

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

Critical Date \_\_\_\_\_

<del>APPROVED/NOT APPROVED</del>	
SIGNED:	<i>Prebble</i>
DATE:	12/10/12

**Minute to Secretary**

**SUBJECT: BUSINESS AND SKILLED MIGRATION**

Secretary's notation:

**Recommendation:**

That you:

1. note that the Business and Skilled Migration team (BSM) within the department has been invited to submit feedback in relation to the questions raised in "Tasmania's Place in the Asian Century" Issues Paper
2. approve the below comments to be forwarded to the coordinating section within the Department of Premier and Cabinet (DPAC).

**Background:**

To complement the Australian Government's "Australia in the Asian Century" White Paper, the Premier of Tasmania announced in March 2012 that the Tasmanian Government would commission a White Paper on 'Tasmania's Place in the Asian Century'. The paper will explore and identify the ways for Tasmania to seize the opportunities arising in the area.

In today's global economy, people mobility will match the mobility of capital, goods, services, knowledge and technology. In the Issues Paper published in August 2012, Item 4 describes 'Asian literacy' as not simply an issue of speaking Asian languages but having cultural and institutional knowledge, experience and networks to successfully develop and maintain business relationships with Asia. It also points out that Tasmania may be behind the rest of Australia in this regard. To further explore this matter, the policy division within DPAC invited BSM to provide feedback with a specific focus on economic migration. The briefing note covers the current situation, alternative policy suggestions and potential areas for effective positive impact in capitalising from the fast growing Asian economy.



Jonathan Wood  
**Deputy Secretary**

11 October 2012

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## **Issues Background Note: Tasmania in the Asian Century White Paper Tasmanian International Migration**

### **Current situation – Overseas migration to Tasmania**

Australian migration schemes are administered by the Federal Department of Immigration and Citizenship (DIAC) and there are three types of migration: 'humanitarian entrants' (i.e. refugees/asylum seekers), 'family migrants' (i.e. spouse, parents etc.), and 'economic migrants' (i.e. skilled workers and business investors).

Australia's intake of economic migrants is 130 000 places and 60 000 for family migrants. A further allocation of 13 750 is set aside for humanitarian entrants. Tasmania attracted 1 572 migrants in 2011/12, economic migrants making up 53 per cent of that total.

Australia is a very popular migration destination, and as such strong international demand has to be cautiously constrained by Australia's immigration planning level and tight immigration criteria. In Tasmania, however, there is only limited demand for migration. This might be explained because of the state's low international profile and limited 'pull factors,' such as established ethnic communities or a fast growing economy. (For example, as addressed in the Issues Paper, 7.4 per cent of Australian population speak an Asian language, while it is only 1.6 per cent in Tasmania.)

Apart from the formal policy articulated in Tasmania Together (community's aspirational goals originally setting a benchmark to increase the migration share from the current 0.8 per cent to 2 per cent by 2015 and 3 per cent by 2020 - these have subsequently been revised down to 1 per cent by 2015/2020) migration has a lower policy profile in Tasmania.

### **The Role of State Government under the migration program**

In Tasmania, the Department of Economic Development, Tourism and the Arts (DEDTA) administers the state sponsorship schemes for skilled/business migrants as well as the Regional Certifying Body to assess skilled vacancies under the permanent employer sponsored visa program. The State's engagement with migration is based on:

- a memorandum of understanding known as the 'State Migration Plan' (SMP) between each jurisdiction and DIAC which identifies numbers of sponsored economic migrants over the four year period of the agreement
- sponsorship/nomination of economic migrants
- promotion of migration to Tasmania (very limited in Tasmania's case); and
- policy feedback to DIAC

Tasmania currently does not fill the migration quota identified in the SMP. For skilled migrants the quota has been set at 150 spaces for the last couple of years. 75 were nominated in 2011-12 and only 13 so far in 2012/13 (as at 3 October 2012). From 2012/2013, the Business owner/investor visa category has also been included in the SMP. Tasmania has been allocated 17 spaces for the first half of the year (and this will be reviewed later in the year) but nominated only 4 applicant since 1 July 2012 to date. The major drivers of migration intake to the state are:

- Tasmania has relatively few skilled vacancies which cannot be filled locally. Where shortages cannot be filled from the local market, recruitment overseas is limited due to the high cost involved. The highest demand has traditionally been in the medical disciplines, but even that has been curtailed due to budget constraints

- Promotion of Business Migration: While business migration is not dependent on local employment opportunities, it is dependent on marketing efforts to actively promote the state to intending business migrations.

In Tasmania the budget for economic migration promotional activities and resources has been significantly reduced for the financial year 2012/13. This, combined with Tasmania's low migrant population (i.e. no 'chain migration'), low international profile and the perception of limited economic opportunities, results in Tasmania receiving a very small share of Australia's business migration with the potential for further decline in the future.

This contrasts with the position in other Australian states:

- Western Australia and the Northern Territory have strong drivers for international migration to fill labour and skills shortages associated with major resource projects. These jurisdictions travel overseas frequently and extensively to recruit migrants. (Despite being a small jurisdiction, Northern Territory's migration team travels overseas 15 times per year on average.)
- Queensland similarly supports immigration for both resource projects and regional development, including tourism and agriculture.
- South Australia has a clear and quantitative goal for population increase (to increase Adelaide's population from 1.6 million to 2.0 million by 2027) and considers overseas migration as the primary leverage. It is statistically proven that more than 60 per cent of national population increase derives from overseas migration. While South Australia's economy also suffers from lower growth; South Australia's policy is based on the belief that increasing critical mass will result in economic prosperity.
- New South Wales was historically not as active in migration promotion as other states due to Sydney's already high level of attractiveness to migrants. The new Farrell Liberal government, however, has identified migration as one of the top five priorities for economic development ('NSW 2012: A Plan to Make NSW Number One'). Accordingly, it has indicated a desire to aggressively increase the state's share of both skilled and business migration (with the responsible minister demanding a larger allocation under the State Migration Plan at a recent Select Council for Immigration and Settlement).
- Victoria has more than 50 per cent of the share of business/investment migration, thanks largely to strong ties with China. A strong presence of Victorian ethnic communities also supports all forms of migration. Victoria previously had a quantitative goal for skilled migration of 25 per cent of the national intake. The goal no longer exists but the Victorian government is currently planning to have an external consultant examine their migration operation to further improve the migration strategy and services within the state.
- The Australian Capital Territory has a very low unemployment rate and is keen to fill any employment gaps with highly skilled migrants.

## **Preliminary Analysis**

As mentioned above, Tasmania's low share of international economic migrants is self-fulfilling:

- Low migration levels lead to lower population growth, and may also be attributed to a slower economic growth; therefore fewer employment opportunities for locals and migrants (e.g. more than 60 per cent of Australia's population growth comes from overseas migration. Tasmania's population growth rate is the lowest in the country);
- lower community recognition of the potential contribution of migrants to the economy and community; and
- smaller ethnic communities that otherwise attract and welcome migrants, and provide a constituency in favour of immigration.

## **Connections between migration and key economic areas**

Migration is commonly identified as a critical factor in attracting students to Australia. Statistics show that in 2008, 38 per cent of Chinese students and 66 per cent of Indian students migrated after completing their study in Australia. Focusing on the areas of study, 67 per cent of accounting graduates and more than 50 per cent of nursing graduates migrated. It is especially common with Asian students to choose a region where family/friends have already settled. To increase the number of overseas students it is critical to identify and understand their motivations and decision making process. Supporting their desire for migration and developing more substantial ethnic communities by increasing migration may lead to a contributing pull factor for international education.

It is well known that international students create a significant demand for international tourists. Research shows that a significant proportion of international visitors quote 'visiting family/friends as the purpose of their visit. Comparing 2010/11 and 2011/12; the total number of international visitors to Tasmania declined by 5 per cent, and the only category which showed an increase was 'visiting family/friends', indicating the steady demand regardless of the prevailing economic climate.

Migration is also closely related to foreign investment. When Chinese mining companies consider investing in Australia for example, they usually intend sending their own management personnel and other workers, hence visa related matters need to be addressed. Especially for individual investors, who usually have significant corporate/business background, many are driven by the objective of securing permanent residency visas. DEDTA recently sponsored a Chinese business person who intends to invest \$5 million into a Tasmanian cherry farm. Another Chinese national is considering a \$7 million investment into a Tasmanian mining company and DEDTA is discussing nomination for a permanent residency visa. DEDTA has also been approached by multiple migration agents regarding the new Significant Investor visa which requires at least \$5 million dollars to invest in either state Treasury bond, Australian Securities and Investment Commission (ASIC) regulated managed funds with a mandate for investing in Australia, or actively operating private Australian companies not listed on the Australian stock exchange.

The Tasmanian government has adopted an approach that skill shortages should be addressed by training locals. Nevertheless, skill gaps cannot be filled in a timely and effective manner with this strategy alone. Workplaces often need experienced/senior skilled workers to fill current shortages, whilst training locals takes time and only produces newly qualified personnel with little experience in the field. Skilled migrants do not displace Tasmanians; rather, they complement the state's skill base and training capacity, and also bring in many other benefits such as creation of downstream jobs, international linkages and often the introduction of new technologies/methodologies.

## Potential Future Strategies

Nationally, the vast majority of business migrants are from China. Other source countries include Korea and the UK, with India and Malaysia emerging sources of business migrants. For skilled migration, the top source country is China, followed by the UK and India. Given the economic benefits of migration, one may consider it is strategically important to increase economic migration. This could be achieved through more flexible visa sponsorship requirements. Higher promotional budget allocations may also assist coupled with, integration with other promotions, such as trade, investment and education promotional activities.

Whilst there is capacity for the Tasmanian government to increase the number of economic migrants it sponsors there are risks.

There are no guarantees that migrants sponsored by Tasmania will continue to live in the State, rather than use Tasmania as a soft entry point for an Australian visa.

DEDTA currently has strict sponsorship requirements and manages 'leakage' and employment risk by only sponsoring those who have a job offer and/or substantial existing links to Tasmania. If the criteria were weakened, Tasmania would attract many more applicants. Such a policy, however, could result in potentially negative community reactions, particularly if there are narrow perceptions that migrants take 'local' jobs or place pressure on housing or other services. The fact is that economic migrants generally have a different skill profile than local workers and don't compete directly with them in the labour market. Moreover, highly skilled migrants often contribute to the creation of downstream jobs.

While leakage is viewed as a concern, this may not actually be a fundamental weakness in increasing Tasmania's sponsored migration level:

- since economic migrants are self-supporting (even permanent visa holders do not qualify for any social security benefits for at least two years), they will genuinely provide increased demand in the economy for consumption or education services, irrespective of whether they are temporary or permanent;
- a proportion of migrants will stay; with staying likely to imply a good 'fit' in terms of contribution to the Tasmanian economy and community; and
- if migrants on-migrate to mainland Australia they may retain links to the Tasmanian economy through tourism or promotion of Tasmanian products, and may later return for employment business opportunities or retirement.

With demonstrated benefits of migration for economic development, it may be desirable for Tasmania to consider setting a policy direction and strategy as an outcome of the White Paper on Tasmania's Place in the Asian Century.