

Comments on the Methodology for Determining the Composition of the Skilled Migration Occupation Lists

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Background

In October 2017, the Department of Employment (now called the Department of Jobs and Small Business) issued a consultation paper containing the draft methodology it proposed to use to determine which occupations will be included and excluded from the skilled migration occupation lists (SMOLs) at each six-monthly review. In response to a call for submissions about the methodology, the Department received 69 responses from individuals and organisations:

<https://docs.jobs.gov.au/documents/skilled-migration-list-review-methodology-consultation-october-2017>

In April 2018 the Department posted online the version of the methodology to be used to generate the traffic light bulletin for its next review, to be concluded in June 2018. This version was exactly the same as the original draft. No external feedback had been taken into account. This was despite the Department's assurance in its consultation draft that it "will continue to refine the methodology":

<https://www.jobs.gov.au/consultation-skilled-migration-occupation-lists>

Having made a brief submission in October 2017, I feel that it is necessary to document more pointedly and in more detail the very significant shortcomings of the methodology. These shortcomings will potentially allow occupations which are clearly oversupplied to remain on the SMOLs when in fact they should be removed. This is consistent with the practice of the Federal Government, which uses the deliberate oversupply of several professions through migration as an easy means of helping to meet its massive annual skilled migration targets.

Labour Market Factors

The Department selected a range of labour market factors and datasets to use in its methodology. Four of them are discussed here, along with one prominent omission.

CSAM

The first of the factors and datasets listed in the consultation paper is the Continuous Survey of Australia's Migrants (CSAM), conducted for what is now the Department of Home Affairs. The publicly available survey data are available at the following link:

<https://www.homeaffairs.gov.au/about/reports-publications/research-statistics/research/live-in-australia/continuous-survey-of-australias-migrants-csam>

The CSAM data at the above link are of no use in the formulation of skilled migration occupation lists. There is nothing there that relates occupational groups or occupations using the ANZSCO classifications at the four- or six-digit level to the employment outcomes of migrants in the occupations for which their visas were granted. Skilled migrants are granted visas based on the perceived need for the skills specifically associated with their skilled occupations. Only employment outcomes related to migrants' specified occupations can inform the SMOLs.

In 2014, 19,936 migrants were invited to participate in the introductory CSAM survey, but only 9,038 chose to participate. Twelve months later, 7,397 completed the follow-up survey. These are the most recently published surveys. Even if survey data are available at the ANZSCO four- and six-digit level, the sample sizes necessarily become increasingly small, magnifying the sampling error which affects the accuracy of the results. The accuracy is also compounded by the non-response error.

In its consultation paper, the Department promised to "be transparent in our methodological approach". There is no transparency about how the CSAM can be used to inform the composition of the SMOLs.

Graduate Outcomes

Another dataset proposed to be used in the methodology is the graduate outcomes data from Graduate Careers Australia (GCA). However, graduate outcomes are no longer reported by GCA. Since 2016 this has been done by the Social Research Centre (SRC). In the publicly available datasets provided by the SRC, outcomes for international graduates and Australian domestic graduates are no longer reported separately. The datasets are combined. The range of outcome measures relating graduates' field of study to their subsequent employment in a related occupation has been reduced, and less detail is available about fields of study (particularly for the different engineering disciplines).

It may be possible for the Department to obtain data with a greater level of detail from the SRC. However, this is not publicly available and again raises issues about the transparency of the methodological approach.

Age Profile

Another factor to be used in the methodology is the age profile for individual occupations. It is not clear how or why this factor will be used in the preparation of the SMOLs. Points testing and individual visa requirements mean that most skilled migrants are under the age of 45. The huge annual influx of international graduates into the labour market via subclass 485 visas lowers the average and median ages of skilled occupations even further.

The Department proposes to use the Australian Labour Force Survey (ALFS) to obtain data about the median age of workers in each occupation. Unfortunately, this survey is plagued by large sampling errors. For example, it indicates the size of the ANZSCO '233 Engineering Professionals' workforce was around 140,000 at the time of the 2016 Census, whereas the 2016 Census indicated the size of this workforce was about

105,000. The Census is not subject to sampling errors, as virtually the entire population is sampled. The occupational median age should be based on Census data supplemented by ALFS data. The Department's methodology makes no mention of using Census data for calculating median ages for occupations.

Permanent Visas

The most astonishing aspect of the methodology is the exclusion of permanent visa data. For a whole range of professions, including engineering, permanent visas account for the majority of visas issued to migrants seeking to work in these professions (not including the temporary subclass 485 visas issued to international graduates). Permanent visas in the skilled migration program include the subclass 186, 187, 189, 190, and 887 visas. All of these visas except the subclass 887 visa are awarded based on the presence of a migrant's occupation on one of the versions of the Medium and Long-term Strategic Skills List, which is used in conjunction with the Short-term Skilled Occupation List for the subclass 187 and 190 permanent visas. The permanent visa dataset is available to the Department, and should be utilised as one of the most important and reliable labour market factors.

Temporary Visas

The methodology does account for the number of temporary visas issued to migrants. The second point in the list of labour market factors is 'Reliance on Temporary Visa Holders'. There is no explanation about how this information will inform the recommendations for the SMOLs. If an occupation has a high number of temporary visa holders, what does it mean? Does it mean there is genuine demand for migrant skills? In the case of ICT professionals, it means that employers have used foreign labour at below-market salaries to fill vacancies via the subclass 457 (now subclass 482) visa route (Birrell, Healy & Kinnaird 2016). Once again, there is no transparency around how data about temporary visa holders will inform recommendations for the SMOLs.

Supply and Demand

Inherent in most of the labour market factors is a measure of supply and/or demand for occupations. This is the intent of the legislation. For example, in IMMI 18/051 (which covers permanent and temporary visas for independent, family-nominated, and State and Territory Government-nominated migrants), it states:

“The amended occupation lists ensure that the entry of skilled foreign workers to Australia remains carefully calibrated to Australia's needs.”

The concept of supply and demand needs to be kept in mind when considering the Department's nominations for primary and secondary factors.

Primary and Secondary Factors

The Department has classified the labour market factors into primary and secondary factors. Primary factors require that the dataset is:

“sufficiently robust and statistically reliable; and available for most occupations”.

Secondary factors are:

“those where data is not available for all occupations or where analysis indicates the factor is less relevant from a labour market perspective.”

These statements are contradictory. If secondary factors are those where data is not available for all occupations, then primary factors must by definition be for data which is available for all occupations. However, the criteria for primary factors are that robust and statistically reliable datasets only need to be available for most occupations.

Inexplicably, the Department has omitted from its *primary* factors the two datasets which are among the most robust and statistically reliable, and which are available for all occupations: the permanent visa dataset, and the internet vacancies dataset. The permanent visa dataset encompasses the entire population of permanent visas granted each year. The internet vacancy dataset samples the vast majority of the advertised jobs dataset, particularly for skilled occupations. These two datasets are critical to understanding supply and demand, and to ensuring “that the entry of skilled foreign workers to Australia remains carefully calibrated to Australia’s needs”.

In general, permanent visas granted each year to skilled migrants in a given occupation represent a major proportion of the total number of visas issued for that occupation. This is particularly true for occupations listed on the MLTSSL. Permanent visa data are crucial for understanding labour market supply. Internet vacancies, and changes to this dataset over time, represent the single most reliable indicator of labour market demand for an occupation.

Ratios for an occupation such as the number of permanent visas granted to the number of vacancies advertised, and the total number of visas granted to the number of vacancies advertised, are therefore very robust and extremely statistically reliable measures of the supply:demand ratio. Changes to these ratios are therefore among the most reliable indicators of oversupply or undersupply for an occupation, and can be used in conjunction with a suite of other metrics.

The exclusion of the permanent visa dataset and the internet vacancies dataset from the Department’s methodology substantially diminishes the validity of the Department’s recommendations, and strips the methodology of integrity.

Points Allocation and Scoring

The methodology provides no clarity around how points are allocated to each labour market factor, or the weightings the different factors are given in the scoring process. Once again, the Department has not lived up to its claim that “We will be transparent in our methodological approach”.

For points-tested permanent skilled visas, the Department proposes to include a “long lead time” definition to account for those occupations which require a number of years for completion of qualifications. This encompasses most professional occupations. The Department provides no explanation how this is relevant. Skilled migrants can be brought in when there is a genuine need for their skills, and it typically takes 3-6 months to obtain a visa. Attempting to stockpile skilled migrants years in advance doesn’t work if there are no jobs in their fields of expertise. This was recently demonstrated using data from the 2016 Census (Birrell 2018). Of migrants with bachelor or higher degrees in the 25-34 year age group who arrived in Australia between 2011 and 2016, only 35% were working in professional or managerial jobs.

Furthermore, the “long lead time” only represents the time it takes to train a graduate professional. Many professional job vacancies require years of professional experience in addition to academic qualifications, rendering the “long lead time” criterion irrelevant for all except graduate level vacancies.

Other Labour Market Evidence and Submissions

In this section it is stated that “New evidence provided to us that is based on a robust methodology which shows there is a shortage of suitably skilled workers in an occupation which cannot be met from the Australian labour market will have greater weight than other types of evidence”.

Why should evidence that shows a shortage of suitably skilled workers have greater weight than similarly rigorous evidence that shows an oversupply of suitably skilled workers? This statement demonstrates the Department’s bias, and further erodes its credibility in undertaking objective labour market analysis.

Reference

Birrell B, Healy E, Kinnaird B, 2016, *Immigration Overflow: Why it Matters*, The Australian Population Research Institute Research Report, December.

Birrell B, 2018, *Australia’s Skilled Migration Program: Scarce Skills Not Required*, The Australian Population Research Institute Research Report, March.