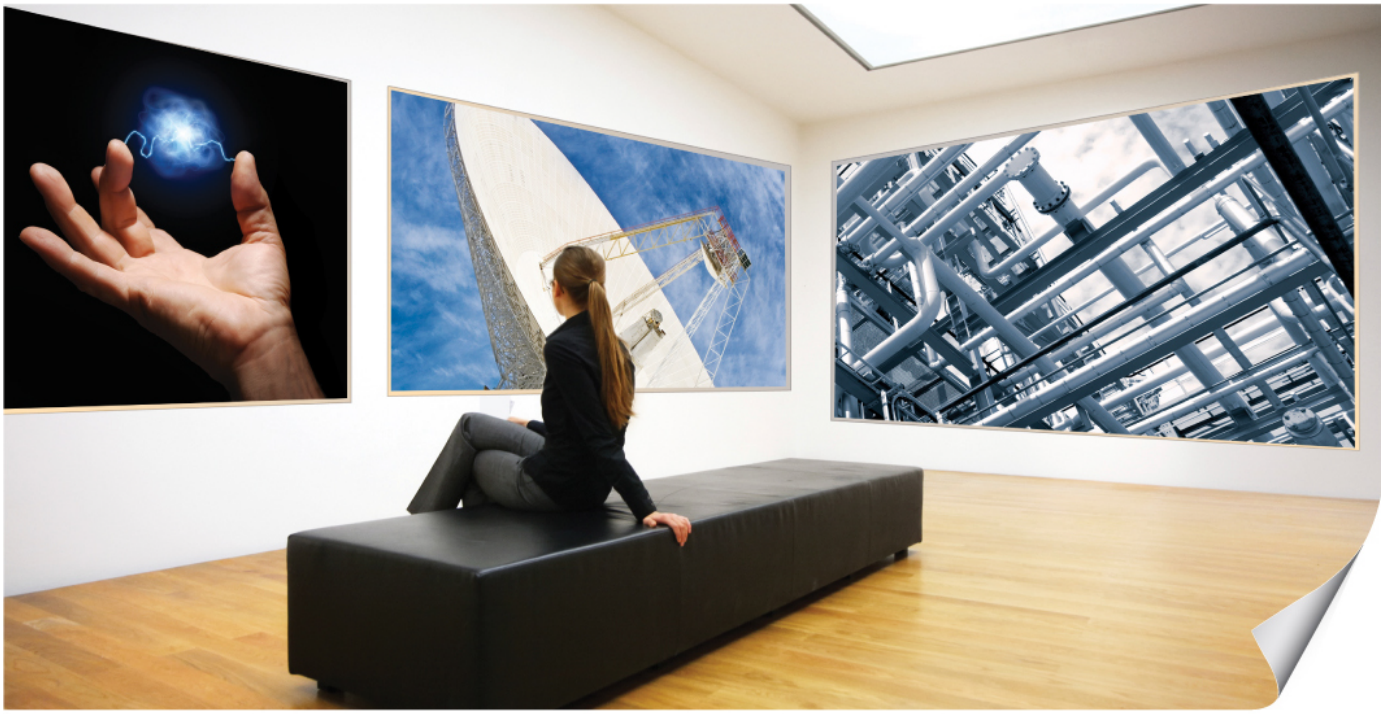
Contact: Andre Kaspura
Policy Analyst, Public Affairs and Marketing, Engineers Australia



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Executive Summary

Engineers Australia is the peak body responsible for accreditation of engineering education in Australia, responsible for standards of engineering practice in Australia and is the link between the engineering profession in Australia and globally. Engineers Australia is not involved in industrial matters or the business interests of engineering enterprises whether large or small.

Engineers Australia believes that Australia's current skilled migration policies embody several critical defects that undermine the development of Australia's engineering capacity. The most important issues are an inadequate assessment of experience for permanent visa applicants and failure to assess skills or experience for temporary visa applicants. These defects mean that at least two permanent migrant engineers are needed for one to be retained in engineering and temporary migration compromises efforts to maintain and grow the capacities of Australia's practicing engineers. These difficulties are not insurmountable and Engineers Australia in submissions to other Inquiries has offered its assistance to resolve them.

However, Engineers Australia cannot support the alternative approach to Australia's migration intake advanced in the Issues Paper. This approach relies on one of many approaches to human capital, changes the emphasis of migration from the characteristics of people to willingness to pay, bears no relationship to the balance of skill required by the Australian labour market and entails as much, if not more, bureacratic intevention as present arrangements. Moving to such an approach would present serious dangers for the Australian community and for Australian development that has skills and innovation as its foundation.

Opening Remarks

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For some years now the emphasis in Australia's migration policies has been supplementation of Australia's medium to long term skill base and the alleviation of short term skill shortages. The former has been achieved through Australia's permanent skilled migration programs and the latter primarily through the 457 temporary visa programs. Engineers Australia recognises that the skilled migration of engineers is an accepted element of Australia's migration policies. The organisation has consistently argued that a policy that seeks to augment Australia's future engineering capacity should be based upon standards and norms of the engineering profession.

In submissions to the Review of Skilled Migration and Temporary Activity Visa Programs[1] and the Senate Inquiry into the impact of Australia's temporary work visa programs, Engineers Australia argued that current programs only partially address the skills, expertise and experience necessary to become a fully competent practicing engineer. Australia supports raising the skill level of the Australian labour force through skilled migration, but believes the more specific objective to augment Australia's future engineering capacity can best be achieved through recognising the standards and processes outlined below.

Engineers Australia accredites qualifications in engineering offered by Australia universities in line with competencies agreed and internationally audited by the International Engineering Alliance (IEA). Three mutual recognition agreements operate under the IEA:

- The Washington Accord recognises the accredited engineering courses for Professional Engineers of member countries; there are at present 17 signatories and four provisional signatories, including China. The full list is at www.ieaagreements.org/Washington-Accord/signatories.cfn
- The Sydney Accord recognises the accredited engineering courses for Engineering Technologists; at present there are 10 signatories and these are listed at www.ieaagreements.org/Sydney/signatories.cfn
- The Dublin Accord recognises the accredited engineering courses for Associate Engineers; at present there are eight signatories and these are listed at www.ieaagreements.org/dublin/signatories.cfn

Completing an accredited course in engineering is followed by a period of professional formation during which new graduates acquire the practical skills and expertise necessary to become a competent practicing engineer. Competent practising engineers are capable of independent practice of engineering skills and expertise. To become a competent practicing engineer, graduates need to satisfy Engineers Australia that they meet the following criteria:

[1] These submission are at http://www.engineersaustralia.org.au/about-us/government-submissions

- They hold accredited qualifications in engineering consistent with the engineering team.
- They have undertaken a period of up to five years professional formation under the supervision of a competent practising engineers.
- They adhere to an approved code of ethics for the practice of engineering.
- They undertake regular and continuous professional development in their field of practice to ensure the currency of their engineering knowledge
- Professional formation has been undertaken in a risk management environment that satisfies relevant Australian risk management standards and that they are conversent with these standards and how they apply to their practice.
- They fully appreciate the need for and importance of consumer protection and that their practice is covered by one of six options for consumer protection.

Engineers Australia recognises highly experienced engineers by the conferring of Chartered status. To become a Chartered Engineer, competent practicing engineers must additionally demonstrate that they satisfy sixteen competencies recognised and audited internally in their field of expertise.

In other words, engineers are highly skilled professionals whose expertise is acquired through intensive and extensive formal education and professional formation. Engineers Australia believes that competent practicing engineers are indispensible to Australia's future and to the productivity improvements essential to maintaining and growing the living standards of all Australians. These views inform the comments that follow on the terms of reference for this Inquiry.

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

There have been numerous studies into the benefits and costs of immigration for Australia, including by the Productivity Commission itself. Most have concluded that immigration has resulted in net benefits for the Australian economy. The Commissions Submission[2] to the Taskforce on the sustainable population strategy for Australia summarises many conclusions, noting that the public policy debate has tended to be clouded by misconceptions and a poor understanding of migration statistics. Engineers Australia wishes to highlight two issues in particular.

- **Highly skilled migrants increase incomes and fiscal balances**: the Commission said that available evidence supported the view that highly skilled and educated migrants with good english proficiency had the highest participation and employment rates and net fiscal contributions. Instrumental in these results were the stringent assessments of migrant's qualifications, the age limit for migrants, english language proficiency testing and restrictions on access to social security immediately after arrival[3].

[2] Productivity Commission, Submission to the Taskforce on the Sustainable Population for Australia, May 2011, www.pc.gov.au

[3] Op cit, pp23-4

- **Skills assessment arrangements were complex and not well understood by prospective migrants**: an earlier report by the Commission suggested that moving towards a more uniform national approach to occupational registration and licensing and better dissemination of information about skills assessment and recognition would improve matters[4]. The outline in the previous section sets out Engineers Australia's approach and underpins our view on a more focused approach to the selection of migrant engineers.

Engineers Australia has argued since 1999 that Australia's infrastructure is far from adequate for present and future purposes. High population growth is one factor contributing to this assessment, but the Infrastructure Report Cards issued by Engineers Australia[5] identify many factors unrelated to population growth contributing to the situation including poor infrastructure planning arrangements, the politicisation of infrastructure strategies and project decision making, poor selection of infrastructure projects, poor use of existing infrastructure assets, failure to price infrastructure services commercially and procurement arrangements that largely ignore the highly technical nature of infrastructure design, construction and on-going maintenance.

Engineers Australia does not believe the main problem for Australian infrastructure is high population growth through immigration. Nor does the Productivity Commission as the main conclusion's of its Inquiry into Public Infrastructure last year shows[6].

The scope to use alternative methods for determining intakes

Permanent skilled migration to Australia is tightly controlled. Skilled migration policy was last revised in 2010 when the distinction between permanent and temporary migration now employed was introduced. The objective of permanent migration was medium to long term supplementation of the Australian population in skilled areas where sufficient numbers could not be produced by the Australian education system. Administrative arrangements were organised around the Skilled Occupation List (SOL) that defined the target occupations.

The SOL is reviewed annually drawing on research and information from several different agencies and with provision for community consultations. This process ensures that the migration priorities are widely understood and accepted. All complex administrative systems can be improved and Engineers Australia notes that incremental changes have been a constant of permanent visa immigration operations.

[4] Op cit, p25

[5] See https://www.engineersaustralia.org.au/infrastructure-report-card

[6] See http://www.pc.gov.au/inquiries/completed/infrastructure/report

The objective of temporary migration, on the other hand, was short term alleviation of excess demand or skill shortages. The main feature of temporary migration is that it is demand driven by employers with minimal administrative arrangements.

The two objectives are consistent with research results that that net benefits to Australia from immigration accrues from skilled migration. Engineers Australia believes that Australia has been well served by this approach to permanent migration. While further incremental improvements should be pursued, fundamental change or abandonment of this system is not warranted.

The Issues paper highlights concerns in some quarters about excessive red tape and administrative delays. Prior to the 2010 policy changes administrative delays did impede recruitment of skilled personnel, including engineers, for some resources projects. With the benefit of hindsight, many of these problems were overstated. However, the changes to temporary migration policy addressed these impediments as demonstrated by the extraordinary increases in 457 visa migrants that resulted.

The Australian labour market is no longer distorted by the extraordinary unchecked demands of the resources sector. The likelihood of a repeat of the circumstances of the resources boom is slight. Although transition from the resources boom is taking longer than expected, the arguments in favour of continued medium to long term immigration to supplement Australia's skilled labour force continue to be relevant, but continued relatively high levels of short term migration suggest this element of migration policy is not working effectively as designed.

Against this background, the Becker proposal[7] is tantamount to throwing out the baby with the bath water:

- Becker's proposal is an extension of his model of human capital to international migration of labour. Becker's view of human capital is not the only view and different interpretations lead to different results[8]. The choice of Becker's approach over other views of human capital is not supported in any way. This is not how national policy formulation should proceed.
- Becker's proposal argues that the benefits of immigration depend on peoples willingness to pay rather than the characteristics of people. This directly contradicts research on the net benefits of skilled migration as cited above and contradicts alternative views of human capital.
- Becker's proposal was developed against the backdrop of USA policy whose focus is unskilled migration, the precise opposite to Australian policy

[7] Gary S Becker, The Challenge of Immigration- a Radical Solution, Institute of Economic Affairs, 2011, www.iea.org.uk/sites/default/files/publications/files/IEA Challenge of Immigration web.pdf

[8] Basic Theory of human Capital, Lectures in Labor Economics, London School of Economics; Becker sees human capital as directly useful in the production process by increasing workers productivity in all tasks; Gardener sees human capital as mental versus physical abilities; Schulz/Nelso-Phelps see human capital as the ability to adapt; Bowles-Gintis see human capital as the ability to work in organisations and Spencer sees human capital measures as signals of ability. See http://econ.lse.ac.uk/staff/spischke/ec533/Acemoglu%20Autor%20chapter%201.pdf

- The proposal involves as much, if not more, bureacratic intervention as present Australian arrangements, starting with setting the price for a migration place and the relationship of this price to a reasonable return on skilled qualifications and the continuation of current health, character and security checks.
- The proposal opens up scope for a new range of problems ranging from encouraging employers importing workers to pay salaries below prevailling Australian rates to the composition of the migration intake being completely at odds with the direction and requirements of the Australian labour market which has a high skill requirement.

Engineers Australia is aware that various fees already apply within existing migration policy. We are not opposed to change in the fees levels and/or structures. Nor are we opposed to the notion of cost recovery to pay for the migration system. However, the Becker proposal is simplistic and not a solution to improving the administration of Australia's migration policy. Its outcome is likely to be the substitution of one complex administrative system with another equally complex system, but producing fundamentally different and unknown results.

The Benefits and Costs of Temporary Migration

This element of the Inquiry's terms of reference is covered by the role of temporary migration in present migration policy—to alleviate short term excess demand pressures. The main benefit of the policy is the value of extending to employers the capacity to recruit temporary migrants to fill positions where skill shortages exist.

The main costs are associated with the absence of administrative constraints. Labour market testing is not required for the majority of skilled occupations. Similarly, qualifications and expertise are not assessed. In both instances, the policy relies on employers to ensure adequate professional standards are maintained. This is a major flaw as most employers are focused on low costs and not high skills.

Engineers Australia agrees that a mechanism that addresses cyclical changes in Australia's labour market should be a feature of Australia's migration policy. We are not opposed to temporary 457 migration per se. However, claims about short term skill shortages should be supported with evidence that they exist. In the case of engineering, the evidence is that the number of new 457 visas granted in the year ending 30 June 2014 did fall in line with their role as an automatic stabiliser, but the numbers granted visas remained very high given that by then the unemployment rate for engineers had increased to 5.3%, almost as high as for unskilled workers[9].

Engineers Australia is also seriously concerned about the failure to assess the qualifications of engineers granted temporary migrations. The background section of this submission described the qualifications and professional qualities Engineers Australia expects from a competent practicing engineer. Engineers Australia does not accept the view that employers are best placed to evaluate engineering qualifications and competence. Persisting with this approach risks Australia's technical engineering capacity and compromises Australia's capacity to realise

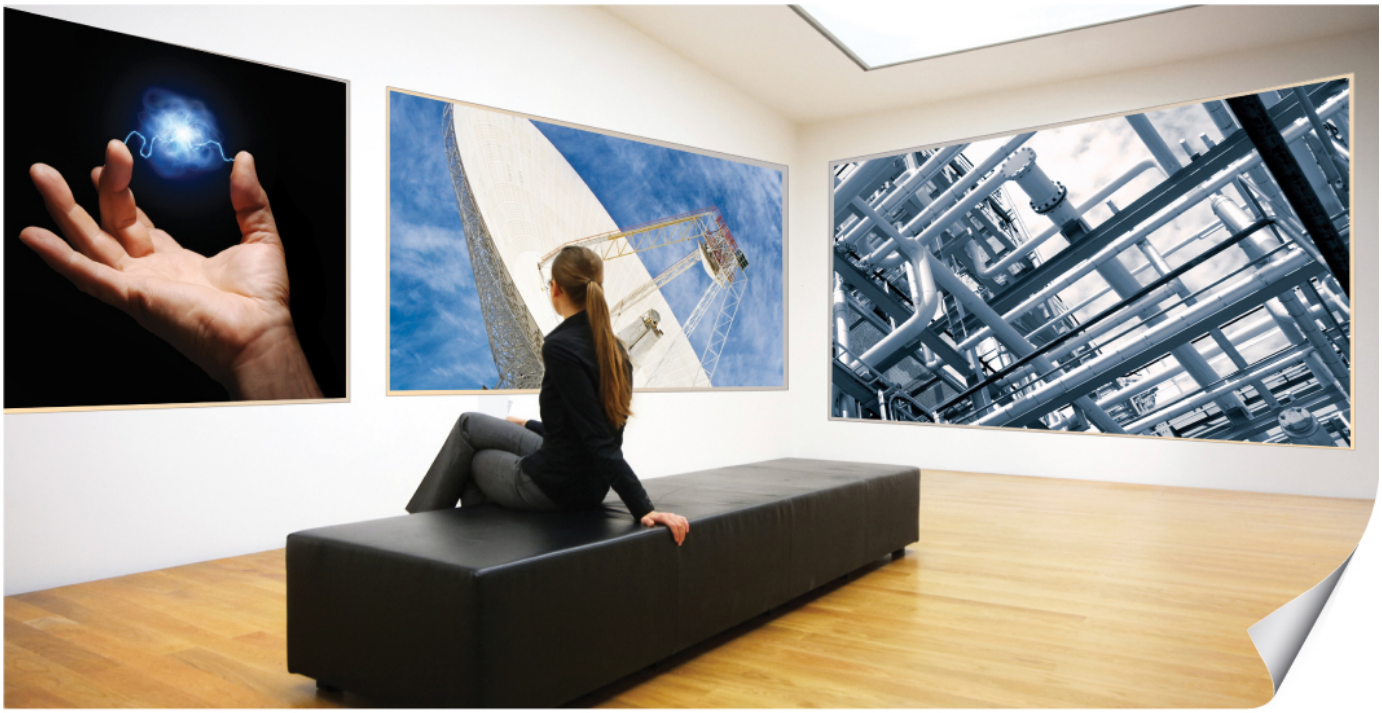
[9] Engineers Australia, The Status of Engineering 2015, Policy Note, 30 March 2015, www.engineersaustralia.org.au

the productivity gains essential to maintaining and growing Australian standards of living through technical innovation and progress. Engineers Australiaurges that qualifications and experience should be rigorously assessed. An administratively simple way to do this is to require membership of Engineers Australia at a level that satisfies the criteria for competent practicing engineers set out above.

Interaction between Temporary and Permanent Migration

Engineers Australia accepts that temporary migration can be a pathway to permanent migration that benefits both employers and migrants. Employers can benefit by quickly gaining access to temporary migrants and by experiencing the capacities of migrants in their employ before making longer term decisions. Migrants can gain by quicker access to the Australian labour market and through their employment obtaining a better understanding of Australian labour market institutions and practice than ispossible from overseas.

However, Engineers Australia is steadfast in its conviction that for skilled occupations, labour market testing and skills assessments should be required. We have already stated our views on these matters and emphasize that Engineers Australia cannot compromise on its insistence that audited international engineering standards should apply in Australia. It is important to recall that only 60 to 62% of people with engineering qualifications now work in occupations close to engineering. Qualifications in engineering can be part of a general tertiary skilled workforce, but for employment in engineering professional competence and expertise are indispensible.



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