

Future Skills: Targeting high value skills through the General Skilled Migration program

Review of the Migration Occupations in Demand List

Issues Paper No. 2, September 2009

Department of Education, Employment and Workplace Relations

Department of Immigration and Citizenship

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List of acronyms

ABS	Australian Bureau of Statistics
ANZSCO	Australian and New Zealand Standard Classification of Occupations
CSL	Critical Skills List
DEEWR	Department of Education, Employment and Workplace Relations
DIAC	Department of Immigration and Citizenship
GSM	General Skilled Migration
MODL	Migration Occupations in Demand List
SOL	Skilled Occupation List

Summary

The review of the MODL, being undertaken jointly by the Department of Education, Employment and Workplace Relations and the Department of Immigration and Citizenship, is charged with examining the purpose and methodology of the list, to ensure it is helping to deliver a skilled migration program focused on Australia's medium to long term skill needs, and complements domestic skills supply.

The first Issues Paper proposed that MODL be made prospective, target skills of high economic value and complement domestic skills supply. This second Issues Paper puts forward options consistent with those principles.

The centrepiece is a proposal to develop a Future Skills List as a targeting mechanism within the independent skilled migration program. This list would advantage applicants with high value skills in areas of future need for the Australian economy, through the acquisition of additional points under the GSM Points Test or by according processing priority. An alternative position, that no list is required to deliver a high value GSM program, is also explored.

The paper also discusses how a Future Skills List would be established and reviewed. This process would be informed by:

- consistent modeling of demand and supply influences
- qualitative research undertaken by DEEWR
- migration program information
- work of Skills Australia and others;

and considered in the context of broader questions such as:

- the future needs of the Australian economy;
- the appropriateness of migration to address particular skill needs;
- issues in the local labour market including training initiatives.

Background

The review of the MODL is charged with examining and reporting on:

1. The role and purpose of the MODL in targeting skill needs in relation to the General Skilled Migration Program to complement the supply of tertiary-qualified¹ Australians.
2. A proposal for a new methodology and structure for MODL to meet its intended purpose, taking account of (i) the medium to longer term needs of the Australian labour market, (ii) skill supply through domestic tertiary education.
3. The implications for policy and administration of any proposed changes to the MODL arrangements.
4. The introduction of the ANZSCO into ABS and DEEWR work and the implications and timing of its introduction into MODL and the CSL.
5. Key dates and time frame for any changes which may result from the review.

To assist stakeholders **Attachment A** provides an overview of the current role of MODL in the migration program.

The review is being conducted jointly by DEEWR and DIAC. This Issues Paper was prepared by officials from both departments, with assistance from Treasury and Professor Gerald Burke of Skills Australia.

Response to the first Issues Paper

The first Issues Paper covered the following topics:

- background on the MODL
- economic and demographic challenges facing Australia
- need for a new MODL
- proposed principles for a new MODL.

DEEWR and DIAC were pleased to receive responses to the first Issues Paper from a broad range of stakeholders, including education bodies, assessing authorities, industry organisations, unions and potential visa applicants. Overwhelming, respondents welcomed the review and affirmed the need to reconsider the objectives of the MODL and the best way to achieve those objectives.

Feedback received on the proposed principles for a new MODL indicated strong support for a co-ordinated response to skills formation that incorporates a forward plan for domestic training and education, as well as migration. While mindful of the limitations of a prospective approach, the majority of respondents welcomed this proposed shift in emphasis.

¹ The term tertiary-qualified refers to post-school qualification through higher education and the VET sector

Industry bodies in particular, also welcomed the principle that a list not be driven by short term employment cycles. For example, rather than contract the program in response to the current economic downturn, several stakeholders flagged the importance of continuing to facilitate the entry of migrants with skills that will contribute to the government's planned infrastructure investment.

Although most respondents agreed in principle with the objective of using a list to target high value skills, there was much discussion about the most appropriate ways to define 'high value'. A common theme was that a list should recognise both the economic and social value of skills. In this vein the use of earnings as a proxy indicator of value was generally not endorsed.

In addition to responding to the principles put forward, the submissions raised a variety of issues about the current and future state of MODL and the GSM program. Some of those matters, including those going to how a prospective list would be established, and how domestic training and education initiatives would be taken into account, are addressed in this paper. Others, such as the capacity to include niche industries or occupations without a specified assessing authority in any future list and whether it is possible or appropriate for a future list to attempt to target regional and industry specific skills needs, require further consideration as this Review progresses.

Comments were also received on a range of topics that fall outside the scope of this Review, such as suggestions about changing the structure of the GSM program to require applicants to work in their nominated occupation on a temporary visa for a substantial period of time before being eligible for permanent residence. This feedback has been passed on to the relevant policy areas of the two Departments.

Second Issues Paper

This paper builds on the principles proposed in the first paper and puts forward options for:

- the role of MODL in the GSM assessment process and
- a new MODL methodology.

Issues that will impact on transitional arrangements are also discussed.

Comments on this Issues Paper are invited using the questions posed at Attachment A. Responses, and any queries, should be directed to:

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and received no later than Friday, 18 September 2009.

The government will consider the outcomes of the review in October, with an announcement to follow shortly thereafter.

Introduction

Australia needs immigrants. Without them, our workforce would begin to shrink from the second half of the next decade, as retiring baby boomers out-number new entrants to the labour market. If immigrants are needed to supplement our labour force, it is better that most of them be skilled.

Skilled migration offers three clear economic benefits:

- ✓ it adds to the number of people of working age (**population**)
- ✓ it increases the proportion of people in work (**participation**)
- ✓ GDP per capita is raised (**productivity**).

Skilled migration ticks all 3Ps. Its greatest contribution, relative to other migrant streams, is productivity. **The higher the quality of immigrants' skills, the greater the gain in productivity.**

Under the skilled stream, there are two selection stages in the migration process. The would-be immigrant applies for entry to Australia; we then choose from among them who we will allow entry. How should we choose? The principle articulated by the FitzGerald Inquiry over 20 years ago is still sound: "the only responsible way of choosing is on the basis of factors which are economically and demographically and socially defensible and which will give us immigrants who can lead a productive and fulfilling life in Australia."

In 2008-09, 66 900 visa grants were awarded offshore to skilled migrants (primary applicants). This is a pure measure of the extent to which Australia is importing skills. Seven out of ten of these grants were sponsored by an employer (or nominated by a State or Territory Government), either for a permanent or temporary visa.

In these instances the sponsor, not the Government, selects the skilled migrant. Employers who cannot fill jobs locally can source skilled workers in a global labour market. The Government sets the rules; so long as these are satisfied, it plays no further part in selecting the migrant. **Sponsoring skilled migrants is the optimal solution for meeting immediate skill needs** and dealing with cyclical capacity constraints, as there is a 1:1 match between the employer's skill requirements and the immigrant's desire to settle quickly into Australia.

The remaining three out of ten grants in 2008-09 went to skilled migrants who were not sponsored. Australia is comparatively rare in international terms in granting permanent residence to skilled migrants without a job offer. At present the greatest weight in selection is given to those nominating occupations in national skills shortage – up to 80 points (up to 60 points for occupation and up to 20 points for a MODL occupation) out of the 120 points needed to pass. This policy setting is insufficiently differentiated from the sponsored pathway: if the migrant's skills are in immediate demand they can be sponsored which, employers report, is a far more responsive means of meeting their needs.

As **unsponsored migrants** are without a job on arrival we need to be confident of their prospects. That means, on average, they **need to have higher value skills than sponsored migrants**. This gives them the necessary insurance they need to compete in the Australian labour market. At present, many unsponsored skilled migrants who do not have strong English language skills have difficulty securing skilled work in Australia. This outcome is undesirable for both the migrant and for the Australian labour market.

The structure of the Points Test, and its interaction with the MODL, currently creates a number of low hurdles to permanent residence. These distort the pattern of visa applications and grants and course choice by international students.

The MODL was introduced in 1999 to remedy the situation where someone with skills needed in the Australian labour market fell just shy of the points needed to be awarded permanent residence, for example, a highly skilled tradesperson whose age counted against them. Over time the MODL has come to be seen more as a general instrument for addressing skill shortages, and was given added weight in the Points Test. For reasons identified in the first Issues Paper, the MODL is much less effective in addressing skill shortages than sponsored skilled migration, and contributes to the distortions in the migration program.

The first Issues Paper proposed that MODL be made prospective, target skills of high economic value and complement domestic skill supply now and into the future. This second Issues Paper puts forward options consistent with those principles.

The centrepiece is a proposal to develop a Future Skills List as a targeting mechanism within the independent skilled migration program. This list would advantage applicants with high value skills in areas of future need for the Australian economy.

The paper explains how a Future Skills List could be devised and implemented, and a process to allow for periodic revisions to the list. Among the options put forward is that there be no list at all, on the grounds that the disadvantages outweigh any advantages.

On balance, there appears to be a benefit to maintaining a list. That being the case, two options are put forward as to how a Future Skills List would work, one to give additional points to someone nominating an occupation on the list (as MODL presently works), the other as a means of prioritising applications (as the CSL presently works). The paper explores the pros and cons of these two options. To begin with, the paper outlines the concept of a Future Skills List.

Australia's future skill needs

In the first Issues Paper a principle was proposed that a list targeting select skills should aim at skills of high economic value.

There are two ways of approaching the question of value: one by comparing the relative characteristics of individuals in terms of their contribution to the Australian labour market; the other by comparing the relative merits of different occupations.

It is the Points Test which performs the role of assessing the relative potential contribution of individuals, based on criteria such as education, experience, age and proficiency in English. For two individuals nominating the same occupation, the one who scores better on these criteria should be ranked ahead of the other.

For two individuals with the same points, but who nominate under different occupations, the Government may elect to favour one occupation over another. The MODL is designed to favour occupations in national skill shortage with good job prospects. An alternative rationale for favouring some occupations is that they meet Australia's future skill needs.

In the first Issues Paper we identified a number of challenges facing Australia in the years to come: getting the Australian economy back onto its long-term growth trajectory, lowering carbon emissions, and coping with an ageing population.

A Future Skills List provides a strategic means of targeting visa applicants with high value skills in occupations that will better enable Australia to meet these challenges.

It is a skill supplementation measure. Basing the list on future skill needs brings together the consideration of domestic education and training needs under the auspices of Skills Australia with the independent skilled migration program.

For an occupation to be placed on the Future Skills List, four criteria are proposed:

- it meets a strategic government priority;
- it is a highly skilled occupation essential to meeting that priority;
- the occupation is assessed as being one for which there will be strong demand over the next 3-5 years which is unlikely to be fully met by existing supply mechanisms;
- there are workforce development strategies in place for these skills but migration may be needed to supplement this in the medium term (3-5 years).

As an illustration, the government is keen to increase the number of maths and science secondary school teachers, to encourage the shift towards a knowledge-based economy. Teachers in these fields are generally expected to be in short supply in coming years even with measures in place designed to encourage more young Australians to pursue this option.

The Future Skills List is a means of targeting occupational specific skills, not of targeting generic skills. To get the balance of skills right, this suggests the extent of advantage in the selection process given to applicants nominating an occupation on the Future Skills List should be slight.

The role of the Future Skills List in the GSM visa program

In a General Skilled Migration program focused on selecting applicants with high value skills, a Future Skills List could assist in targeting applicants best equipped to help address the medium to long term challenges facing Australia in the labour market and demographically.

This section of the paper examines three ways to achieve this end, while addressing some of the key concerns about the impact of MODL under the current arrangements, including:

- the domination of certain MODL occupations in the GSM caseload;
- the inability to include high value 50 point occupations in the list; and
- the perception that a heavily weighted MODL component in the Points Test creates a low threshold for applicants without delivering results for the economy.

Addressing these fundamental concerns and ensuring any changes adopted in response to this review support recent measures to improve the integrity of the temporary sponsored visa program, is critical to meeting the objectives of the skilled migration program.

Option A – No Future Skills List in the GSM process

The first option is not to have an occupational targeting mechanism. This would deliver a spread of occupations via the GSM process. It recognises the mobility of the modern workforce and the value of flexible, generic skills, a theme raised by many of the stakeholders in their response to the first Issues Paper. Specialised skills can continue to be sourced through the sponsored visa pathways.

Under this option the program would strive to meet future skills needs by facilitating the entry of those migrants well equipped to adjust to fill emerging jobs, rather than trying to pinpoint the exact skills employers will require in the future. A recent joint paper by Skills Australia and the Academy of the Social Sciences, *The Labour Market, Skills Demand and Skills Formation* observed:

Changes in industry composition have combined with technological change to systematically alter the demand for skills. Technological change has been the dominant influence, allowing for, or even driving, a restructuring of occupations within industries...More generic and general skills, rather than firm-specific skills, are required...The overall outcome is a more highly skilled workforce and a more efficient economy.

By removing additional points for an occupation considered to be in current or future demand, this option avoids the unintended consequence MODL points have had under the existing points regime, with the program being filled by applicants with a narrow range of occupations. It also removes any perverse incentives for international students to pursue courses which appear to provide 'easy' avenues for those seeking permanent skilled migration. Instead, this model encourages applicants to develop high level skills in the

areas that are established to be the prime indicators of success in the labour market – English language, recognised skills, and sustained work experience.

A further advantage of having no list, is that the basis on which points are allocated or priority accorded to GSM applicants would not be subject to revision. Prospective applicants (and other stakeholders) would therefore have more certainty about their capacity to meet the GSM requirements than under the current system where the availability of MODL points changes regularly.

The main drawback of this option is that it removes any tools to ensure a positive migration outcome for applicants who fall ‘just shy’ of the Points Test requirements, but otherwise possess the skills and qualities that would allow them to make a positive contribution in Australia. However, in reviewing the remaining Points Test factors and their values in order to remove MODL points, there is an opportunity to address these settings and ensure they adequately reflect the objectives of GSM. For example, it may be appropriate to ensure that any points lost as an applicant ages, are able to be offset by the points gained for substantial periods of skilled work experience – something that is highly valued by employers and not readily available amongst younger migrants.

Option B – Future Skills List as component of GSM Points Test

This option draws on the original model for the interaction of MODL and the Points Test, where applicants with recognised skills in a MODL occupation were awarded 5 points or 10 points where they had a job offer. This meant that this component of the Points Test served an important role in ensuring applicants who generally had high value attributes but fell just short of the passmark were able to qualify for a GSM visa where their specific skills were in demand. However, the points were not worth so much that potential applicants viewed MODL as the best way to obtain a GSM visa.

Significantly reducing the points value recalibrates the Points Test, putting a greater emphasis on the importance of strong English language skills and work experience – the factors that international research consistently identifies as being key indicators of successful labour market integration. Capacity to quickly obtain meaningful employment is not only important to realising the policy goals that underpin the skilled migration program, but it is critical to the migrant’s settlement and self value – following from direct financial benefits of having a job and the opportunity for social interaction.

Given the focus of GSM on independent, supply driven migration, it may also be appropriate to remove the additional points currently awarded to an applicant who has a job offer in Australia in a position closely related to their MODL occupation. The time lags associated with GSM, that were explored in the first Issues Paper of this review, in relation to both processing and the time associated with relocation for overseas applications mean employers looking to secure the services of a new migrant are much better served by the 457 and ENS programs. Removing points for a job offer would also address concerns about the integrity of current arrangements whereby there is no mechanism to oblige an employer to make good on a job offer made to a GSM applicant, leaving the system open to abuse.

This approach provides government with a tool to target applicants with high value skills that are not able to be delivered through domestic training or education initiatives. As the list is revised it also allows the GSM program to respond to emerging economic priorities.

Option C - Future Skills List replaces the CSL as a prioritisation mechanism

This option would have the Future Skills List play the same role as is presently done by the Critical Skills List; that is, applicants nominating an occupation under the list would have their application processed ahead of other independent or family sponsored GSM applications.

There are inherent attractions to this option, but also a number of disadvantages. The primary advantage is that the first places filled in the GSM would be quarantined for occupations on the Future Skills List. As they are subject to priority processing these applications would also be dealt with more quickly, reducing lag times. Other advantages are transparency and that no distortions are introduced by offering points for occupations on the Future Skills List.

There are, however, some disadvantages. If the net effect is merely to shuffle the ordering of the queue, there is no difference between this option and Option A, except in the timing of processing. At the other extreme, *all* available places in the independent general skilled migration program could be taken up by those nominating occupations on the Future Skills List. To mitigate the risk that a pipeline of applications develops that are eligible for GSM, but are continually displaced by priority applications on the Future Skills List consideration could be given to revising the visa eligibility requirements, to reduce the number of applicants able to lodge a GSM application who are not on the list. However this would not support the delivery of a balanced program – one with a mix of specialised and general skills.

This option would also mean placing applicants with very high scores in the Points Test behind those with lower scores whose nominated occupation is on the Future Skills List. An alternative to this model would be to prioritise applications that meet the needs of the Future Skills List and process them in order of their Points Test mark. This would mean that unlike the current model where all applicants who meet the pass mark have equal standing, future applicants would derive benefit from exceeding the pass mark. This approach shifts the applicant's focus from meeting threshold standards to excelling in as many factors as possible.

Would a Future Skills List be solely focused on occupation?

In its current construction the MODL is a list of occupations. To satisfy the requirements of the list an applicant needs only to have a suitable skills assessment in an occupation on the list. The CSL, on the other hand, has the capacity to target a subset of applicants within an occupational category, for example Accountants must also have IELTS 7 to benefit from the CSL.

The capacity to target, where appropriate, a subset of applicants with skills or experience over and above the level required to obtain a suitable skills assessment offers a number of benefits over a list of occupations:

- i) it allows for the inclusion in a Future Skills List of occupations that do not have a specialised skills assessing authority by establishing a minimum level qualification including the relevant field of study to qualify for points. For example, Urban and Regional Planners are included in the New Zealand Long Term Skills Shortage List with a minimum qualification of a Bachelors degree (or higher) in environmental or resource planning. This would mean that in addition to having a suitable skills assessment, an applicant would need to demonstrate, as part of their migration application, that they have a qualification in the requisite field for the listed occupation.
- ii) introducing, where appropriate, a skilled employment experience, English language and/or qualification requirement before an applicant is eligible for points, allows the Future Skills List to better target those applicants who will be attractive to employers and therefore have better job and settlement prospects. A work experience requirement has the added benefit being more responsive to domestic training flows. For example, it may be identified that a future skills need is on target to be partially but not completely addressed by domestic training. Including that occupation on a Future Skills List, with an additional requirement of at least three years work experience would better ensure the labour market has access to a mixture a new graduates and experienced practitioners.

Determinations on when it is appropriate for additional factors to be included and what they should be could be made in consultation with assessing authorities, industry groups or based on employer feedback. It is also important to note that any approach that put greater emphasis on skilled work experience or overseas qualifications would need to be supported by appropriate visa processing resources to allow for the veracity of evidence to be tested and suspected incidents of fraud to be investigated.

Establishing and revising a Future Skills List

Stakeholders universally endorsed the principle that any list be underpinned by a strong evidence base and a robust and transparent methodology. However data should not be considered in isolation if the list is also to take account of other migration arrangements and complement domestic skills supply, principles which were also strongly supported in the feedback received on the first Issues Paper. Instead, the results of the model/analysis or statistical data should be considered against broader questions such as the future needs of the Australian economy, the appropriateness of migration to address particular skill needs, issues in the local labour market, training initiatives and concentrations of numbers arriving through the GSM in particular occupations.

Establishing a list

The Future Skills List needs to be consistent with the principles outlined in the first Issues Paper, which were broadly supported by stakeholders.

- The skills are of high economic value – the nominated occupation meets a strategic Australian government priority and is a specialised occupation essential to meeting that priority.
- The skills complement domestic supply and maximize skill utilization – based on DEEWR and DIAC research and advice from Skills Australia.
- The list is prospective – based on DEEWR research on future employment growth and likely supply.
- The list is not driven by short term employment cycles, and is instead based on medium to long-term skill needs.
- It is proposed that the list be updated on a periodic basis, perhaps annually, to strike the right balance between stability and flexibility.
- The list should take account of other migration pathways – Options B and C cover this principle.
- The methodology underpinning the list is transparent and evidence based – a public report with advice to the Minister for Immigration on recommended changes to the Future Skills List.

Such an approach could be taken forward through existing Departmental arrangements, through close liaison with Skills Australia or through the establishment of a committee/body to provide annual advice on occupations for a new list. This committee would work within parameters set through this review and consider a range of occupational data outlined below to make recommendations rather than relying on a set statistical model delivering definitive outcomes. The body could also, based on issues such as the spread of visa

grants across occupations and domestic training rates, determine whether occupational caps could be appropriate, although legislative changes may be necessary for this.

What evidence would inform the new list?

Decisions about the composition of a new list would be guided by the principles established in the first Issues Paper and informed by:

- 1. consistent modeling of demand and supply influences**
- 2. qualitative research undertaken by DEEWR**
- 3. migration program information**
- 4. work of Skills Australia and others.**

1. Modeling of demand and supply influences

The List should take account of the prospective labour market, including the future demand for and supply of labour for occupations. This prospective information needs to be based on consistent modeling of demand and supply influences.

The approach that could be followed is outlined below. This methodology is not about forecasting skill shortages. In Australia there is information about current skill shortages, but these shortfalls are not quantified. It would be even more difficult to attempt to quantify future skill shortages, especially in the present uncertain labour market. Such forecasts would require accurate projections of both supply and demand at the occupation level. What is appropriate is to model the future demand and supply for skills and identify those occupations in which demand will be strong over the next five years and where current supply mechanisms are unlikely to meet demand.

Future industry employment growth

Industries are the drivers of the future demand for skills. The future demand for an occupation is influenced by two key factors: the growth of the industries that employ workers in that occupation, and changes in the occupational mix (an occupation's share of employment in industries).

DEEWR produces annual updates of employment projections for around 200 industries. These projections are based on economic forecasting models, recent employment trends and industry and occupation developments. The DEEWR employment projections are the average annual growth rate in the next five years (to 2013-14). The latest projections have taken the impact of the Global Recession into account, and for total employment reflect the Treasury out-year forecasts. Employment growth across all industries is expected to be lower in the next five years than in recent years.

Occupational employment projections

Modeling of the future demand for occupations needs to take account of the lags in the migration process. Consequently, employment projections need to look out at least three years, with five years the preferred time frame. Projections need to be monitored and reviewed on a systematic basis.

Occupational employment projections are available from economic forecasting organisations, including Access Economics and the Centre of Policy Studies. DEEWR prepares annual updates of employment projections over the next five years for around 350

occupations. As for the industry projections these are presented as annual average growth in the next five years (currently to 2013-14).

Demand for new workers

The core issue is identifying the future demand for new workers for occupations. Most of this demand comes from workers leaving occupations, for example moving to other occupations, retiring or shifting to outside the labour force, more than employment growth. The supply of newly qualified workers and migration are the main ways to meet this demand for new workers, although workers can be attracted from other occupations or from outside the labour force.

Robust modeling of the demand for new workers is the pivot of the shift to prospective labour market information for MODL. The demand for new workers can be viewed as having three components, as below:

Future Demand for new workers (in an occupation)

A. **Employment Growth** (new jobs) + B. **Retirement Rate** (number of retiring workers) + C. **Net Occupational Shift** (non retirement flows into and out of the occupation)

There are modeling approaches to provide these estimates, although these would need to be examined and improved. The estimates would, like employment, need to be forward-looking - expected retirements and occupational flows in the next five years. As noted above, new occupational demand from replacement needs are larger than employment growth for most occupations. The separate retirement component has the benefit of identifying the impact of workforce ageing, an influence that varies across occupations.

Supply of skills

Modeling the future supply of skills is complex. To do this properly would require not only forecasts of completions from higher education and VET, but also information on how workers use their qualifications: the number who move into employment, how many work in the occupation for which they are qualified, how qualifications are used through time and movement of workers between occupations. In addition, information on migration trends and how these migrants use their qualifications influences the supply of skills.

Some occupations, such as Doctors, Nurses and Actuaries are more occupation specific and could be given a stronger focus in any modeling of the supply of skills.

While it may not be feasible to quantitatively model the supply of skills for occupations, robust projections of the demand for new workers can assist in examining supply needs and potential gaps. Supply trends, such as projected education completions, can be viewed in the light of these demand projections.

Complexities and the way forward

The Global Recession has highlighted how quickly labour markets, and the balance of supply and demand for occupations, can change and reshape the future demand for skills. Modeling approaches need to be able to respond to emerging labour market changes, and facilitate the examination of alternative views of the future. There are some research gaps, and these need to be identified and addressed.

In summary, the core of prospective information on the demand for skills could be based on the demand for new workers in an occupation: projected employment growth, retirements and occupational shifts. This would provide the context for an examination of supply trends, as a prelude to examining supply gaps and priorities for migration.

2. Qualitative Research undertaken by DEEWR

Consideration needs also to be given to skill shortage information from historical lists and DEEWR employer surveys. DEEWR undertakes extensive contact with employers on an ongoing basis to identify their experiences recruiting the skills they need. This work has been undertaken consistently over the past three decades and provides a significant insight into occupational labour markets. The information provides a basis for the more qualitative understanding about skilled labour markets and employer needs including specialist skill needs, the role of more generic skills and the nature and causes of skill shortages. Occupations in which shortages have been persistent can present sound employment outcomes for migrants at the same time as providing skills Australian employers experience difficulty recruiting. An understanding of the reasons for these shortages and whether migration of skilled workers in these occupations presents a viable solution could be presented as part of the considerations for MODL.

In addition and as contextual information, key indicators could be developed as a way of monitoring the demand for occupations. These could be modeled on the key indicators for occupations on Job Outlook (www.joboutlook.gov.au), which are presented as both values and deciles. Some of the variables that could be included are: employment size, recent job growth, unemployment decile, vacancy rates, share of mature age workers and proportion with qualifications.

3. Migration Program information

To ensure a Future Skills List takes account of other migration arrangements, labour market data should be considered in the light of information about the skilled program, including:

- take up rate of the temporary and permanent employer sponsored visas;
- the skills being imported through that channel;
- the size and skills/occupational mix of the independent GSM pipeline;
- annual program targets for skilled, family and humanitarian entrants.

The results of the Survey of Migrant Outcomes could also provide useful background on labour market outcomes for skilled migrants.

4. Skills Australia

In line with the principle that a list should take into complement domestic skills supply decisions on a list should take into account initiatives to address skills needs through domestic education and training and Skills Australia's national skills and workforce development strategy

Implementation

Decisions about how and when to implement changes to the GSM process as a result of this review need to take into account client service implications and how the changes interact with other GSM initiatives.

All three options for integrating a new Future Skills List with the GSM assessment process require complementary changes to the Points Test. A sensible transition period would need to be established to ensure a smooth administrative implementation and to provide potential applicants with adequate notice of changes to the eligibility requirements.

It would also be sensible to look to align any changes to MODL with DIAC's plan to transition from using ASCO to ANZSCO as a basis for the SOL in the first half of 2010. Consideration must be given to the lead time required to undertake and compile the research that would underpin the proposed methodology. Adequate allowance must also be made for consideration of those findings in light of the broader principles set out in the first Issues Paper, either by a new body/committee or by Ministers.

If a points value is to be attributed to an annually revised Future Skills List, another pertinent question is how these revisions will affect GSM applicants. With a list focused on future needs, is there room for changes to be introduced for new applications only? While this provides certainty for applicants, it would disadvantage applicants who would potentially benefit from a change to the Future Skills List. On the other hand, if the benefits of the Future Skills List are preserved despite revisions, would the integrity of the skilled program be undermined as there would be a group of applicants who are given visas on the basis of skills that have been identified as no longer meeting the objectives of the Future Skills List?

Conclusion

A skilled migration program that delivers results for both immigrants and the broader Australian community is one which targets applicants who can lead a productive and fulfilling life in Australia. In reviewing how the MODL contributes to this objective, this paper builds on the principles proposed in the first Issues Paper and draws on the responses provided by a broad range of stakeholders.

The value a skilled migrant brings can be assessed in two ways: by comparing the relative characteristics of individuals in terms of their contribution to the Australian labour market; or by comparing the relative merits of different occupations. In this context, the paper explores options for integrating a Future Skills List into the GSM visa process which would replace MODL. The list would focus on high value skills, and be developed on the basis of evidence about future labour market needs considered in tandem with domestic education and training initiatives.

The first option would be not to have an occupation list but to instead rely solely on the GSM Points Test to assess the relative merits of applicants based on characteristics that have been established to be indicators of good settlement and labour market prospects.

The second option would provide government with a tool to target the program, or part thereof, through a list which would provide the basis for awarding points to applicants whose skills meet Australia's medium to long term needs. The points available for these skills would provide a slight advantage to applicants in achieving the pass mark.

The third alternative would also use a Future Skills List as a tool but applicants who have skills on the list would not gain an advantage under the Points Test, rather (if they meet the pass mark) they would have their applications processed as a priority. This proposal would operate in much the same way as the current CSL.

The paper looks at how a robust evidence base would be established for a list and proposes account be taken of domestic education and training as well as other migration arrangements and outcomes. Consideration is also given to implementation issues for any new list.

In an effort to promote discussion, the paper avoids offering preferred solutions or suggested outcomes to the MODL Review. Feedback received will be critical in producing the report to Government.

Attachment A What is the Migration Occupations in Demand List?

The MODL is primarily a targeting mechanism for the GSM program. It was introduced on 1 July 1999 to advantage visa applicants under the GSM program whose nominated occupation was on the list. Its original intention was to improve the selection chances of highly skilled visa applicants whose age and English language proficiency worked against their relative chances of selection but whose occupation was in demand by Australian employers.

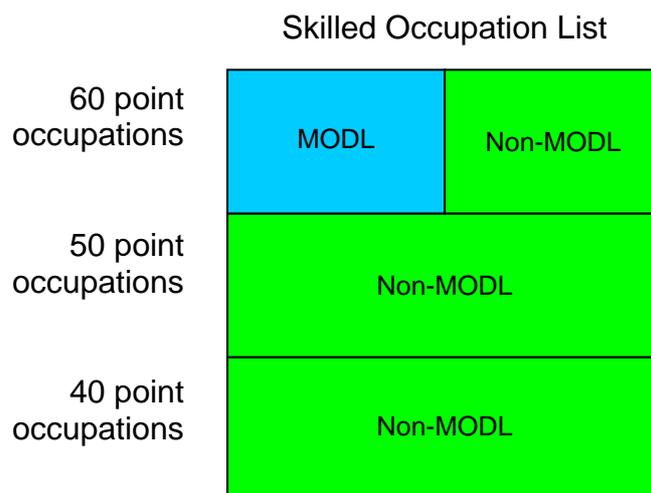
To apply to migrate to Australia under the GSM program, each applicant must have their skills assessed as suitable for an occupation nominated from the SOL. The SOL is a list of skilled occupations that require a minimum qualification of a degree, diploma or trade certificate.

In addition to meeting threshold requirements based on occupation, age, English language ability and recent study or work experience, to be eligible to be granted a visa applicants must pass the GSM Points Test. Applicants can be awarded points for a range of factors, including where the occupation for which they have been assessed is on the MODL. This means the MODL can benefit an applicant but is not critical to obtaining a visa outcome where the applicant can obtain the necessary points under other factors in the Points Test.

The MODL is a subset of the SOL. The occupations on the MODL are identified as being in shortage in Australia, on the basis of research undertaken by DEEWR.

MODL does not currently have any role in determining the priority in which a GSM application will be processed.

MODL does not have any role in the temporary skilled, 457 visa program.



Attachment B Issues for consultation

Which of the three options for integrating a Future Skills List with the GSM assessment process do you prefer:

Option A – No Future Skills List in the GSM process

Option B – Future Skills List as component in the Points Test

Option C – Future Skills List as a prioritisation mechanism

Do you favour any other model for a Future Skills List?

Are there any comments you would like to make on the proposed methodology for the Future Skills List?

What are the implementation issues you think Government should consider?