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'The Politics of Skilled Immigration Policy'

Edited Transcript of Address given by

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About Dr. Chris F. Wright.



Chris started at the Centre for Workforce Futures at Macquaire University in November 2011 after spending five years at the University of Cambridge.

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He received a full scholarship from the Cambridge Commonwealth Trust to complete a PhD in Politics and International Studies on the political challenges of labour immigration policy. Chris subsequently worked as a Research Fellow in the Faculty of Economics at the University of Cambridge on labour market regulation and trade union strategy. During this period, he was awarded research grants from the Economic and Social Research Council and was commissioned to produce research reports for the Trades Union Congress and the conciliation and arbitration body Acas.

Introduction

The topic of skilled and labour immigration policy is – and always has been – a politically complex and sensitive one. It is full of contradictions. It often makes me despair about the nature of politics in liberal democracies, because it is an area where making policy that is both effective and ethically sound is very tough.

The past 20 years has seen a transformation in Australia's skilled immigration policy. The annual intake of migrant workers in Australia increased by more than four-fold, from around 80,000 in 1995 to 360,000 in 2011 ([see Figure 1](#)).

In relative terms, the skilled and labour immigration intake has come to greatly outnumber the family and humanitarian immigration intakes. These changes did

not occur organically, but rather they were driven by a series of policy reforms that made it easier for foreign nationals to gain work visas.

In part, they were motivated by several trends in the labour market:

- Declining unemployment and a persistently high level of job vacancies ([see Figure 2](#));
- The historically high rate of emigration, both in absolute terms and also relative to the rate of immigration ([see Figure 3](#));
- And also the ageing of the Australian workforce, which has resulted in relatively more people leaving the labour market through retirement, compared with the number of new workers that are entering it.

These trends have required governments and employers to rely more on immigration as a source of labour supply than they have in the past. And because other countries are also looking to attract skilled migrants due to their experience with similar demographic and labour market challenges, Australia has had to find new ways of attracting them.

For example, policymakers have abandoned the traditional preference for relying solely on permanent immigration. While much of the new skilled migration to Australia has come through the permanent immigration program, we've also come to rely to much more heavily on temporary work visas, which until quite recently accounted for only a small fraction of Australia's immigration intake ([see Figure 4](#)).

Managing the recent changes to Australian skilled immigration policy has been a big challenge for policymakers. If we use public opinion as a measure of effectiveness (which of course is an imperfect measure), we can say that this process has been managed rather deftly. This is especially the case in light of the much higher levels of public disquiet in other countries that have experienced similar challenges and policy developments. Nevertheless, of course, immigration policy has been a very contentious issue in Australia over the past decade, especially in relation to asylum seekers.

The issue of skilled immigration policy in Australia has not been entirely without controversy either. Indeed, only last month, Prime Minister Gillard gave two

widely reported speeches that provided a critical assessment of the regulation of the main temporary work visa scheme, the subclass 457 visa.

Prime Minister Gillard's comments were quite extraordinary. You have to go back a very long way to find another prime minister willing to publicly criticise skilled immigration policy in such a brazen manner. Personally, I do not agree with the Prime Minister's critical assessment of existing 457 regulations: her comments were cynical and likely to be detrimental to public confidence in immigration policy. But there were aspects of the Prime Minister's comments that had merit; and more significantly, the content of the speeches provided a telling indicator of the complexities and contradictions that characterise the politics of skilled immigration policy. For this reason, I want to start my talk by looking at these comments in some detail.

The recent controversy over the 457 work visa scheme:

Prime Minister Gillard's recent criticisms of the 457 visa followed reforms announced by the Immigration Minister Brendan O'Connor to tighten aspects of the scheme's regulation. These reforms essentially seek to do three main things:

1. Remove any potential incentives for employers to use the scheme to deny opportunities to resident workers;
2. Ensure that the scheme can be used only to fill genuine skills shortages; and
3. Improve the protections for migrant workers engaged under the scheme.

These reforms are sensible. They essentially continue to give employers the capacity to engage skilled visas when they are needed, while also ensuring that the interests of workers – whether they be new migrants or existing residents – are protected. But these reforms can also be characterised as minor and incremental in nature. They do not fundamentally alter the capacity of employers to use the 457 visa to engage skilled migrants. They simply represent a consolidation of existing reforms that the Rudd government introduced in 2009 (which did make some important changes to protecting workers and preventing employer abuse of the scheme).

As well as being incremental reforms, the problems that they seek to address are essentially at the margins. There have been examples of workers being

mistreated under the 457 visa scheme, but these have been isolated examples, relegated to a relatively small number of employers. The scheme has otherwise been working effectively in ensuring that the vast majority of employers use 457 visas for their intended purpose: to address skills shortages where no resident can be found to fill a vacancy, and in a manner that does not undermine the wages, conditions and opportunities for residents.

Michael Easson, the former secretary of the NSW Labor Council, had some things to say about the recent controversy of the 457 visa scheme. He said that *“the reform package was carefully calibrated. The same can’t be said for the rhetoric”*. Easson is well placed to make this assessment. As the Chairman of the Ministerial Advisory Council on Skilled Migration, he has been an important player in the design of the reforms. He also made a plea to the leaders of unions and business that are represented on the council *“to ensure we think hard about the consequences of any statement made” about the reforms.*¹

It’s a shame that the government itself did not follow Easson’s advice. In March, Prime Minister Gillard said that the reforms of the 457 visa scheme were aimed at stopping “foreign workers being put at the front of the queue with Australian workers at the back”. The Prime Minister also said that *“we will not allow Australian workers to be denied the opportunity to fill Australian jobs. Labor’s policy on Australian jobs is to put Australian workers first”*. In promoting recent reforms, the Immigration Minister Brendan O’Connor claimed that *“overseas workers are willing to come in on lesser wages which have pushed down wages at a time when wages should have been on the rise”*.

Now I have not seen any evidence to support these assertions. The Immigration Department’s own data shows that workers engaged on 457 visas tend to be highly-skilled and professional workers on above-average salaries. They are concentrated in areas of the economy that are expanding – and therefore by definition characterised by skills shortages –such as IT and communications, health services, and mining construction. Many of them work in regional areas where it’s difficult to find skilled workers, especially for essential services such as health care. In relation to Minister O’Connor’s assertion, our system of

¹ ABC-TV, ‘Do skilled migration numbers match the political rhetoric?’, 7.30 Report, 14 March 2013, available at: <http://www.abc.net.au/7.30/content/2013/s3716010.htm>



employment regulation has proved effective at preventing employers from using migrant workers to undercut wage standards.

This is also the assessment of the leading demographer Professor Peter McDonald of the Australian National University, who says that 457 visa holders fill around one-sixth of all job vacancies in the country, and that these are in areas of genuine skills shortage. As both Peter McDonald and Michael Easson have argued in the wake of the recent controversy, the gap between the rhetoric of the government and the reality of incremental reforms to a generally well-functioning immigration program risks undermining public confidence in the system, and can produce unintended consequences.

So what can therefore explain the recent comments of the Prime Minister and the Immigration Minister? While they were both speaking ostensibly about skilled immigration policy, their comments were really about politics, and we really need to understand this distinction to understand why they used rather exaggerated rhetoric to promote essentially modest reforms. In particular, we need to understand the relationship between skilled immigration policy with two other issues: the politics of skills policy, and the politics of immigration control.

Skilled immigration and the politics of skills policy

Now one factor explaining the government's recent assertions about the regulation of 457 visas relates to concerns by certain trade unions (especially those representing workers in the skilled trades and construction industries) about the long term problems associated with Australia's skills policy. In her speech to the Australian Council of Trade Unions in March, Prime Minister Gillard made something of a valid point when asserting that "the areas where temporary work from overseas is growing show that this is work for which we can and should train young Australians". This comment resonates with a concern expressed by these unions that the most appropriate way to address skills shortages is through skilled training policy, not skilled immigration policy. I have sympathy for this view – but also believe that problems with our skills policy framework are very difficult to resolve.

Our skills policy framework has eroded over the past 20 years. This is a consequence of the economic changes that have followed from the liberal market reforms of the 1980s and 1990s. Since these reforms were

implemented, we've seen three trends in our labour market that have impacted adversely on our skills training system.

Firstly, we've seen governments abandon the traditional industry-based frameworks for training that once compelled all employers in a given industry to invest in workforce training. In its place, a market-driven skills policy framework has been introduced. This policy aims to be responsive to the short-term needs of employers, but it's less concerned with long term outcomes. And as a result, this market-driven framework has contributed to a decline in the quality of apprenticeships, it's eroded our base of transferable skills, and it's led to diminished investment by employers in skills.

The second adverse trend in the labour market is the large shift towards a more casualised workforce, which now accounts for one-quarter of the Australian workforce (and doesn't include the 10-15% of workers in other forms of non-permanent or non-standard employment). This trend has been detrimental to our skills base because casual and other forms of non-permanent workers are much less likely to receive structured training than permanent workers.

The third issue is the structural changes that we've seen in the Australian economy, in the form of industry privatisation and the shift away from manufacturing and towards services and commodities. These changes are significant because the parts of the economy in decline over recent decades, such as manufacturing and state-owned enterprises, were large providers of training and apprenticeships. On the other hand, the industries that have flourished, such as those in the services and mining industries, are renowned for their poor investment in training.

These three trends – towards market-based training, workforce casualisation and industry restructuring – have had the effect of undermining the responsiveness of domestic skills supply to meet labour market demand efficiently. Employers are now more reliant on poaching (or recruiting from other firms) to fill job vacancies, rather than training workers that they already employ. And in the context of the high labour market demand that we've experienced in recent years, employers have increasingly come to look to immigration to fill their job vacancies.



As I said, I have sympathy for the union view about the use of immigration to make up for these shortcomings of our skills framework. But these shortcomings are very hard to address. To do so effectively, we would essentially have to extensively re-regulate labour markets and product markets. This would create much short-term upheaval for business, and would therefore be resisted fiercely by the business community, making it very difficult to comprehend for policymakers and politicians.

More importantly, such a move would also have economic costs. Australia is an open and liberal economy operating in a global market consisting almost entirely of open and liberal economies. This context requires firms to have greater flexibility than in the past to adapt to changing market conditions, including in relation to how they meet their skills needs. This changing context has also made the Australian economy more dynamic than it was 30 years ago. This makes it difficult to use training policy to address skills shortages. To a greater degree than in the past, a skills shortage today is not necessarily a skills shortage in 12 months' time. So if we did invest more in domestic skills programs, there is a risk that much of this investment would not have the desired effect.

In this context, I would argue that relying more on skilled immigration, as a complement to our existing domestic skills policy, is not a bad option for meeting skills shortages. But this carries other risks as a long-term policy solution, because skilled immigration policy is highly susceptible to the politics of immigration control.

Skilled immigration and the politics of immigration control

The broader politics of immigration control is another factor explaining the gap between the government's rhetoric in relation to 457 visas and the reality of a generally well-functioning policy. Out of my research, the finding that I'm most uneasy with is that: *if governments want to implement or maintain liberal and expansive skilled immigration policies, they have to undertake measures to assure the broader public that they are in control of immigration flows.* As such, it is very common for governments to send 'control signals' to placate negative public opinion about immigration.



In the post-war period, it has almost always been the case that the people wanting to reduce the prevailing immigration intake outnumber those wanting to increase it ([see Figure 5](#)). Australia is pretty unexceptional in this regard: public opinion is more favourable towards expansive immigration policies in Australia (and Canada) than virtually anywhere else. It is certainly more positive in Australia than in many European countries, where negative attitudes towards immigration are much more prevalent.

The interesting thing to note about the data presented in [Figure 5](#) is that public attitudes to immigration seem to be relatively independent of the size of the existing intake. For example, you would expect that opinion would be more hostile to immigration during periods when the intake is high, and less negative when the intake is low. In fact, the opposite is the case. During the 1960s and the first decade of the 2000s, the immigration intake was at record highs, and public opinion was relatively positive. By contrast, during the early/mid 1990s, when the immigration intake was at a historically low level, public opinion was extremely negative.

Although the size of the existing intake does not seem to affect public attitudes, the rate of unemployment *does* seem to have a notable impact ([see Figure 6](#)). As [Figure 5](#) and [Figure 6](#) indicate, the two periods when public attitudes were most favourable – the 1960s and the 2000s – were also periods of low unemployment. When public opinion was hostile in the early/mid 1990s, unemployment was relatively high.

If you look at [Figure 5](#), you can see that public opinion has become more negative since Labor came to office in 2007. And this helps to explain why government is currently trying to generate the appearance that it's cracking down on 457 visas – when in fact it's doing no such thing at all. The rhetoric of the Prime Minister and the Immigration Minister is essentially a 'control signal' designed to give the illusion to certain categories of voters that the government is in control of the immigration program, at a time when unease about the prevailing intake seems to be growing. To this end, the Gillard government is taking a page out of the playbook of the Howard government, whose legacy in this regard is worth exploring.

The Howard government presided over a record expansion of the skilled immigration program at a time when public opinion became significantly more favourable. However, declining unemployment and the strengthening of the economy cannot alone explain this. For one thing, look closely at [Figure 5](#) and [Figure 6](#) for the period from 1996-98 and also for the period from 2001-02. Between 1996 and 1998, unemployment declined by around 1.5% - quite a significant decline over a relatively short period. But not so significant as to explain the rapid decline in the number of people that wanted to reduce the immigration intake: which went from 66% to 37% over the same period. Look also at 2001-02 – the unemployment rate increased during these years. But instead of resulting in an increase in a rise in public attitudes favouring a decline intake (which is what we would normally expect), the opposite happened – more people actually wanted a bigger intake.

This illustrates that public opinion towards immigration is shaped not only by the unemployment rate and the economic climate, but also by what the former British Prime Minister Harold MacMillan famously referred to as “events”. Two significant events occurred that helps to account for the more positive views towards immigration that emerged in the periods from 1996-98 and 2001-2002. The first period (1996-98) coincided with the rise of Pauline Hanson. During these years, the Coalition claimed that Hanson’s rise had been fuelled partly by the immigration policies of its Labor predecessor, as exemplified in the comments of former Immigration Minister Philip Ruddock:

*“the [Keating] government left us with a program that was out of balance and rapidly losing public confidence. Family migration had grown significantly at the expense of the skill categories which bring substantial economic benefit to the country”.*²

It is evident from Ruddock’s comments that the Howard government looked unfavourably towards family immigration, and favourably towards skilled immigration. Opinion polls conducted at the time indicated that the vast majority of the public agreed with Ruddock. The Howard government accordingly restructured the permanent visa program to place more emphasis in immigration selection policy on ‘human capital criteria’. Applicants that were young, highly skilled and had proficiency in English were given priority in

² The sources for these and other quotes in this section can be found in CF Wright, ‘Policy legacies and the politics of labour immigration selection and control: The processes and dynamics shaping national-level policy decisions during the recent wave of international migration’, Unpublished PhD thesis, University of Cambridge, 2011, available at: <http://www.dspace.cam.ac.uk/handle/1810/237050>



immigration selection; applicants not possessing these attributes found it much harder to gain visas. Following the implementation of these reforms in period from 1996 to 1999, the family visa intake was reduced significantly and the work visa intake gradually increased.

The Whitlam, Fraser, Hawke and Keating governments all presided over relatively even intakes of skilled and family immigration – each of these governments believed that both visa categories had beneficial aspects, and that the intake of one should not significantly outstrip the intake of the other. The Howard government departed from this tradition, and instead shifted immigration policy away from family visas and squarely towards permanent skilled visas and temporary work visas. In doing so, the Howard government created a strict division between what it saw as ‘wanted’ forms of skilled immigration, against ‘unwanted’ of family (and asylum) immigration, whose contribution in narrow economic terms is more difficult to quantify.

The second period when public opinion became more favourable towards a large immigration intake (2001-2002) coincided with the Howard government’s crackdown on seaborne asylum seekers, which culminated in the Tampa episode of August 2001. The government’s response to the Tampa crisis was heavy-handed but nonetheless very popular in the broader community. And of course, this generated a large spike in popularity for the Coalition, which helped it to win the November 2001 election.

According to the Howard government ministers and senior officials that I interviewed, the high public support for its handling of immigration after the Tampa affair led to a view within the government that it had more political capital to relax skilled immigration controls after 2001.

According to a former senior official in the Prime Minister’s Office, “[*Tampa*] made it then very much easier to accept high levels of immigration without it becoming a major political debate ... because Australians had become persuaded that the borders were secure, [and] that meant they were much more willing to support higher levels of immigration ... as long as there was a strong focus on skills”. A consensus supporting this view emerged within the Howard government, including among its Immigration Ministers. Philip Ruddock believed that “*tough border protection is a means ... of building public*

confidence in the immigration programmes that you want to build". Amanda Vanstone claimed that *"we can take so many precisely because we control the borders"*.³

My research indicates it was no coincidence that the most significant reforms that expanded the skilled immigration intake occurred after the Tampa crisis. In effect, the Howard government's success in regulating the entry of forms of immigration that it deemed to be 'unwanted' functioned as a control signal, which then used as political capital to expand the intake of the forms of immigration that we 'wanted' to attract, namely skilled immigration.

The Gillard government is effectively seeking to replicate the Howard government's approach. Since 2007, Labor has continued the Howard government's policy of large permanent and temporary immigration intakes, with skilled visas dominating over family and asylum immigration. The asylum seeker issue remains something of an electoral liability for the government. Although the numbers of asylum seekers arriving is a small fraction of those arriving through the regular routes of entry, every boat that arrives in Australian territorial waters inevitably makes its way to the front page of the Daily Telegraph, thus giving palpitations to ALP strategists desperate to hold on to marginal electorates in Western Sydney.

For all the Gillard government's bluster, it has not actively sought to reduce the skilled immigration intake, because it has an economic interest in maintaining an expansive program, and the task of reforming Australia's skilled training policy is beyond it. But to be able to maintain an expansive skilled immigration policy, the government needs to send signals to the electorate that it's firmly in control of immigration flows. Its inability to achieve this in relation to asylum seekers explains its use of firmer language in relation to 457 visa holders.

Conclusion

Over the past 20 years, we have seen political discourse around immigration become increasingly inflammatory. The Howard government actively demonised family visa immigrants and asylum seekers for broader political purposes. We are now seeing the Gillard government do the same in relation to temporary

³ The quote from Vanstone is from 'Australians old and new', The Economist, 5 May 2005, available at: <http://www.economist.com/node/3908360>

work visa holders. The situation is unlikely to improve with a change of government, given Tony Abbott's response to Prime Minister's recent comments: *"This is a Prime Minister who can't stop the boats, so what's she doing? She wants to stop the brains from coming to Australia"*.

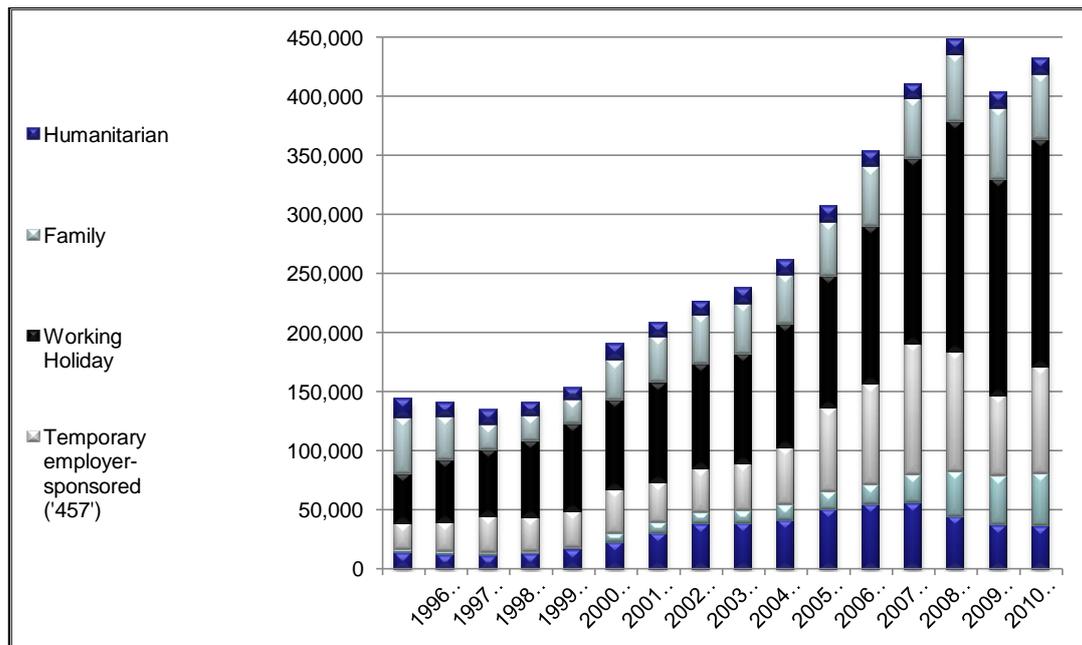
What we've witnessed is a race to the bottom in the political discourse around immigration in this country. Australia is not alone in respect – in fact, the discourse is worse in many European countries. But we seem to be moving closer to those countries, and the European experience shows us that the promotion of negative discourse in relation to immigration in the political sphere inevitably spreads into the public sphere: *the language of a country's political leaders shapes the perceptions of its residents*.

In a multicultural country such as ours, where immigration has made an important contribution to our collective prosperity and to our culture of diversity, the emergence of a negative immigration politics has some very worrying implications for our economic and social cohesion.

CCJP wishes to thank Dr. Chris Wright for a very thought provoking presentation and discussion.

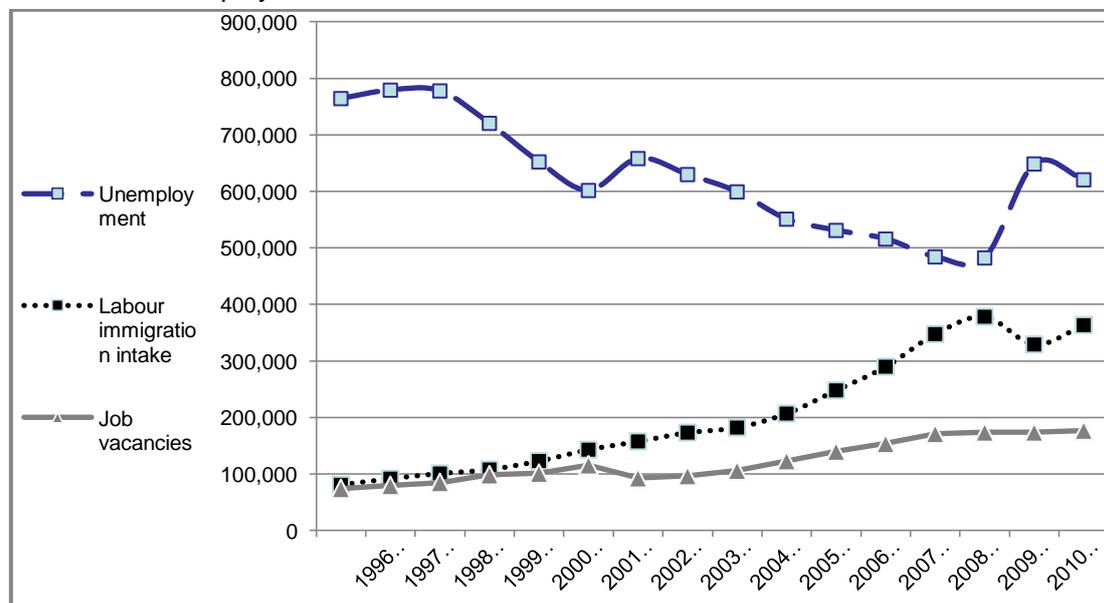
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Figure 1 Annual immigration intakes for permanent immigration program and largest temporary work visa categories, Australia, 1995/96-2007/08



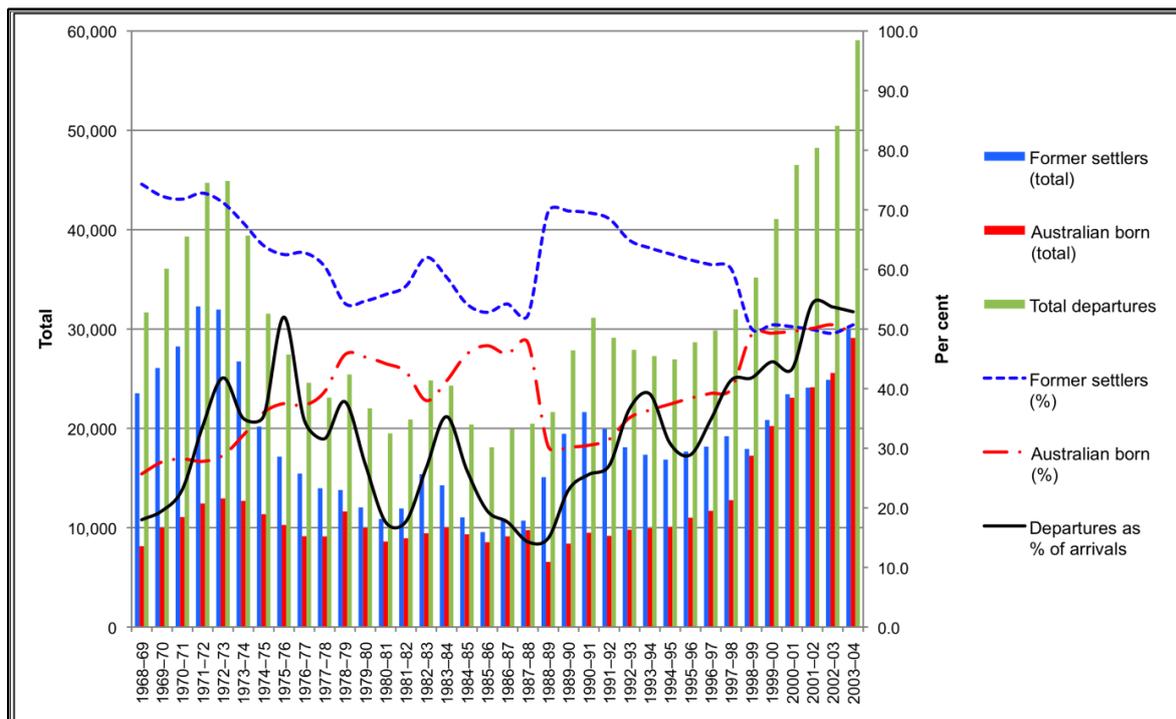
Source: Harding, Glenys, and Elizabeth Webster. 2001. *The Working Holiday Maker Scheme and the Australian Labour Market*. University of Melbourne: Melbourne Institute of Applied Economic and Social Research; Immigration Department. 2002. *Australian Immigration Consolidated Statistics, Number 21, 1999-00*. Canberra: Department of Immigration and Multicultural Affairs; Immigration Department. 2007. *Population Flows: Immigration Aspects 2006-07 Edition*. Department of Immigration and Citizenship: Canberra; Immigration Department. 2010. *Population Flows: Immigration Aspects – 2008-2009 Edition*. Department of Immigration and Citizenship: Canberra; Joint Standing Committee on Migration. 2007. *Temporary Visas ... Permanent Benefits: Ensuring the Effectiveness, Fairness and Integrity of the Temporary Business Visa Program*. Canberra: Parliament of the Commonwealth of Australia

Figure 2 Total labour immigration intakes (main visa categories), job vacancies and unemployment in Australia, 1996 to 2007



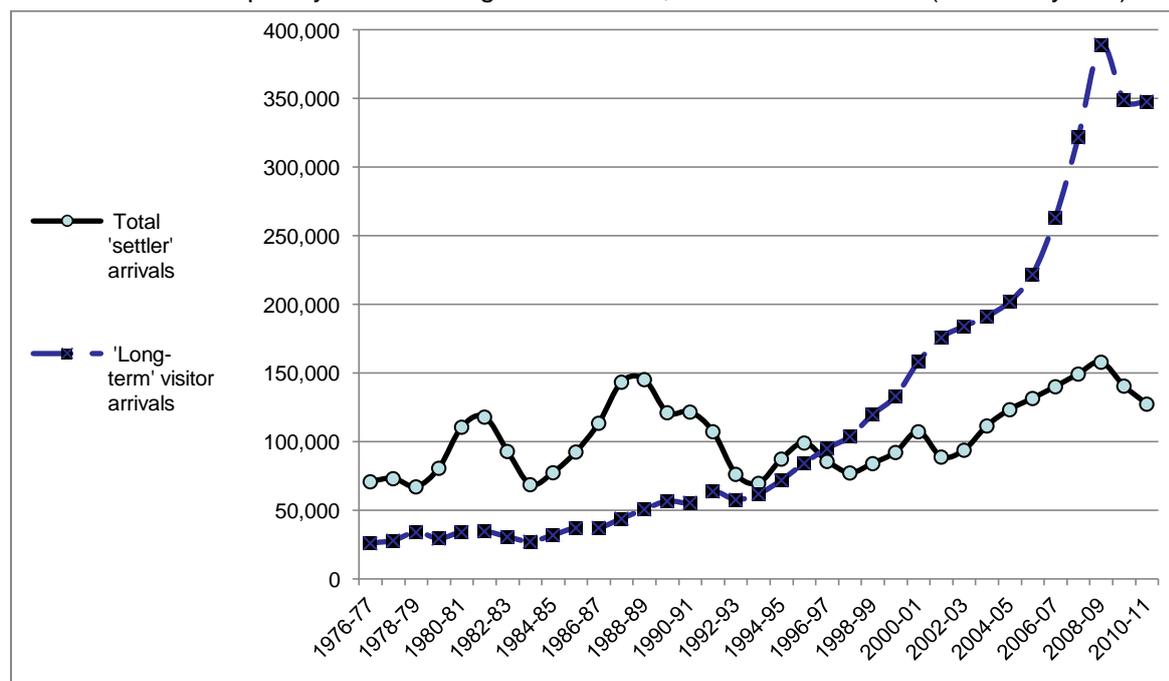
Source: OECD Statistical Extracts, Annual Labour Force Statistics (for job vacancy and unemployment statistics); Figure 1 (for labour immigration intake statistics).

Figure 3 Permanent departures from Australia, settlers and Australian-born, 1968/69 to 2003/04



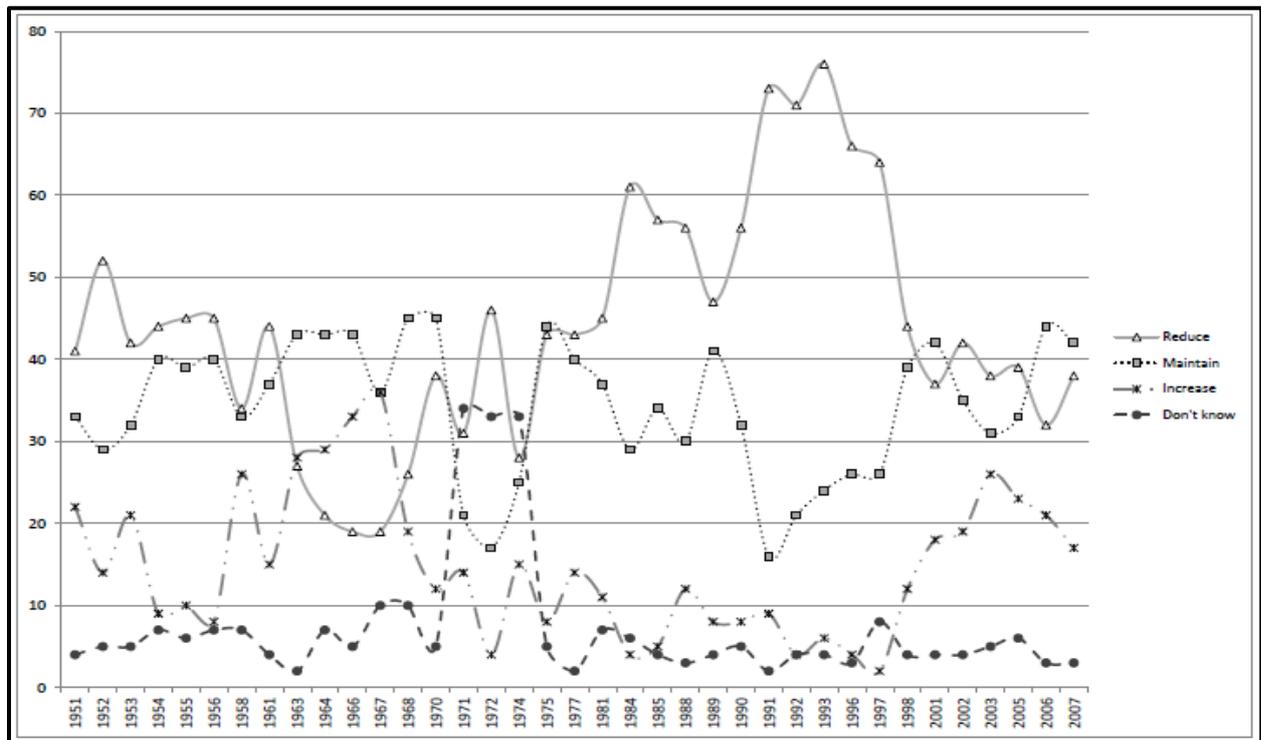
Source: Hugo, Graeme. 2004. *A New Paradigm of International Migration: Implications for Migration Policy and Planning in Australia*. Canberra: Department of Parliamentary Services, p. 59

Figure 4 ‘Settler’ (permanent) and ‘long-term’ (temporary) arrivals and permanent and temporary labour immigration intakes, 1976/77 to 2007/08 (selected years)



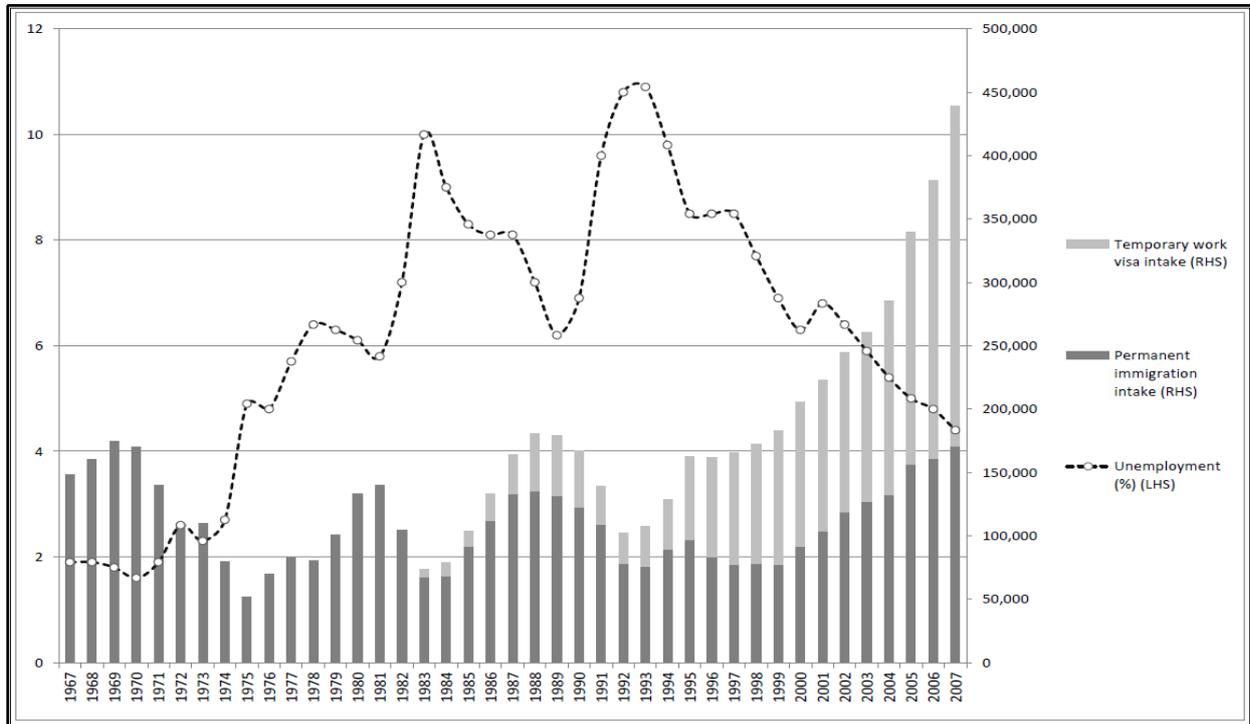
Note: ‘Settler’ arrivals include visa-holders that intend to settle permanently; ‘long-term’ arrivals include temporary visa holders (excluding returning residents) intending to stay longer than 12 months - Source: DIAC (2009) *Emigration 2008-09*, Commonwealth of Australia, Canberra (for settler and long-term statistics)

Figure 5 Public opinion on whether the immigration intake should be reduced, increased or maintained (%), Australia, 1951-2007



Source: Opinion polls conducted by ACNielsen, AES, ANOP, AuSSA, McNair, Morgan, Newpoll, Saulwick, cited in Goot, Murray. 1999. "Statistical Appendix – Migrant Numbers, Asian Immigration and Multiculturalism: Trends in the Polls, 1943–1998." *Australian Multiculturalism for a New Century: Towards Inclusiveness*. Canberra: National Multicultural Advisory Council, p. 39; Goot, Murray, and Ian Watson. 2011. *Population, Immigration and Asylum Seekers: Patterns in Australian Public Opinion*. Canberra: Department of Parliamentary Services, p. 23 - Note: Figures for 1984, 1988, 1990, 1996, 1998, 2001, 2006 and 2007 are averaged scores of the multiple polls conducted in these years.

Figure 6 Unemployment rate, permanent immigration intake and temporary work visa intake, Australia, 1967-2007



Note: Annual permanent immigration and temporary visa intake statistics are for the financial year starting; Temporary work visa statistics 1983-94 include only Working Holiday Visas; the Subclass 457 visa category was not created until 1995.

Source: Immigration Department. 2012. *Historical Migration Statistics*. Department of Immigration and Citizenship: Canberra (for permanent immigration intake statistics 1967-2007); Harding and Webster (2001, 58) for temporary work visa intake 1983-1994 statistics, Figure 1 for temporary work visa intake 1995-2007 statistics; OECD Statistics (<http://stats.oecq.org>) for unemployment statistics.