

November 7, 2016

Department of Education and Training

Via email

Re: Stakeholder consultation regarding the Skilled Occupations List (SOL) for 2016-17

Professionals Australia, wishes to make the following comments with regards to the inclusion of engineering on the SOL. We represent technical professionals in Australia, with coverage of engineers nationally, performing vital work in industries including IT, mining, construction, water, power, road and rail and advanced manufacturing. We have also included our recently released report *The Business of Skilled Migration*, which provides further details supporting our position.

Professionals Australia is particularly concerned regarding the ongoing presence of engineering occupations on the Skilled Occupations List (SOL). According to the Department of Employment, no skill shortages have been present across the engineering occupations since 2012-13, and demand has been remarkably low. With no shortages present, there is no valid reason for the retention of these professions on the SOL. We have previously written to the Hon. Scott Morrison MP and the Hon. Peter Dutton MP concerning this issue, receiving no satisfactory outcome.

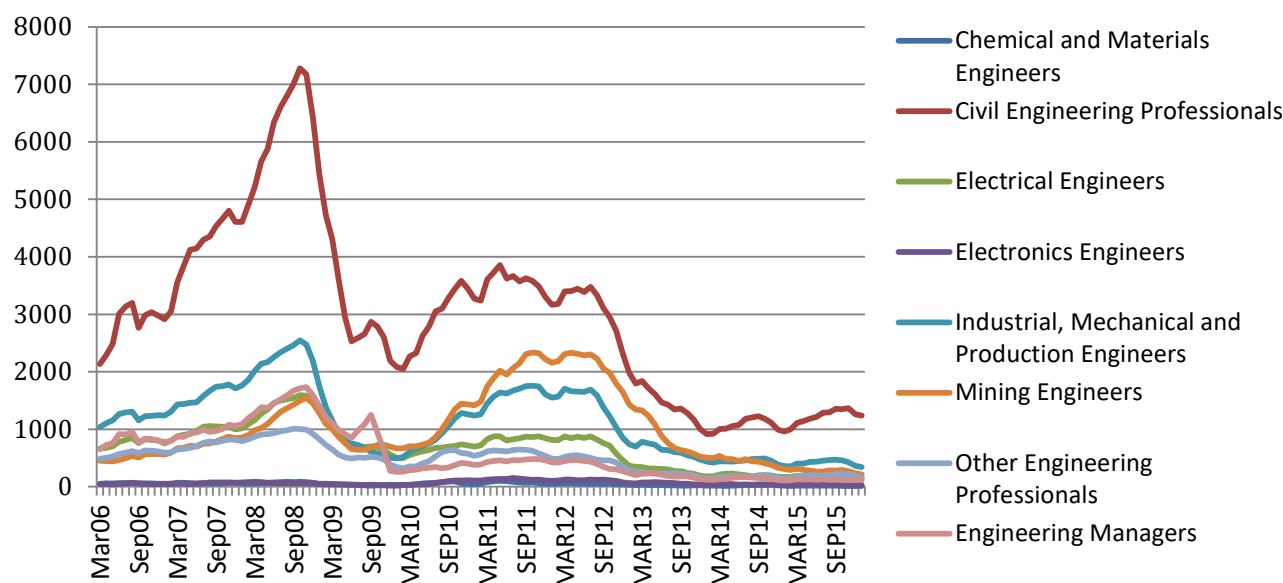
We recently put the issue to our members, who overwhelmingly support the removal of engineering professions from the SOL. During this process, over 1,300 members added their name to the letter to the Hon. Peter Dutton MP, with over 100 others wishing to directly email the minister. Our members represent the engineering profession, and their response highlights the ongoing frustration among engineers that skilled migration continues even as the flow of jobs has dried up.

Engineering in Australia

A highly skilled engineering workforce in Australia is a key enabler for many industries across Australia, with businesses relying on the design skills which only these technical professionals hold. For this reason, Professionals Australia supports the use of the SOL where shortages are present. However, since 2011-12, there has been a tangible softening in demand for engineers in Australia, with job vacancy data showing a collapse in demand across most engineering disciplines.

One of the major goals of Australia's skilled migration program is to allow the workforce to respond to new demand. At present, the low and declining level of job vacancies does not support additional skilled migration.

Figure 1: Internet Vacancy Index – engineering job vacancies



Source: Internet Vacancy Index

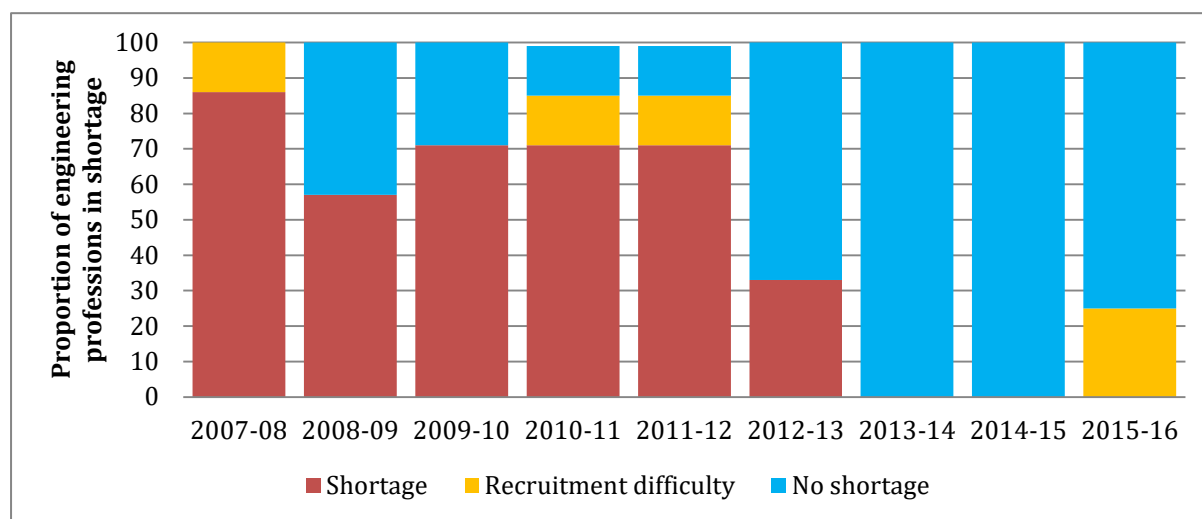
Skills shortages have declined rapidly across all engineering professions over the past five years. While some engineering occupations have exhibited shortages in the past, current assessments by the Australian Government Department of Employment identify no shortages across engineering occupations. As a result of this weaker demand and lack of shortages, the full range of engineering occupations were flagged for removal for 2015-16.

However, these occupations were not removed from the list despite no valid reason for retention, and instead remained under the list of flagged occupations for 2016-17. The presence of engineering professions on the SOL places the stability of the local job market at risk. At present the only groups in support of engineering's ongoing presence on the SOL are businesses seeking access to cheap labour, and skills assessment authorities that profit

heavily from an ongoing stream of foreign engineers.

In light of this, we ask that the disciplines of engineering on the Skilled Occupation List be removed, so as to best reflect the interests of local engineers and support the domestic labour market.

Figure 2: Proportion of engineering professions in shortage across Australia



Source: Department of Employment

The engineering profession now faces the imminent departure of the automotive industry in Australia, a much talked of re-balancing of the Australian economy away from the mining sector. Our domestic engineering workforce must be allowed to meet the demands of our industry in this uncertain and dynamic environment. The current over-reliance on skilled migration does nothing to assist our economy, migrant engineers or our domestic workforce. Increasingly industry is using skilled migration as the preference to meet the demands of patchy infrastructure procurement at a low cost, rather than engaging in proper workforce development.

We have recently enlisted the support of our membership to encourage government action on this issue. It is firmly our view - and the view of our members - that the government must ensure the SOL reflects the current labour market conditions by removing engineering from the SOL. Instead, government should invest in a vibrant domestic workforce, providing opportunities for graduate employment and workforce development.

Conclusion

Professionals Australia strongly advocates for the removal of all engineering disciplines from the SOL. The promotion and preference given to migration in these categories should be approached with significant caution. At present, the current employment market for these professions shows signs of oversupply, with unemployment and underemployment remaining stubbornly high. The prevailing employment market does not warrant the presence of engineers on the SOL.

If you have any queries about this matter, or wish to discuss it further, please do not hesitate to contact me.

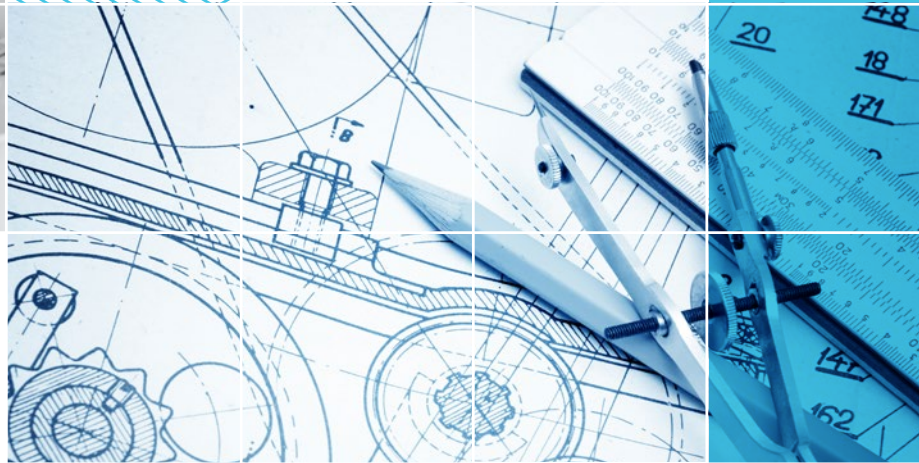
Yours sincerely

A handwritten signature in black ink that reads "C. Walton". The signature is written in a cursive, flowing style.

Chris Walton, CEO



ASSOCIATION OF
**Professional
Engineers
Australia**



THE BUSINESS OF SKILLED MIGRATION

A Professionals Australia report



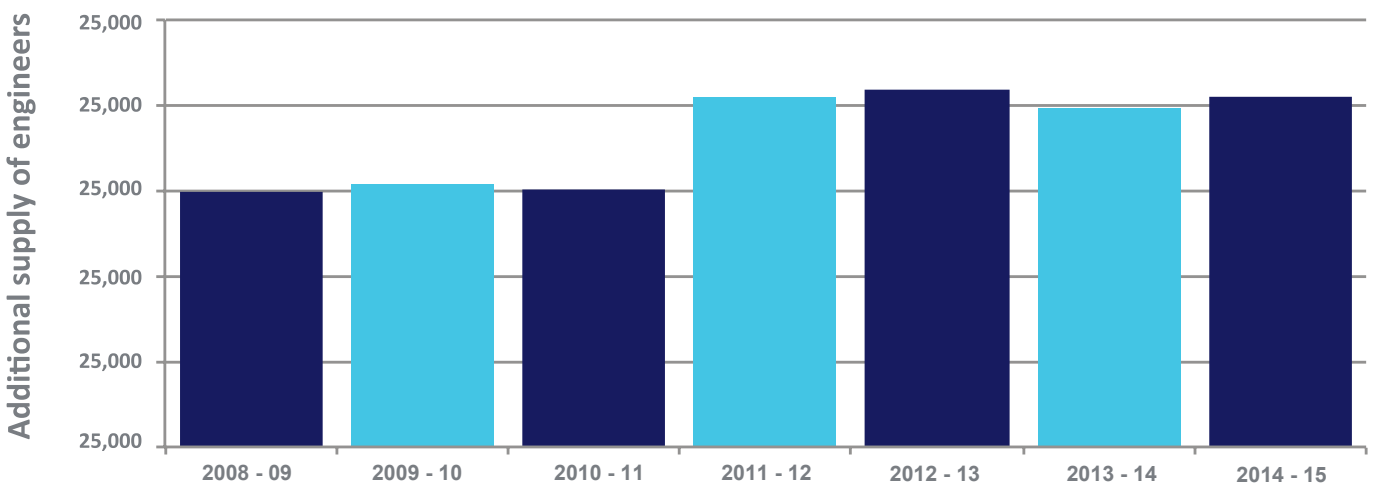
In recent years the skilled migration of engineers has reached record high levels.

Skills shortages during the mining boom prompted a rise in skilled migration of engineers to Australia, increasing to over 20,000 per year.

The mining boom has since slowed and skills shortages have abated, yet skilled migration has remained strong, even rising over the past year.

Professionals Australia has prepared a report on Australia's skilled migration program to inform our members of the current status of labour markets and to assist with conveying arguments for and against skilled migration of engineers.

Figure 1: Additional supply of skilled migrant engineers



Source: Engineers Australia, Statistical Overview

SKILLS SHORTAGES

Skills shortages have declined rapidly across all engineering professions over the past five years.

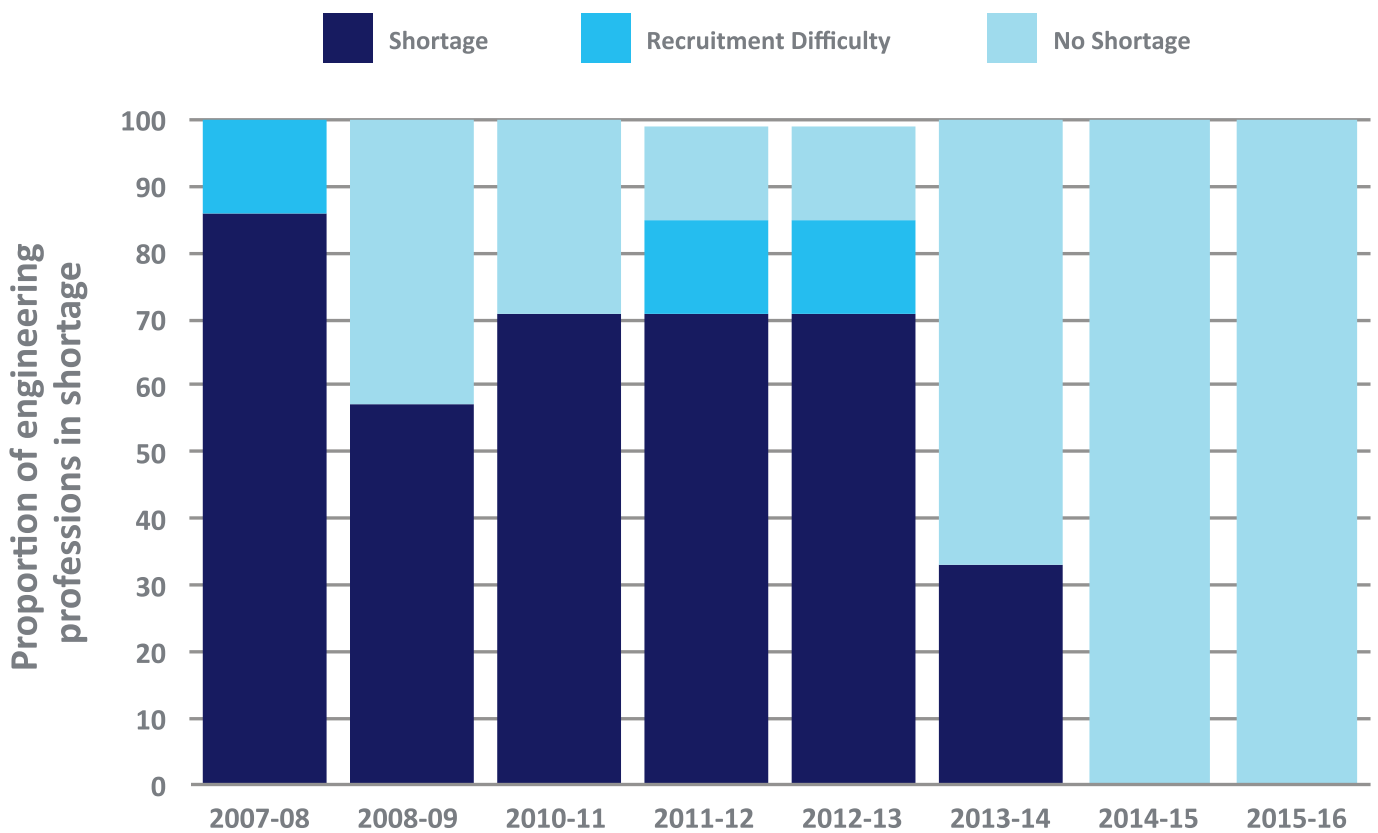
While some engineering occupations have exhibited skills shortages in the past, current assessments by the Australian Government Department of Employment identify no shortages across engineering occupations .

The mining boom was largely responsible for the skills shortages experienced across the industry, as the sector underwent a once in a generation investment in new mining operations. With the mining sector in a steadier output phase, shortages have ceased.

The purpose of skilled migration in Australia is to attract suitably qualified and employable applicants from abroad, in order to provide workforce support in areas where a genuine need exists. At present, based on the current supply and demand for skilled engineers in Australia, there is no obvious need for further skilled migration of engineers at present.

³Andre Kaspura (2014). The Engineering Profession, a Statistical Overview, Eleventh Edition.

Figure 2: Proportion of engineering professions in shortage across Australia³



Source: Department of Employment

VACANCIES

Job vacancies in a profession are a useful indicator of the demand. A high number of vacancies would typically indicate growth in the profession, while a lower number of vacancies would typically indicate reduced demand.

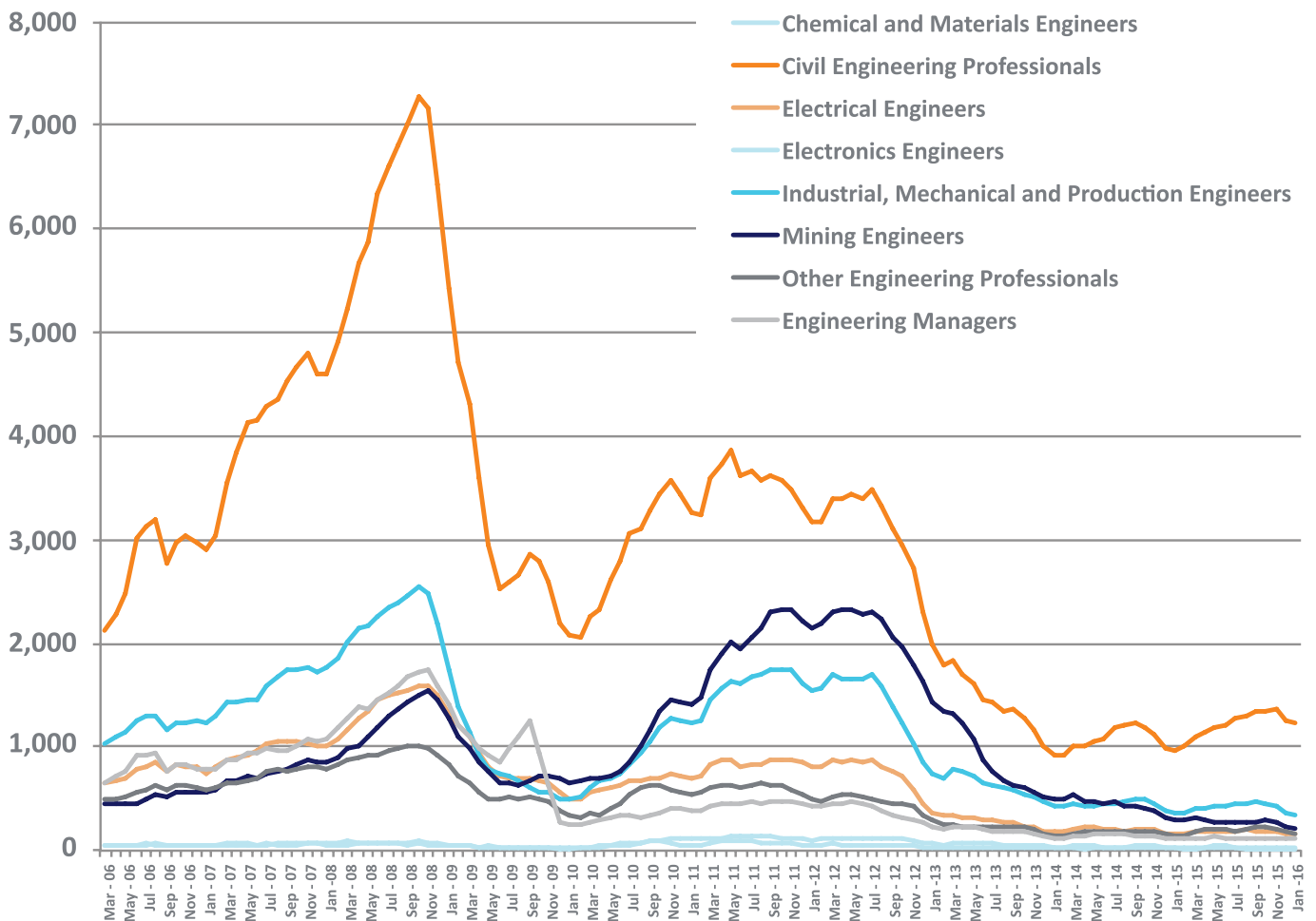
While the profession exhibited a large number of vacancies in several areas throughout the mining boom, the slowdown of capital investment and construction in mining and the shift towards a mining output boom has eased the pressure on the profession. Weaker infrastructure investment in recent years has also contributed to a slowdown in engineering job vacancies.

The internet vacancy index has displayed a marked decline in the number of job advertisements since peaks in 2008 and 2012, with the overall level of new advertisements dropping into line with the historical average. This data shows that there are fewer new engineering positions being established than in recent years.

One of the major goals of Australia’s skilled migration program is to allow the workforce to respond to new demand. Where demand and new jobs are growing rapidly and cannot be catered for by current graduate numbers, skilled migration can fill the gap. At present, the low level of job vacancies does not appear to support additional skilled migration.

³<http://docs.employment.gov.au/system/files/doc/other/engineeringprofessionsaus.pdf> Last accessed May 6, 2016.

Figure 3: Internet Vacancy Index – engineering job vacancies



Source: Internet Vacancy Index

THE INFLUENCE OF BUSINESS ON IMMIGRATION

Current evidence supports a reduction in Australia's intake of migrant engineers. With no skill shortages, very low vacancy rates and an all-time high supply of engineers, there is little justification for boosting the current stocks through the skilled migration program.

Despite the large body of evidence for reducing skilled migration, one of the major factors preventing the removal of engineering from the Skilled Occupations List (SOL) is the continued support for engineers to remain on the SOL by organisations including Engineers Australia and Consult Australia.

These organisations regularly make the following points in submission and policy positions:

- No current skills shortages exist in engineering;
- There is currently weaker demand for engineers due to weaker mining and infrastructure investment;
- Vacancy numbers for engineering roles have remained low since the end of 2013;
- Only about 45% of qualified migrant engineers are actually employed in engineering roles and unemployment of migrant engineers is high compared with their Australian counterparts.

However, whilst these points seemingly make the case for reduced intake of migrant engineers, submissions from both organisations to the Department of Education and Training on the Australian Government's Skilled Occupations List (SOL) for 2016-17, support all engineering occupations remaining on the SOL.

Professionals Australia does not support this position and believes that the labour market data supports the case for removal of engineering occupations from the SOL.

WHO BENEFITS?

The purpose of the skilled migration program is to ensure that Australia has the necessary skilled professional supply to meet short-term labour market demand. This was clearly demonstrated in 2012-2013 when the peak in engineers holding subclass 457 visas coincided with the peak in vacancies for engineers. As vacancies fell however, so did the number of engineers working in Australia. By 2014-15, it became clear that policies to reduce dependence on skilled migration were not working according to their intended design when a large number of engineers remained employed on 457 temporary visas even though there had been two years of data indicating no shortages of engineers.

Consult Australia reports the numbers of engineers of all levels arriving on temporary visas as rising from 2,260 in 2003-04 to 7,490 in 2007-08, dropping to 6,900 in 2008-09 and further to 4,460 in 2009-10, before rising again to 6,940 in 2010-11. Consult Australia argue that these fluctuating figures provide evidence of employers using the temporary migration program in response to local skills needs and availability.

⁴Engineers Australia, The skilled occupation list for 2016-17, Oct 2015.

⁵Engineers Australia, The state of the engineering profession, Jan 2016.

⁶Engineers Australia, Vacancies for engineers 2015 update, Feb 2016.

⁷Andre Kaspura (2014). The Engineering Profession, a Statistical Overview, Eleventh Edition.

⁸Engineers Australia, Queensland Labour Market Analysis, May report, 2016

⁹Consult Australia, Review of Skilled Migration and the 400 Series Visas, October 2014.

Workforce participation and employment figures however do not support claims that employers simply use the skilled migration program to appropriately address critical shortages. While the intake of skilled migrant engineers is increasing, so is their rate of unemployment; additionally, workforce participation is going down. The increase in migration skills assessments performed is in inverse proportion to demand for engineers, which is running steadily in the opposite direction.

Why then do employers and their representatives argue for continued high levels of intakes of migrant engineers? Professionals Australia believes that advocates for the continued intake of migrant engineers do so because increasing the pool of workers from which to choose suits the needs of big employers. Large companies benefit from being able to import labour rather than train and develop Australians. The purpose of skilled migration is not to make business more profitable at the expense of the development of the domestic workforce.

Labour Market Testing (LMT) underpins the skilled migration and 400 series visa programmes by requiring local advertising of vacancies and consultation with labour organisations to establish the factual basis of shortages. In 2014, Consult Australia however argued for the removal of LMT on the basis that LMT added administrative burdens to an industry that is already struggling, partly due to 'the high cost of doing business'. Professionals Australia does not support this proposition with published figures indicating that thirteen of Consult Australia's member companies are in the Top 2000 Australian companies, with a combined revenue of over \$16 billion. Worley Parsons, for example, is one of the highest profile company's in Australia, with a revenue of \$8.76 billion and profits over the last four years of approximately \$1.25 billion.



Consult Australia's surveying of their members indicates that 85% of medium sized firms report 0% intake of new recruits in the last year coming from overseas. Thus, it is the largest firms making the greatest use of skilled migration.

Professionals Australia believes that the skilled migration program needs to benefit the domestic engineering workforce and broader community ahead of large companies seeking to reduce business expenses.

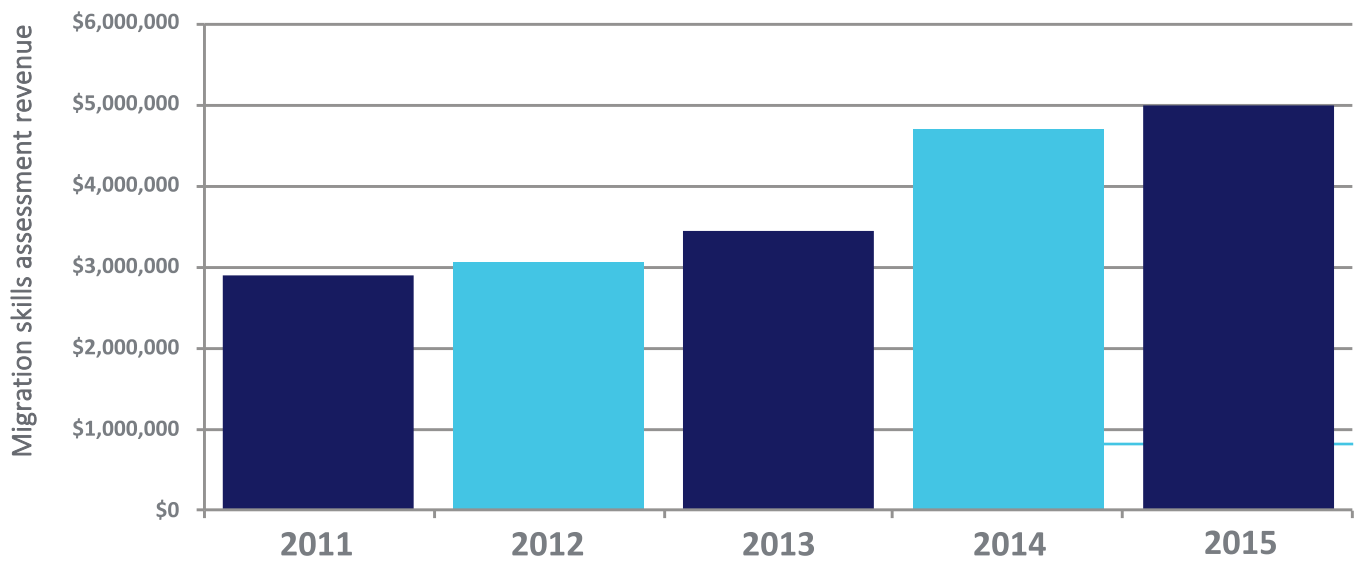
While engineering consultancies increasingly act as the infrastructure delivery arms of government, they cannot be expected to invest in domestic engineering workforce development akin to how government departments have in the past. They act in their commercial interest, and as they deal with a 'lumpy' pipeline for infrastructure, find the short-term commitment from skilled migration best suited to their business model. Therefore, if government continues to disburse public monies through an outsourced model, they must act to ensure that there is a societal dividend, most appropriately in broadening our skills base. A reliance on skilled migration does not achieve this.

ASSESSMENT ENTITIES: FINANCIAL BENEFITS

The skilled migration program also benefits registered assessment agencies who administer key aspects of the scheme.

Engineers Australia is currently the only body approved by government to assess overseas engineering qualifications. Migrant engineers seeking access to the 400 series visa program are required to have their qualifications assessed for eligibility. The provision of assessment services provided Engineers Australia with \$5 million in revenue in 2015, and more than \$16 million since 2011-2012.

Figure 4: Engineers Australia – Migration skills assessment revenue



Source: Engineers Australia Annual Reports

Whilst Professionals Australia has no issue with assessment entities charging fees for services they provide, we believe it is critical that government assessment of occupations listed on the SOL be based on impartial advice and in the interests of the Australian domestic professional workforce.

Large employers seeking to reduce their wages bill through pools of cheaper labour and assessment entities with a financial benefit from the scheme have a vested interest in maintaining high levels of skilled migration regardless of the evidence provided by labour market data.

Reviewing the Skilled Migration & 400 Series Visa Programmes

The Group reported an underlying net profit after tax of \$198.6 million (excluding \$198.6 million impairment of goodwill, a clear non-operational cost) Worley Parsons, Annual Report 2015.

Consult Australia, 2014 Skills Survey Results.

THE IMPACT ON THE WORKFORCE

Domestic and migrant engineers are both affected by the current state of the engineering labor market.

The continuing supply of engineers through the skilled migration program and the potential to generate as unnecessary oversupply of engineers in the Australian labour market impacts on the development of the domestic workforce. In these circumstances there is no incentive for employers to provide quality professional development and training with domestic engineers missing out on the opportunities they need to build their engineering expertise. Consult Australia's surveying of their membership demonstrates the decline in domestic training as the migrant intake numbers increase. Of those firms with the greatest capacity to offer training to their staff, the biggest firms, only 58% reported they were providing training to retain staff in 2014, down 25% on the previous year (from 83%), and down 42% from 2011 when 100% of large firms reported using training to retain professionally qualified staff.

Whilst the labour market data indicates there is no current skills shortage in engineering, the massive infrastructure demands in Australia see a number of big projects underway or in planning. This is evidenced by the infrastructure commitments of the Victorian and New South Wales governments and the ongoing planning for significant national rail projects. The potential for a large demand for engineering skills across the country at the same time may result in future pressures on labour supply.

Figure 5: Overseas-born engineering labour markets and comparative participation rates; (Source: ABS).

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Permanent Visas	5906	7451	6300	8473	8585	9424	11556
Temporary Visas	9032	7905	8872	12046	12354	10374	8928
Total Skilled Migrants	14938	15356	15172	20519	20939	19798	20484
5 yr Annualised Growth							5.90%

	2008	2009	2010	2011	2012	2013	2014
Graduates	8164	8367	8935	9424	9896	10461	11074
Total Additional Supply	23102	23723	24107	29943	30835	30259	31558
Migrant %	64.7%	64.7%	62.9%	68.5%	67.9%	65.4%	64.9%
Graduate %	35.3%	35.3%	37.1%	31.5%	32.1%	34.6%	35.1%

	% working in eng	Unemployment
Overseas born	55.5%	4.7%
Domestic	69.9%	2.2%

GRADUATES

During the skills shortage the engineering workforce became strained, with longer average working hours than other professions impacting on recruitment difficulties. These stresses meant that stakeholders have struggled during and in the years after to introduce effective workplace development strategies. More than ever, workforce development should now be the focus of dialogue between government and industry.

As Figure 5 shows, domestic engineers enjoy a higher participation rate and lower unemployment rate than their overseas born counterparts, but the workforce is ageing while domestic engineering graduates with less than 5 years of experience are struggling to find work. Data from Graduate Careers Australia shows that, in 2009, 92.6% of all new graduates found some sort of work and the remaining 7.4% were unemployed. This employment figure includes those who found part time work or work outside engineering fields while continuing to look for full time engineering work. At the same time, 87.1% of new engineering graduates found full time work and 4.9% found part time work – giving an overall employment figure of 92.0% and an overall unemployment figure of 8.1%.

By 2014, 88.4% of all graduates had some kind of employment, with 11.6% unemployed. The fall for new engineering graduates was harder: 72.2% had full time work and the proportion accepting part time work more than doubled to 12.0%. Fewer engineers found work than new graduates overall and 15.8% of new engineering graduates were unemployed.

As there is no current demonstrable evidence of any skills shortage, continued inclusion of engineering occupations on the SOL creates significant risk of importing entry-level services at the expense of fostering domestic engineering talent and industry opportunities.

Without adequate workforce development strategies, the impact of the ageing workforce on our national engineering capability will worsen. Australia's supply of skilled engineering professionals must be nourished by policies that encourage the mentoring of less experienced engineers by their older and more experienced colleagues. Continued encouragement of overseas-born engineers to apply to live and work as engineers in Australia cannot be sustained when there is insufficient work to justify supplementing domestic labour supply.

The ultimate beneficiary of efforts to enrich the engineering workforce should be the Australian community not assessment entities or large corporations seeking to drive down wages. Current arrangements have driven growth in skilled migration while at the same time driven down both employment opportunities for domestic engineers and workforce participation of skilled migrants. Whilst the profit margins of large employers may benefit from a pool of churn-and-burn migrant labour the effect of this being a driver of immigration policy is the diminishing of the recognition, respect and reward of the Australian professional engineering workforce and acts as a disincentive to investment in building a vibrant domestic workforce.

The Australian government needs to ensure the advice on which it bases decisions regarding the occupations included on the SOL is impartial and independent and not clouded by commercial interest.

¹⁵Consult Australia, Skills Survey Results, 2011, 2013, 2014.

¹⁶Kaspura (2011), p63. The Engineering Profession. A Statistical Overview, Eight Edition; Engineers Australia, The Engineering Profession, A Statistical Overview, (12th Ed) 2015.

¹⁷Australian Public Service Commission (2008). State of the Service Report. <http://www.apsc.gov.au/stateoftheservice/0708/six.htm> last accessed February 22, 2012.

¹⁸Engineers Australia, The Engineering Profession, A Statistical Overview, (12th Ed) 2015.

¹⁹Graduate Careers Australia (2011), p4. Beyond Graduation 2010.

²⁰Engineers Australia, The Engineering Profession, A Statistical Overview, (12th Ed) 2015; note that while Graduate Careers Council (GCC) do not use the ABS definition for the unemployment rate, results of their survey allow for a valid examination of change over time.

M I G R A N T E N G I N E E R S

No one group is failed more by our over-reliance on skilled migration than overseas born engineers. Given we have a cohort of qualified, experienced and in-demand professionals being under-utilised, there is pressing need to provide better orientation and support mechanisms designed to make them employment-ready.

The unemployment rate of overseas-born engineers is currently more than double that of domestic engineers, at 4.7% (compared to 2.2%) and many can't find work as engineers – their workforce participation rate is just 55%.

Engineering Education Australia (EEA), an Engineers Australia subsidiary, offers a range of transition programs for international engineers of varying length. Many of these represent a substantial financial and time commitment for professionals already resident in Australia under migration programs in part policed by Engineers Australia.

Courses such as the Skilled Professional Migrant Program and the Skillmax course offered by Victoria and NSW AMES respectively offer a faster path for learning for experienced engineers. These shorter forms of course need to be closely looked at and a determination made if they have broader utility and can be supported better by government and industry.

Lower participation rates and higher unemployment rates among overseas born engineers make it hard to justify maintaining the current intake of skilled migrants.

Professionals Australia believes that overuse of the skilled migration program needs to be replaced with a policy framework that targets increased workforce participation and lower unemployment within the existing overseas-born engineer population. Measures that provide better orientation and support mechanisms designed to improve the employment readiness of migrant engineers, will enrich Australia's engineering workforce, reduce unemployment and increase participation.

See figure 5. Source: ABS



RECOMMENDATIONS

Australia's renewed focus on building an innovation economy and increasing educational attainment relies on our most important and practical innovators - Australia's engineers. Professionals Australia seeks to work with all Australian governments to deliver systemic solutions to imbalances in the engineering labour market and enable Australia to modernise as the clever country within the global economy.

In light of this analysis, Professionals Australia make the following recommendations:

1. That the Commonwealth Government freeze the intake of migrant engineers and that engineering occupations be removed from the SOL;
2. That the Commonwealth Government establish a Skilled Workforce Development Council, which would advise on the appropriate acquittal of infrastructure funding, including ensuring States and Territories have engineering capacity and assess workforce development programs of bidders in infrastructure procurement;
3. That the Commonwealth Government establish a grants program for engineering mentoring programs in the public service across all jurisdictions, which would represent a two-year wage subsidy to enable and encourage the employment of graduates and retention of experienced engineers for the purpose of mentoring new entrants;
4. That the Commonwealth Government ensure all Australian governments are informed purchasers, which includes all jurisdictions have in place having adequate administrative support, transition to retirement plans, workplace flexibility and mentoring by older engineers for new employees.
5. That the Commonwealth Government consults more widely with independent representatives of the engineering profession in approving the SOL and ensures decision-making powers are not devolved to entities that profit from migration skills assessments;
6. The Commonwealth Government urgently develop advisory materials that clarify competency requirements of migrant engineers including equivalence of qualifications, and best practice workplace support;
7. That the Commonwealth Government develop and implement auditable orientation training requirements for employers of migrant engineers and identify short courses which can assist migrant engineers to be work ready.





ASSOCIATION OF
**Professional
Engineers
Australia**



THE BUSINESS OF SKILLED MIGRATION

**The Association of Professional Engineers
Australia (APEA)**

A division of Professionals Australia

Level 1, 163 Eastern Road
SOUTH MELBOURNE VIC 3205
info@professionalsaustralia.org.au
1300 273 762

