

**Australian Computer Society**

**Policy Statement**

on

**MIGRATION**



*ICT Professionals Shaping Our Future*

[www.acs.org.au](http://www.acs.org.au)

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## **IMPACT OF SKILLED MIGRATION PROGRAMMES ON THE ICT LABOUR MARKET**

The goal of this policy is to put forward proposals that will assist in better aligning current migration programmes for ICT workers with the realities of the Australian ICT job market. Assessing how well targeted the migration programmes are with respect to the ICT job market is important in administering the programmes and can produce a stronger benefit for the economy as a whole.

### **RECOMMENDATIONS**

- A.** The intake of recent ICT graduates through the General Skilled Migration Programme should be substantially reduced until:
- the market can absorb the level of ICT graduates from Australian universities;
  - the intake to ICT courses stops declining and begins to increase;
  - the unemployment rate for ICT professionals falls to levels in line with that of all other professionals in Australia.

This could be achieved through:

- the development of a new category of occupation for assessing permanent residency applications under the General Skilled Migration Programme – Migration Occupations in Oversupply List - and negative points awarded for applicants in occupations on this list; **or**
  - by including greater granularity on the Skilled Occupations List for ICT occupations/specialties so that specific ICT job specialties can be removed or added. This would mean that those areas in ICT considered in oversupply could be removed without affecting ICT areas where there are considered to be a skill shortage.
- B.** DIMIA to collect and publish information on the skill set and specialisation of 457 visa applicants so that any mismatch between those roles/skills in short supply and those in oversupply can be determined.
- C.** There should be mandatory skills assessment for 457 visas on a similar basis to the Permanent Residency Skilled Migration Programme so that the skill set of 457 Visa applicants can at least be verified.
- D.** DIMIA should publish regular data on actual salaries paid to 457 visa holders in ICT occupations compared to the DIMIA approved salaries.
- E.** DIMIA should publish data showing by whom 457 visa holders are employed on an annual basis compared to their initial sponsoring employer.
- F.** The minimum threshold salary for 457 visas be set at the prevailing market rate for each particular ICT specialty and reviewed annually.
- G.** Employers sponsoring 457 visas be required to include a 'no displacement undertaking' as part of their obligations covering the period three months before and after 457 Visa hiring. When making the application the employer should sign a declaration that in hiring the 457 visa applicant they are not displacing an Australian incumbent.
- H.** 457 visa holders who change positions or employers to be required to transfer to a class/class/specialisation and level of job no lower than the one for which they were sponsored.

### SUMMARY OF ACS POSITION

A significant proportion of Australia's population are immigrants or the immediate children of immigrants. The ACS considers that Australia's skilled migration programmes are essential components of this country's economic growth strategy. The primary objective of the ACS is to promote the development of Australia's information and communication technology resources. Our people and their ICT skills are our major resource. Australia has a migration system that is in general superior to other OECD countries both in its rigour and openness of the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) in engaging with industry.

The ACS has commissioned studies into the potential impact of migration on the unemployment and underemployment of ICT professionals in Australia. There currently exists an **oversupply** of ICT professionals in certain specialties, particularly programmers. Despite anecdotal evidence of an upturn, unemployment for computing professionals remains higher than the rate for most professional occupations and is particularly high amongst new and recent graduates. In summary the decline in the Australian ICT job market has coincided, amongst others, with three things:

- Slow growth in demand for ICT professionals;
- Strong growth in the number of Australian residents graduating from ICT courses;
- High and rising levels of ICT migration, particularly overseas student graduates in ICT from Australian universities, and entrants into the ICT job market from migration programmes.

In reviewing the combined effects of the permanent (General Skilled Migration) and temporary residency (457, 456 and 417) visa programmes, it has been found that their cumulative impact is much greater than any single programme in isolation.

They have had a significant impact in contributing to relatively high unemployment of ICT graduates. Continuing poor employment prospects for ICT graduates and greater uncertainty about the future has driven down enrolments in ICT courses at Universities.

Together the migration visa programmes contributed around 16,000 people to the ICT workforce as at June 2004, equal to around 10% of the total employed computing professional workforce, at a time when the ICT labour market was already saturated. The programmes supplied 12,000 or 25% of all the ICT computing professionals under 30 employed during 2004.

The minimum base salary for the most important of the temporary residency programmes, the 457 visa programme, is considerably below the prevailing market rates for ICT workers. A large proportion of 457 visa holders are approved at this minimum base salary or below, thereby providing the potential for these programmes to be used by firms to undercut and displace Australian ICT workers, particularly graduates. The available evidence suggests:

- the 457 visa programme can be used to give firms that employ 457 visa holders an artificial competitive advantage particularly in tendering for large projects because it supplies workers at lower wage rates.
- that, on the whole, 457 visa holders are **not** being sponsored into Australia to provide skills that are in short supply.

The targeting of the temporary residency (457, 456 and 417) visa programmes has gone astray, resulting in a move down the skill spectrum with a relative shift towards ICT migrants with **lower** skills.

### 1. INTRODUCTION

After considering and developing a policy position on Offshoring in the ICT industry, the ACS commissioned research to determine the impacts of the various skilled migration programmes on the ICT labour market.

The Offshoring policy work suggested the possibility that current skilled migration policy might be impacting the local ICT labour market, particularly for graduates, and contributing to declining enrolments in ICT courses.

The skilled migration programmes have provided significant economic benefits to Australia. However, the ACS believes there are some policy and operational aspects of the programmes that could be improved for the benefit of ICT practitioners and in particular, for the benefit of ICT graduates and postgraduates.

There are three main immigration programmes managed by the Federal Government that impact on the ICT labour market:

- the General Skilled Migration Programme which is part of the Permanent Residence Programme;
- temporary residence programmes - the long stay, skilled business programme – 457 visa programme and the skilled business short stay programme – 456 visa programme; and
- the working holiday programme – 417 visa programme.

### 2. PERMANENT RESIDENCY PROGRAMME

The General Skilled Migration Programme aims to provide migration opportunities for young skilled people who will quickly contribute to the Australian economy in occupations not in significant oversupply.

The General Skilled Migration Programme is restricted to occupations on the Skilled Occupation List and has a priority processing system for occupations that are on the Migration Occupations in Demand List. ICT occupations are on the Skilled Occupation List but are no longer (since 2003) on the Migration Occupations in Demand List.

The programme operates on a points system, requiring (currently) 120 points to pass in most cases. Points are granted based on occupation and qualifications, language skills, age, work experience, whether they have a firm job offer and other criteria.

New conditions were introduced for 2004/05 to raise the pass level points to 120 generally but lowering the pass level points for those skilled migrants who commit to living in a regional area for two years.

#### 2.1 Skills Assessment

Skills assessment for ICT applicants under the General Skilled Migration Programme is undertaken by the ACS, as the designated assessing body by the DIMIA.

The sole role of the ACS is to objectively assess whether the applicant meets a set of standard skills criteria for their particular ICT specialty eg, whether they have the minimum skills for a programmer, an analyst etc.

The ACS does **not** perform any migration gate keeper role. It has **no role** in determining whether or not an applicant can to migrate to Australia. The criteria upon which assessments are carried out are standardised and the ACS uses the Country Educational Profiles (CEP) to establish the education level of an overseas qualification. The CEP and other objective criteria cannot be changed (raised or lowered) to accommodate changes in the Australian job market.

### 2.2 Impact of General Skilled Migration Programme

For the last three years and particularly for 2003/04, the General Skilled Migration Programme has added to the excess supply of computing professionals, especially those under 30, and does not appear to have contributed to the critical ICT skills missing from the Australian ICT job market.

From 2002 to 2004 the labour supply impacts of the programme were:

- contributed between 6,100 to 9,300 people, equal to between 3.4% to 5.5% of the employed computing professional workforce each year;
- during this period there was an excess supply of computing professionals, with employment growth stalling and reversing in 2004;
- in all three years employment growth grew by less than the annual supply of ICT resident graduates – eg in 2002 alone the number of employed ICT professionals grew by 5,900 but there were 8,300 graduates; and
- the General Skilled Migration intake has not been needed to meet the growth demand for computing professionals.

Additionally, the General Skilled Migrant intake does not appear to be supplying ICT skills in critical demand because of those granted permanent resident visas onshore:

- around 50% were new graduates;
- 98% were classified as programmers (which are in oversupply);
- of the total 2002/03 General Skilled Migration Programme only 12% had skills in national shortage or were sponsored by an employer to fill a specific ICT vacancy.

In terms of its impact on the graduate employment market:

- the number of recent ICT graduates issued visas through the General Skilled Migration Programme was very significant in comparison to the total number of Australian residents graduating in ICT each year;
- for example, in 2003/04, there were 4,700 ICT graduates granted permanent visas and this effectively increased the supply of ICT graduates by 52%, given that 9,100 new Australian ICT students graduated in that year;
- between 2002/03 and 2003/04, the number of new ICT graduates granted permanent visas increased by 56% from 3,000 to 4,700;
- this high and rising intake of ICT graduates through the General Skilled Migration Programme came at a time when the proportion of graduates looking for full time work was at historically high levels.

### 3. TEMPORARY RESIDENCY PROGRAMMES

The long stay **457 visa programme** for skilled migrants is the most important programme affecting the Australian professional workforce and is of particular relevance to ICT professionals. The 457 visa programme is for businesses unable to meet their skilled labour needs from within the Australian labour force. This visa is also essential for start up multinational companies to train Australians and to implement specialised ICT systems in Australian organisations.

The 457 visa programme allows employers to sponsor professionals from other countries to stay and work in Australia for a period of four years although this period can be extended. The policy objective is that exceptional talent is coming into Australia raising the skills of the ICT industry. However, conditions around 457 Visas:

- do not require employers to undertake labour market testing to establish if there are any Australian resident ICT professionals who could do the work and are available. (In both the US and UK there is at least some form of resident labour market test, although enforcement is weak);
- do not prohibit the displacement of Australian ICT staff and their replacement by 457 visa holders or local ICT staff being required to train their 457 visa replacements;
- allow 457 visas to be granted for occupations and professions not in national shortage and the removal of ICT specialisations from the national shortage MODL in November 2003 does not limit in any way the ability of employers to employ or sponsor new people on 457 visas;
- do not require employers to pay 457 visa holders the prevailing market rates (UK and US programmes notionally require this but it is not strictly enforced);
- do not require payment of at least the gazetted minimum salary in ICT occupations (increased from \$35,828 to \$46,620 in February 2004 and recently increased to 50,775 for 2005);
- allow recruitment companies to sponsor professionals and to then hire them out to other businesses;
- allow 457 visa holders to change employers (with DIMIA approval);
- impose no cap on the number of 457 visas that can be issued in a single year.

The majority of 457 visas issued for ICT practitioners are granted to people who:

- are already in Australia on some form of temporary visa (such as a 456 or 417 visa); and/or
- are already working for their 457 visa sponsoring employer.

Unlike those applying for migration under the permanent residency programme, applicants for 457 visas do not have to have their ICT qualifications assessed.

The **456 visa programme** is for short (three month renewable) stays for people doing business in Australia. It is not intended for those working as employees although it has been used by overseas workers requiring access to the Australian labour market for short term project work.

456 visas do not require employer sponsorship and are not subject to any of the conditions of 457 visas, including the minimum salary threshold.

Working holiday **417 visas** are open to people aged between 18 to 30 from countries with which Australia has an appropriate reciprocal arrangement. The 417 visa is valid for 12 months although the person cannot stay with the one employer for longer than three months (although in practice this can be extended by changing the company subsidiary employing the person, so a person can work in the same position but for a different employer).

### 3.1 Impact of Temporary Residency Programmes on Employment

The **457 visa programme** is having labour supply impacts on young computing professionals and particularly on programmers and software designers.

In 2004:

- the estimated stock of 457 visa holders added 5,000 to the ICT workforce;
- of these, 4,000 (80%) were under 35; and
- 2,200 (44%) were under 30.

There is insufficient information to determine if these 457 visa holders are providing skills that are in short supply in the Australian labour market because data on the skill sets and specialisations of 457 visa holders are not collected.

However, of the 457 visa holders who are programmers, the age and occupational profile support the inference that many are working in entry level jobs or doing entry level work some of the time – 8% are under 25 and 51% are under 30, many are programmers. This strongly suggests that the 457 visa holders are **not** providing skills that are in short supply.

Rather, it would appear that the 457 visa programme is being used to provide the option of using overseas workers with limited job experience at a lower wage rate than employing Australian graduates and allowing them to gain experience. This is not the purpose of the 457 visa programme. It is not intended to give employers the option of importing cheap labour at the expense of local workers.

The **456 visa programme** allows employers to bring non-resident ICT professionals into Australia more quickly and with fewer restrictions than using the 457 process. Issues are:

- Occupational data for 456 visa holders is not collected so the number working in ICT is unknown;
- there were 12,000 456 visa holders in Australia as at 30 June 2003;
- 2,500 of whom have been here for 12 months or longer; and
- A portion of these subsequently change their visa status to a 457 long stay visa – 2,300 in 2000/01.

The **417 visa programme** for working holiday makers targets 18 to 30 year olds and therefore will add to the computing professionals labour supply for the under 30s (over and above those provided under the 457 visa programme and most of the General Skilled Migration ICT permanent residents).

- It is estimated 4% (2000) of all 417 visa holders were working as computing professionals at June 2004.
- A total of 510 conversions to 457 Visa were granted from the main working holiday visa countries (UK and Ireland) for ICT occupations in 2004.
- There has been a strong growth of around 8% per year in the number of 417 visas issued since the late 1990s and it is expected that this trend will continue.

The ACS does not advocate stopping or modifying the 417 visa exchange programme: rather it advocates looking at how to manage its impacts on the ICT labour market while keeping the benefits for Australia.

### 3.2 Impact of Temporary Residency Visas on Salaries

Currently there is no publicly available data on the actual salaries paid to 457 Visa holders nor data on the results of compliance monitoring of 457 Visa employers although the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA) collects this data.

Employers are not required to pay market rates to 457 Visa holders. The minimum base salary for 457 visa holders as at February 2004 was increased from \$35,828 to \$46,620 (although this has been revised to 50,775 recently). This is lower than prevailing market rates for ICT workers. This DIMIA approved salary is the only salary against which DIMIA can assess compliance (by 457 visa employers).

There are data (not public) which indicate that in 2003/04:

- around 43% of 457 visas granted were approved at the minimum base salary or less (depending on what the base salary was when their visa was granted);
- 18% were approved at \$38,000 (average salary for a graduate in 2004) or less; and
- 49% of all 457 visas granted onshore to people under 30 were at or below \$46,620 (minimum base salary).

According to the listed company, Ambition Recruitment, the current range for an Analyst Programmer is between \$65,000 and \$85,000. The type of skills required by start up multinationals to train Australian workers and to implement large scale systems may require salary levels of up to \$150,000 and beyond.

The evidence suggests:

- a proportion of 457 visa holders being paid below market rates;
- this may have the effect of undercutting the salaries of, and displacing, Australian ICT workers, particularly graduates; and
- by supplying workers at lower wage rates than Australian workers they give firms employing 457 visa holders an artificial competitive advantage particularly in tendering for large projects.

The ACS believes the objective of the 457 visa programme should be to provide specific skills and experience to the Australian labour market in a way that does not undermine Australian ICT wages and conditions. To achieve this, the minimum salary for temporary visa holders should be set at the relevant market rate. This will ensure a level competitive playing field and minimise wage compression for domestic ICT workers.

#### **4. CURRENT ICT LABOUR MARKET CONDITIONS**

Since 2000 the ICT labour market has been weak. Available data indicate that there are no ICT skills specialisations in national shortage.

The long term (2003 to 2010/11) growth for employment for ICT practitioners is estimated at 4.2% per annum, significantly higher than has been the case in recent years and around double the rate expected for all professional occupations – but below the high growth rates of 6.7% per annum averaged over 1997 to 2004.

The DEWR ICT Skill Shortage Survey (May 2004) found the number of suitable applicants per vacancy actually rose nationally from 5.5 to 5.8, but fell sharply for NSW (40% of ICT employment) from 4.3 to 1.5, suggesting an improvement in the ICT employment market in that state.

##### **4.1 Graduate Labour Market**

The employment outcomes for graduates and postgraduates have deteriorated markedly in recent times. Graduate under employment has increased with more ICT graduates taking lower levels of work and lower starting salaries.

Data indicate that:

- during 2003/04, 30% of graduates were looking for full time work (well above the national average of 20%)
- in April 2004, around one third (32%) of employed computer science graduates were working in sub professional roles; and

- post graduates still looking for full time work 4 months after graduation rose from 10% to 26% between 2000 and 2003 (double the national average for all postgraduates in 2003 – 12%).

### 5. ENROLMENTS IN ICT COURSES

Between 2001 and 2004 there was around a 36% decrease in the number of Australian students commencing ICT courses and enrolments are now lower than they were in 1992. The decrease is higher for undergraduate (down 38%) than postgraduate courses (down 29%). Commencements of overseas students over the same period fell by much less – only 7%.

The decline in undergraduate commencements in ICT courses is closely associated with the decline in the graduate labour market and is expected to further decrease in 2005. Importantly there are no published official projections for ICT graduates from Australian universities – critical data for determining ICT immigration impacts and migration policy. The most recent data available for actual graduations dates from 2003 when 9,100 Australian students graduated from ICT courses (down from 9,500 in 2002).

Of major importance is that in 2003 for the first time there were more overseas student ICT graduates than Australian residents graduating from ICT courses – 10,000 vs 9,100). The number of overseas students increased rapidly following a change in immigration policy to allow overseas student graduates from ICT courses to apply onshore for permanent resident status.

Indicative projections have been developed for ICT graduates (Australian residents) for 2004 to 2006, suggesting:

- a fall to 5,900 graduates (bachelor and postgraduate degrees) in 2006;
- of this, 4,100 are expected to be bachelors degree graduates; and
- the gap between the number of overseas and Australian resident graduates is expected to widen.

### 6. FINDINGS

Without a better-targeted migration policy, the projected supply of ICT professionals from migration programmes is likely to remain high for the next 3 to 5 years. Policy changes are needed to make the migration programmes more responsive towards the market supply of ICT professional groupings to ensure sustainable growth in the ICT industry and in Australian university courses and improve graduate employment prospects.

In summary, the decline in the Australian ICT job market has coincided, amongst others, with 3 things:

- slow growth in demand for computing professionals;
- strong growth in the number of Australian residents graduating from ICT courses (up to 2002); and
- high levels of ICT migration, particularly overseas student graduates in ICT from Australian universities, and entrants into the ICT job market from migration programmes.

The cumulative impact of migration programmes on ICT labour supply, particularly on the under 30 age group, has been significant. The total stock of ICT professionals provided by the migration programmes was estimated at 16,000 at June 2004, or equal to about 10% of the total employed computing professionals – 9,000 from the General Skilled Migration Programme, 5,000 on 457 visas and a further 2,000 on 417 visas.

Policies and procedures in place for the permanent and temporary skilled migration programmes are not sufficiently responsive to changes in the labour market and this particularly exacerbates unemployment amongst recent ICT graduates.

Other important findings are:

- migration programmes are supplying large and increasing numbers of ICT professionals for the Australian labour market within market segments that are already in oversupply. The stock of young ICT workers supplied through migration programmes as at June 2004 (12,000) was equal to 25% of all ICT computing professionals under 30 employed in 2004;
- the increase in new graduates through the migration programmes is having a considerable impact on supply and employment outcomes for local ICT graduates and consequently on local student demand for ICT courses;
- there needs to be improved data collection and more public data disclosure on monitoring in the area of skill sets of 457 visa holders and the roles they are being recruited to fill;
- the 457 visa programme is probably being used to undercut prevailing market salary rates and displace young ICT professionals and provide an unfair competitive advantage to offshoring firms competing against local firms, particularly in tendering for large projects; and
- the overall result for temporary residency migration visa programmes in the ICT sector seems to be a move down the skill spectrum producing a lower economic benefit for Australia.

## 7. RECOMMENDATIONS

Based on the data and findings of its research, the ACS proposes a series of initiatives for consideration by Government. The ACS believes these proposals will refine the skilled migration programme, making it more responsive to the market, providing better employment prospects to Australian ICT graduates and encouraging higher enrolments in ICT courses.

These reforms are outlined below.

- A.** The ACS believes that intake of recent ICT graduates through the General Skilled Migration Programme should be substantially reduced. The General Skilled Migration Programme has strongly disadvantaged Australian graduates and jeopardised the demand and intake for Australian ICT courses. The ICT graduate migrant intake must be substantially reduced until:
- the market can absorb the level of ICT graduates from Australian universities;
  - the intake to ICT courses stops declining and begins to increase; and
  - the unemployment rate for ICT professionals falls to levels in line with that of all other professionals in Australia.

The General Skilled Migration Programme must be more responsive to the Labour market. Options to achieve this could be to:

- create a Migration Occupations in Oversupply List - with negative points awarded for applicants in occupations on this list. The number of negative points awarded

can depend on the level of oversupply. This list and the negative points awarded should be reviewed annually; or

- include greater granularity in the list of ICT occupations/specialties on the Skilled Occupations List so that specific ICT job categories can be removed or added. This would mean that those areas in ICT considered in oversupply could be removed without affecting ICT areas where there are considered to be a skill shortage

**B.** Data collected by DIMIA on 457 visa holders should be improved so that migration policy and programmes can be better refined to target skills that are in short supply within the Australian ICT labour market.

The ACS recommends that:

- DIMIA collect and publish information on the skill set and specialisation of 457 visa holders so that any mismatch between those roles/skills in short supply and those in oversupply can be determined; and
- there should be mandatory skills assessment for 457 visas (or at least a verification process) so that the skill set of 457 visa applicants can be determined. This includes transfers from 456 to 457 visas.

**C.** There is no publicly available information on the actual salaries paid to 457 visa holders working in ICT occupations or information on whether salaries paid are in line with prevailing market rates.

The ACS recommends that:

- DIMIA publish regular data on actual salaries paid to 457 visa holders in ICT specialties compared to the DIMIA approved salaries;
- the minimum threshold salary for 457 visas be set at the prevailing market rate for each particular ICT occupation and indexed annually;
- employers sponsoring 457 visas be required to include a 'no displacement undertaking' as part of their obligations covering the period 3 months before and after the 457 visa hiring. When making the application the employer should sign a declaration that in hiring the 457 visa applicant they are not displacing an Australian incumbent; and
- DIMIA publish data showing by whom 457 visa holders are employed compared to their initial sponsoring employer.

**D.** 457 visa holders who change employers or positions should be required to transfer to a class/specialisation and level of job no lower than that for which they were sponsored.

## 8. CONCLUSION

While recognising the success of the Australian skilled migration programmes, the ACS considers that there is scope to refine and realign these programmes to make them more responsive to the Australian ICT job market.

The available evidence suggests that the targeting of the temporary residency visa programmes has gone astray, with the result that there has been a move down the skill spectrum with a relative shift towards ICT migrants with lower skills.

The impact of this has been felt by ICT graduates and recent graduates in particular and has exacerbated an already weak ICT job market.

In the longer term, unless the skilled migration programmes become more responsive to the Australian job market, the ACS believes that future ICT skills development will be threatened and young Australians will become more uncertain about investing in a future in the ICT industry.

### SOURCE MATERIALS

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