

## Is there a shortage of skilled workers?

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### Summary

Recently there have been calls for a large increase in the skilled migrant intake as borders reopen. This Briefing Note examines the evidence for claimed skill shortages and looks at the effects of pre-pandemic immigration policies which were intended to address these shortages. Findings include:

- 'Skilled' migrants make up only around half of the skilled stream and 30% of non-humanitarian migration, with most of the remainder being partners and dependent children.
- Government data show very little evidence of skills shortages.
- There are more than 670 occupations listed as eligible for a 'skilled' visa, but there is no requirement that any of these occupations are actually experiencing a skills shortage.
- Of the top five occupations granted visas under the skilled stream prior to border closures (accountant, software engineer, registered nurse, developer programmer and cook), not one of these professions was deemed to be in shortage over the five years to 2018.
- High levels of immigration in the decade pre-COVID-19 contributed to stagnant incomes growth, lower incomes and employment prospects for both skilled and unskilled Australians, and detracted from the living standards of many Australian working families.
- Despite decades of strong skilled migration, whereby literally millions of foreign workers were imported into Australia, industry and the federal government continue to make identical claims about chronic skills shortages.
- Allowing the mass importation of foreign workers circumvents the ordinary functioning of the labour market by enabling employers to source cheaper foreign workers in lieu of raising wages, as well as abrogating the need for training.

**Hand-wringing** over Australia's anaemic wages growth has hit fever pitch over recent years, with politicians, economists, the Reserve Bank and the media all searching for answers.

One cause that has received scant attention is the role of strong immigration in driving up labour supply, reducing the bargaining power of workers, and abrogating the need for employers to provide training.

Employer groups frequently argue that a strong 'skilled' migration program is required to overcome perceived labour shortages – a view that is shared by the Australian Government.

Liberal MP Julian Leeser [recently declared](#):

*'Right across the economy we are hearing that there are real issues in relation to businesses getting the skills that they need here in Australia. During the course of COVID, we've lost half a million temporary visa holders. Many of those people are skilled migrants. And they are skills that just don't exist across Australia. We need to get them back to get Australian businesses moving again'.*

Australian Chamber of Commerce and Industry (ACCI) CEO Andrew McKellar also [recently called](#) for Australia to double its 'skilled' migrant intake to 200,000 people a year to address purported skills shortages:

*'We can't just return to -business as usual; to address the skills crunch facing Australia we need to raise that up to 200,000 in the next few years'...*

*'We need to improve the accessibility and responsiveness of our migration system, making it less complex and less expensive to boost the intake of skilled migrants'.*

### **Decades of skill-selective mass immigration have not diminished claims of skills shortages**

The inconvenient truth is that the skills shortage claim has persisted for decades despite Australia running one of the largest immigration programs in the world, most of which was purportedly 'skilled'.

For example, a [Senate Inquiry from 2002](#), put forward by the Howard Government on behalf of the business lobby, complained of 'serious skill shortages and skill gaps' in Australia and warned that unless we did something about it – i.e. import a lot of workers – Australia's economy would not develop and would simply end up going backwards. Below are key extracts from this 2002 inquiry:

*'According to the Australian Chamber of Commerce and Industry (ACCI), the lack of suitably qualified staff has been a major concern for Australian industry over the past decade, and is one of the most significant barriers to investment...*

*'The Australian Industry Group (AiG) ... reports that several industry sectors, including manufacturing, are continuing to experience serious skill shortages which, unless effectively addressed, may have severe and lasting consequences for Australian enterprises...*

*'The Business Council of Australia submission points to the risk of future broad-based skill shortages resulting from an ageing population'...*

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How could this possibly be? How could Australia have such dramatic skills shortages after all these years? And why then is Australian wage growth tracking at close to its lowest level in history if skills shortages are so pervasive? Something doesn't add up.

The available empirical data do not corroborate the dire need for skilled visas.

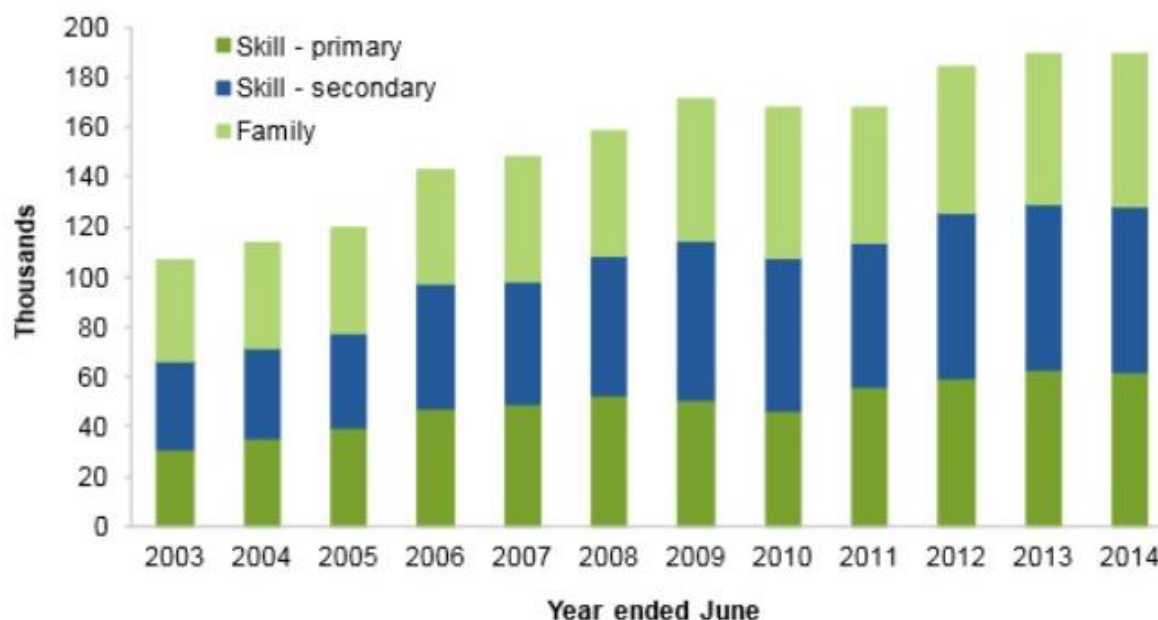
### Not-so-skilled migration

First, while Australia is purported to run a 'skills-based' migration program, the Productivity Commission's (PC) 2016 [Migrant Intake into Australia](#) report explicitly stated that 'skilled' migrants make up only around half of the skilled stream and 30% of non-humanitarian migration:

*'...within the skill stream, about half of the visas granted were for 'secondary applicants' — partners (who may or may not be skilled) and dependent children... Therefore, while the skill stream has increased relative to the family stream, family immigrants from the skill and family stream still make up about 70 per cent of the Migration Programme (figure 2.8)*

*'... Primary applicants tend to have a better fiscal outcome than secondary applicants — the current system does not consider the age or skills of secondary applicants as part of the criteria for granting permanent skill visas...'*

Figure 2.8 Skill and family stream visa grants by applicant status



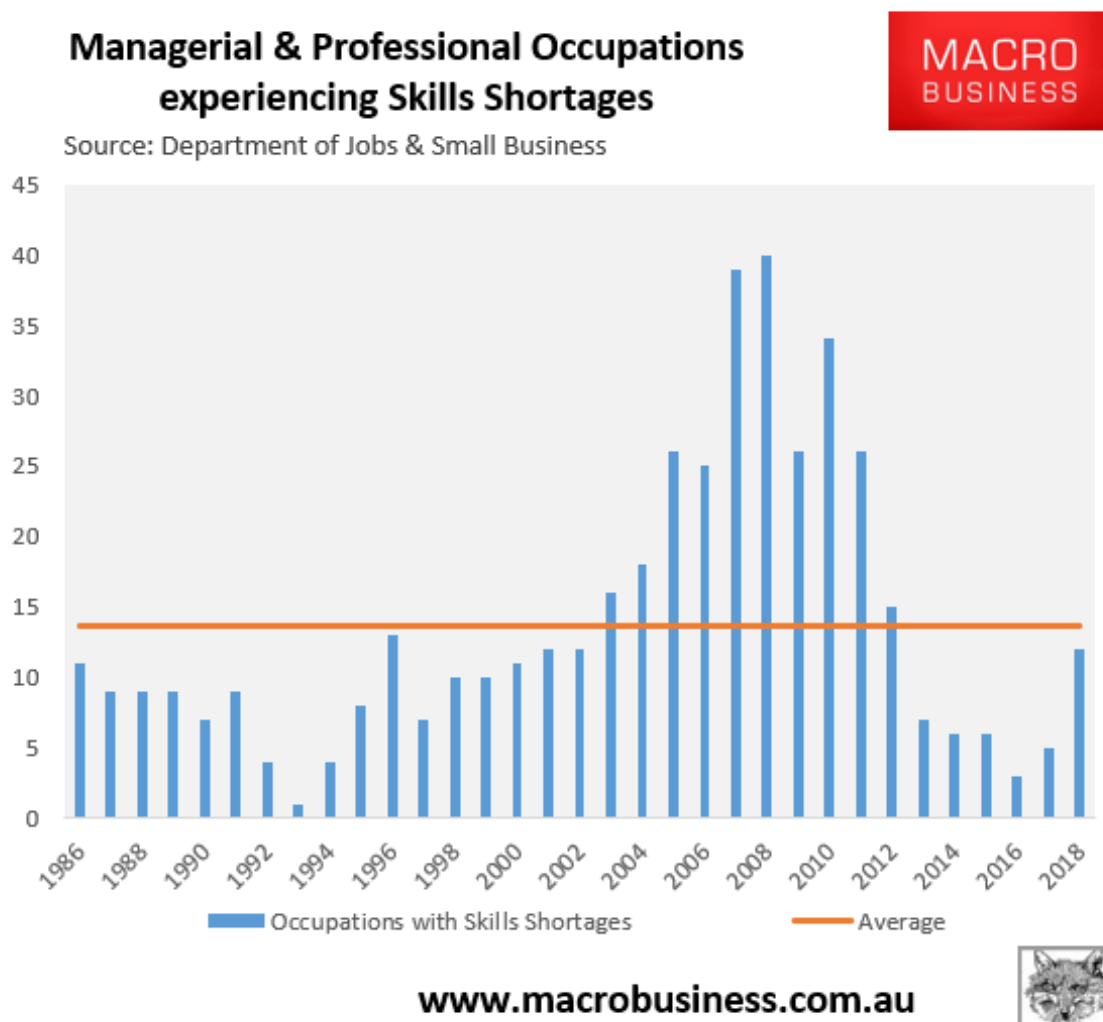
Sources: DIAC (2013b); DIBP (2014b, 2015a, 2015e); Larsen (2013).

The Grattan Institute's recent [migration report](#) similarly noted that *'within the skilled-worker streams, about half of visas granted are for 'secondary applicants' — partners and dependent children... Secondary applicants have lower rates of workforce participation than primary applicants'*.

## Evidence is lacking that listed 'skills in demand' are actually experiencing shortages

Second, the Department of Jobs & Small Business produces an annual time-series [database](#) tracking skills shortages across occupations.

In 2018 (the latest year available), skills shortages across managerial and professional occupations were running below the 32-year average:



This is important because of the 111,099 permanent visas handed out under the [skilled stream](#) in 2017-18, three-quarters were for professionals and managers, where evidence of skills shortages was scant.

Moreover, the top five occupations granted visas under the skilled stream in 2017-18 were:

- Accountants (3505 places)
- Software Engineer (3112 places)
- Registered Nurses (1561 places)
- Developer Programmer (1487 places)
- Cook (1257 places)

According to the Department of Jobs and Small Business' list, not one of these professions was deemed to be in shortage over the five years to 2018, whereas Software Engineer has never been in shortage in the entire 31-year history of the series.

The news is no better for the Temporary Skill Shortage (TSS) visa program. According to the [Department of Home Affairs](#), there were 34,450 primary visas granted in 2017-18, of which 25,620 (74%) were for professionals and managers; again where skills shortages are largely non-existent.

The failure of Australia's skilled migration program to alleviate genuine skills shortages should not be surprising given almost any occupation is eligible for visas. [Specifically](#):

- 216 occupations are eligible for the Employer Nomination Scheme visa (subclass 186)
- 673 occupations are eligible for the Regional Sponsored Migration Scheme (subclass 187)
- 212 occupations are eligible for the Skilled Independent Visa (subclass 189), the Temporary Graduate Visa (subclass 485), and the family-nominated Skilled Regional (Provisional) Visa (subclass 489)
- 427 occupations are eligible for the Skilled Nominated Visa (subclass 190)
- 504 occupations are eligible for the State or Territory nominated Skilled Regional (Provisional) Visa (subclass 489)
- 508 occupations are eligible for the Temporary Skill Shortage (TSS) visa (subclass 482).
- 31 occupations are eligible for the Horticulture Industry Labour Agreement.

The above lists have no requirement that the occupations are actually experiencing skills shortages. This means that visas can be used by employers who wish to access foreign labour for an ulterior motive, such as to lower wage costs or to avoid providing training.

Accordingly, the 2016 Senate Committee report, entitled [A National Disgrace: The Exploitation of Temporary Work Visa Holders](#), found temporary skilled visas were 'not sufficiently responsive either to higher levels of unemployment, or to labour market changes in specific skilled occupations'.

### **Low incomes of skilled migrants belie demand for their skills**

Adding to the report, the salary floor (known as the Temporary Skilled Migration Income Threshold or TSMIT) for Temporary Skill Shortage (TSS) visas has been frozen at a pitifully low \$53,900 since 2013-14. This TSMIT was \$5,900 (10%) below the [median income of all Australians](#) in August 2020 (\$59,800), which comprises both skilled and unskilled workers.

The new [Horticulture Industry Labour Agreement](#) is even more exploitative, providing a 10% discount to the TSMIT, alongside softer English-language requirements.

Joanna Howe, Senior Lecturer in Law at University of Adelaide, explained the ramifications of the low TSMIT in the book, [The Wages Crisis in Australia](#):

*'This crisis has been precipitated by the federal government's decision to freeze the salary floor for temporary skilled migrant workers since 2013... the government has chosen to put downward pressure on real wages for temporary skilled migrants, thereby surreptitiously allowing the TSS visa to be used in lower-paid jobs...'*

*'This salary floor is called the Temporary Skilled Migration Income Threshold (TSMIT). TSMIT was introduced in 2009 in response to widespread concerns during the Howard Government years of migrant worker exploitation...*

*'In effect, TSMIT is intended to act as a proxy for the skill level of a particular occupation. It prevents unscrupulous employers misclassifying an occupation at a higher skill level in order to employ a TSS visa holder at a lower level...*

*'TSMIT's protective ability is only as strong as the level at which it is set... But since 1 July 2013, TSMIT has been frozen at a level of A\$53 900...*

*'This means that the TSS visa can increasingly be used to employ temporary migrant workers in occupations that attract a far lower salary than that earned by the average Australian worker. This begs the question — is the erosion of TSMIT allowing the TSS visa to morph into a general labour supply visa rather than a visa restricted to filling labour market gaps in skilled, high-wage occupations?...*

*'Research shows that in industries where employers have turned to temporary migrants en masse, it erodes wages and conditions in these industries over time, making them less attractive to locals...*

*'So the failure to index the salary floor for skilled migrant workers is likely to affect wages growth for these workers, as well as to have broader implications for all workers in the Australian labour market.'*

Given the above testimony, it is not surprising that actual pay levels of so-called 'skilled' migrants in Australia is abysmally low.

According to the ABS' most recent [Personal Income of Migrants](#) survey, the median income of migrants under the skilled stream was only \$55,904 in 2016-17 (latest available data).

The Department of Home Affairs' *Continuous Survey of Australia's Migrants (CSAM)* also repeatedly highlights the disappointing earnings of permanent skilled migrants.

Specifically, primary skilled visa holders typically earn no more than the general population (which comprises both skilled and unskilled workers), whereas their accompanying spouses earn significantly less than the general population:

### **Median Annual Full-Time Earnings**

	<b>General Population</b>	<b>Skill Stream Primary Applicant</b>	<b>Skill Stream Migrating Spouse</b>
<b>CSAM 2018</b>	\$76,300	\$78,000	\$60,000
<b>CSAM 2017</b>	\$76,300	\$73,000	\$60,000
<b>CSAM 2016</b>	\$72,900	\$72,000	\$56,000
<b>CSAM 2015</b>	\$69,600	\$70,000	\$55,000

*Source: Continuous Survey of Australia's Migrants*

Several surveys have also shown that most recently arrived skilled migrants are working in areas well below their reported skill level.

For example, analysis by the [Australian Population Research Institute](#) (APRI), based on 2016 Census data, revealed that most recently arrived skilled migrants (i.e. that arrived between 2011 and 2016) cannot find professional jobs.

Specifically, only 24% of skilled migrants from Non-English-Speaking-Countries (who comprised 84% of the total skilled migrant intake) were employed as professionals as of 2016, compared with 50% of skilled migrants from Main English-Speaking-Countries and 58% of the same aged Australian-born graduates.

APRI's results were supported by a 2017 survey from the [Bankwest Curtin Economics Centre](#), which found that 53% of skilled migrants in Western Australia said they are working in lower skilled jobs than before they migrated to Australia.

### **Entire visa system corrupted**

The failure of Australia's skilled visa system extends well beyond the skilled program to incorporate unskilled temporary migrants, such as international students.

The 2016 report by the Senate Education and Employment References Committee, entitled [A National Disgrace: The Exploitation of Temporary Work Visa Holders](#), found international students and backpackers were '*consistently reported to suffer widespread exploitation in the Australian workforce*'.

In a similar vein, the 2019 [Report of the Migrant Workers' Taskforce](#) concluded '*the problem of wage underpayment is widespread and has become more entrenched over time*' and showed that at least half of temporary migrant workers are being underpaid, with exploitation of international students and backpackers deemed 'endemic'.

While international students and backpackers are on visas that are ostensibly for a purpose other than work, temporary migrants have increasingly used these visas to gain employment and as a stepping stone to permanent residency.

In particular, the massive increase in student visas pre-pandemic entrenched entire industries to becoming heavily reliant on these migrant workers to perform low-skilled work in the labour market.

Australia witnessed widespread abuses showing the entire system is broken, spanning the franchising sector (e.g. 7-Eleven, Domino's and Caltex), to hospitality, farming, construction, food processing and supermarkets.

Gareth Aird, head of Australian economics at CBA, [explained](#) the ramifications for Australian workers from the endless influx of migrant workers competing for jobs:

*'If 'skills shortages' are not able to manifest themselves because employees are consistently able to hire from abroad, then employees have had a reduction in their bargaining power that is independent of the level of slack in the local labour market.'*



*‘Essentially talent is not scarce because firms can hire from a global pool of labour. The downward pressure that this applies on wages growth is amplified if a worker from abroad is able and willing to work at a lower rate of pay than local residents’...*

*‘In Australia’s case pre-COVID there was no evidence of widespread skills shortages based on the broad-based weakness in wages growth. The relatively high intake of skilled workers looked to be a pre-emptive strike on the expectation that there would be skills shortages in the future’.*

The Australian Council of Trade Unions (2018) [raised similar concerns](#) with regards to temporary migrant workers:

*‘Wright and Constantin (2015) surveyed employers using the 457 visa scheme and found that 86% state that they have experienced challenges recruiting workers locally. Despite identified recruiting difficulties, the survey found that fewer than 1 in one hundred employers surveyed had addressed ‘skill shortages’ by raising the salary being offered.*

*‘Labour ‘shortages’ should first be addressed through a readjustment in the price of labour – increased wages...*

*‘The relatively recent availability of a large and vulnerable pool of temporary migrant workers has undoubtedly contributed to current record low levels of wages growth and a growing reluctance by employers to train local workers...’*

Professor Ross Garnaut in his [latest book](#) similarly noted that *‘integration into a global labour market held down wages during the resources boom, [and] it contributed to persistent unemployment, rising underemployment and stagnant real wages during the expansion of total economic activity [between 2013 and 2020]’*. Professor Garnaut added that *‘immigration now lowers the incomes and employment prospects of low-income Australians... [and] detracted from the living standards of many Australian working families’*.

The bottom line is that except in very limited circumstances, there is no shortage of labour across the Australian economy. There is only a ‘shortage’ of labour at the price/ wages firms are generally willing to pay.

Allowing the mass importation of foreign workers circumvents the ordinary functioning of the labour market by enabling employers to source cheaper foreign workers in lieu of raising wages, as well as abrogating the need for training.

Tightening up access to foreign workers would, therefore, place upward pressure on wages, in turn benefitting Australian workers, who have suffered through a decade of stagnant income growth.

A tighter labour market and higher wages would also be beneficial for Australia’s economy since it would provide workers with greater purchasing power as well as boost productivity, since:

1. the least productive businesses unable to afford paying higher wages would lose workers, shrink and go bust, transferring workers, land and capital to more productive businesses, raising average productivity across the economy; and
2. all businesses, observing higher wages, would invest more in labour saving technologies, training and restructuring to raise productivity.



This is how the labour ‘market’ is supposed to work. ‘Labour shortages’ are supposed to be solved by employers offering better wages and conditions in a bid to attract staff.

Indeed, in any other market, a shortage raises prices:

- A shortage of bananas following Tropical Cyclone Yasi sent banana price rocketing.
- A shortage of waterfront homes makes these properties incredibly expensive.
- An oil supply shock sends petrol prices soaring.

Therefore, how can Australia simultaneously be suffering from a shortage of workers and near record low wage growth?

If Australian employers are given easier access to cheaper migrant workers post-pandemic, then wage growth will remain low, unemployment will remain elevated, there will be little incentive for firms to automate, the capital per worker will decline, and ultimately the nation's productivity will stagnate.

This is the predicament Australia found itself during the decade leading up to the pandemic, simultaneously suffering from both low wage growth and low productivity growth as immigration boomed. It is a recipe only for living standards to stride endlessly backwards.

#### **How to reform Australia’s skilled visa system to maximise wellbeing:**

The simplest solution to give integrity to Australia's skilled visa system is to apply a pay floor equivalent to the 75th percentile of weekly earnings (\$90,480 p.a. in 2020 – see the [table below](#)) to both temporary and permanent skilled visa holders.

	August 2020	August 2019	August 2015	2019 to 2020 (% change)	2015 to 2020 (% change p.a.)
10th Percentile	\$408	\$347	\$300	17.6%	6.3%
25th Percentile	\$750	\$700	\$635	7.1%	3.4%
50th Percentile	\$1,150	\$1,100	\$1,000	4.5%	2.8%
75th Percentile	\$1,740	\$1,657	\$1,500	5.0%	3.0%
90th Percentile	\$2,500	\$2,420	\$2,134	3.3%	3.2%

Doing so would ensure that Australian businesses can only hire foreign workers to fill genuinely skilled professions, while also eliminating the need for labour market testing or maintaining Skilled Occupation Lists, both of which are easily manipulated.

These simple reforms would maximise the economic benefits from skilled migration. Skilled local workers would no longer be undercut. Complexity of the visa system would be reduced. And lifting the income threshold (quality bar) would reduce the overall level of immigration into Australia - both directly via having fewer skilled visa holders arrive and indirectly by making it harder for other temporary migrants (e.g. foreign students) to transition to a permanent skilled visa.

Australia needs a skilled visa system that maximises the welfare of Australians by focussing on quality over quantity.

Such a visa system would lift workers' incomes and purchasing power, in addition to boosting productivity by rewarding business investment in productivity gains.

## **Conclusion**

Australia's skilled migration program has been corrupted. It was once a method for complementing the employment of Australian workers but is now being used to create competition with Australian workers and lower their wages and conditions. One of the least celebrated but greatest benefits of Australian citizenship – access to a high-wage labour market – is quietly but steadily being eroded by deliberate actions of the Australian government. The result of this corruption of the Australian visa system is that the costs of globalisation are borne by Australian workers while the benefits are accruing to Australian employers and shareholders.

Immigration is being used to suppress wages and claims to the contrary from business lobbies do not withstand scrutiny. Whereas supply shortages of everything, from petrol to food to desirable property, leads to soaring prices, no such wage growth is seen in Australia in response to claimed shortages. This is because the fictional skills shortage is cover for an unnecessary expansion of supply of labour by the Commonwealth government, responding to employer pressure.

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For more information about the activities of Sustainable Population Australia see details about our [Discussion Papers](#) and [Briefing Notes](#), our [statement on COVID-19](#), our campaigns relating to [My Bulging City](#) and [Let's Rethink Big Australia](#), and our [Population Position and Policy Statement](#).