

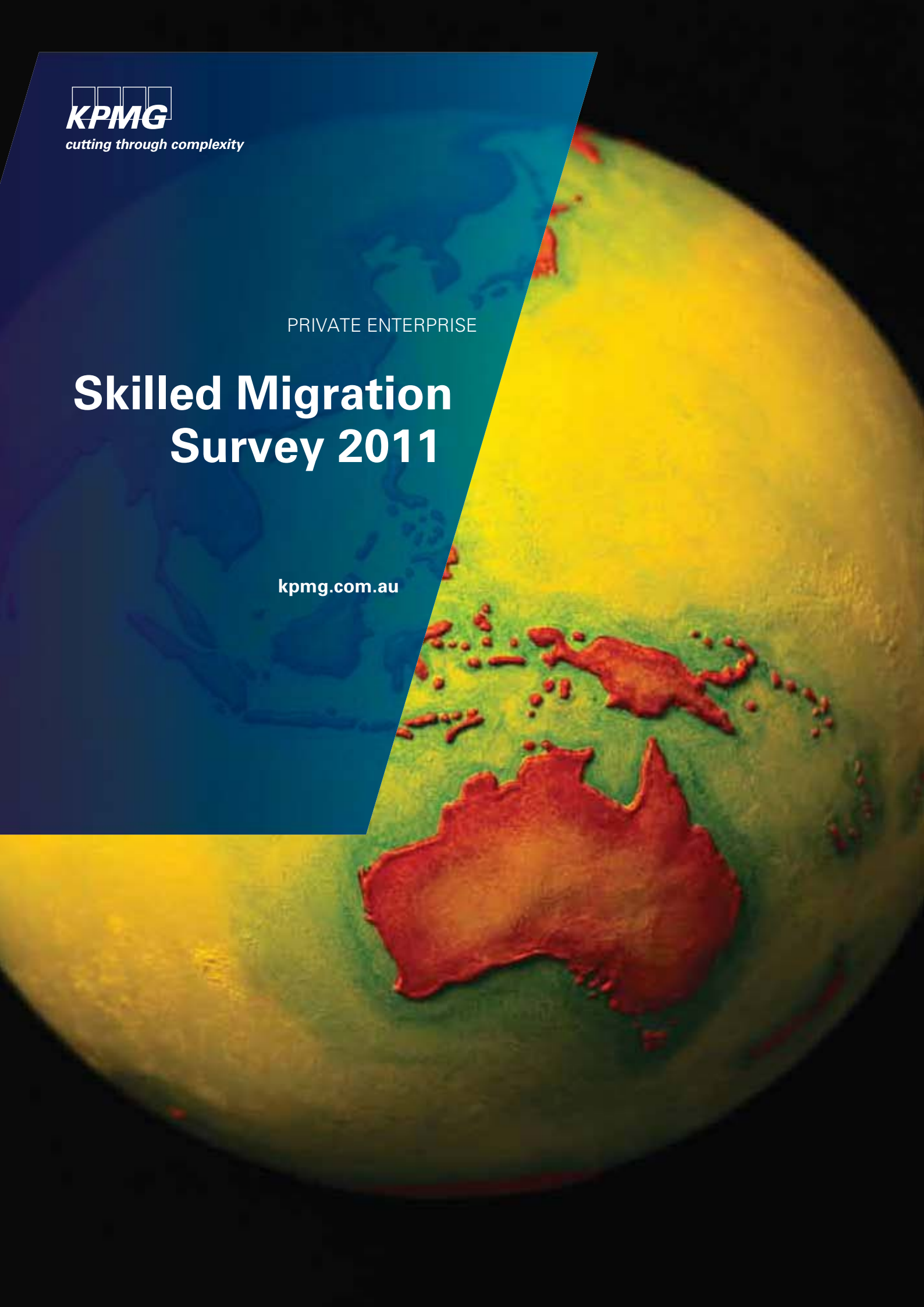


cutting through complexity

PRIVATE ENTERPRISE

Skilled Migration Survey 2011

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Introduction

'Ten percent in 12 months'

Over the past 3 years, KPMG has engaged with their clients and the wider Australian business community to understand the challenges they are facing in maintaining a productive and skilled labour force, and how they go about filling shortages. Our *2011 Skilled Migration Survey* confirms that Australia is in the midst of an increasing skills shortage and as a general measure across a number of variables, the shortage appears to have increased about 10 percent over the past 12 months.

Many employers continue to recruit offshore to satisfy their skill needs, and even as economic activity is slowing across some sectors, the accelerating retirement of the 'baby boomer' generation is leaving large skill and experience gaps in the Australian workforce. It is a trend that will intensify over the coming decade, with the first of the baby-boomers reaching age 65 in 2011.

In comparison to our 2011 survey, the shortages appear to have become more visible in the Eastern states, particularly in New South Wales. Several client interviews were conducted to deepen our insight into some of the matters raised by the survey and through these discussions it also became apparent that the shortages have spread beyond the broadly defined category of 'skilled workers' to the 'semi-skilled' labour force – an issue that is not captured when assessing the effectiveness of the 457 visa scheme, because these categories are not defined by Department of Immigration and Citizenship (DIAC) on their occupation skills list.

We have included three of these interviews as case studies to add substance to the report and we thank each of the interviewees for their time and participation. The ensuing report is based on a survey of 300 Australian enterprises conducted in July and August 2011. It was particularly focused on the recruitment of skilled foreign workers under the Australian Government's 457 visa scheme and with how companies are preparing to deal with current and future skills shortages.

The report is developed around three key interest areas, which contain the following key findings.

A national portrait of skilled migration

- Thirty-six percent of respondents have increased their skilled migration intake in the past 12 months, with the largest increases being in Western Australia and New South Wales.
- In New South Wales the proportion of employers reporting an increase in hires under 457 visas more than doubled from 2010 figures.
- Nearly 80 percent of respondents had recruited 20 or fewer workers in the past year using 457 visas, suggesting most employing organisations continued to use the scheme quite selectively.

The steady growth of a skills decline

- Sixty-one percent of our 2011 survey respondents reported experiencing skills shortages during the past 12 months compared with the 51 percent that disclosed shortages in 2010.
- A shortage of accountants and other finance professions is becoming more pronounced, as is a shortage of IT specialists and senior executives with experience in management planning and policy.

- Nearly a third of respondents said the skills they were seeking were not included on DIAC's occupation skills list.

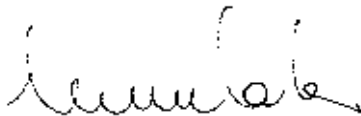
Navigating future scarcities

- More than 28 percent of respondent businesses reported that they were already feeling the effects of the departure of baby boomers from the workforce.
- Forty-three percent expected to become more reliant on 457 visa holders to fill skilled vacancies over the next 5 years, an increase of 11 percent from 2010.
- Nearly two thirds of respondents thought the Australian Government could more effectively leverage its skilled migration program to support Australia's population growth.

Keeping up-to-date with changes to migration law is still a concern for a majority of participants, yet the survey found continuing support for the 457 visa scheme with more than 80 percent saying the process had remained consistent and not become more cumbersome to use.

Readers should note that 457 visas cover long-stay temporary workers rather than permanent arrivals. However, individuals on 457 visas and their dependents become part of the overall immigration total once they have resided in Australia for 12 months. A significant proportion of workers (and their dependents) recruited under 457 visa arrangements also subsequently apply for and are granted permanent residency.

We would like to thank all the individuals who participated in the survey for their support. We trust that our readers will also find the report of interest and value.



Karen Waller
National Leader, Migration Services



A national portrait of skilled migration

The 457 visa scheme is plugging an ever-widening hole, as Australian companies look for more creative ways to grow and sustain their workforce.

The *Temporary Business [Long Stay] — Standard Business Sponsorship [Subclass 457] Visa* remains the preferred avenue for enterprises looking offshore for skilled workers, providing a convenient and flexible employment alternative to alleviating labour shortages. Under this scheme, Australian companies and foreign entities operating in Australia are entitled to sponsor skilled workers and their families, into Australia, for periods of up to 4 years.

Our 2011 survey has found that despite some deterioration in economic conditions, more than a third of respondents have increased the number of workers they had recruited using 457 visas (Figure 1). This is an increase of more than 10 percent from 2010, illustrating that the benefits of the government’s skilled migration solution are being utilised by more businesses nationally. However, nearly 80 percent of respondents had recruited 20 or fewer workers in the last year using 457 visas, suggesting most employing organisations continued to use the scheme quite selectively (Figure 2).

Figure 1: Changes to 457 visa recruitment over the past 12 months.

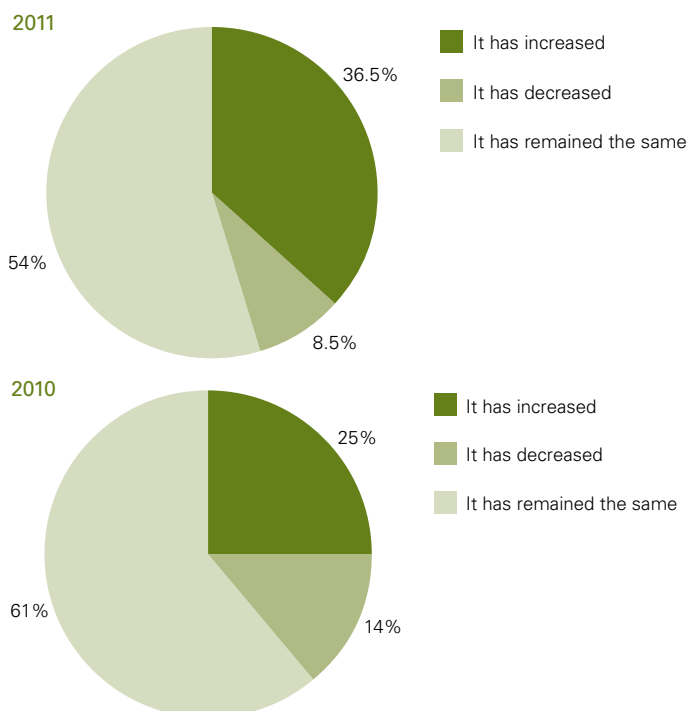
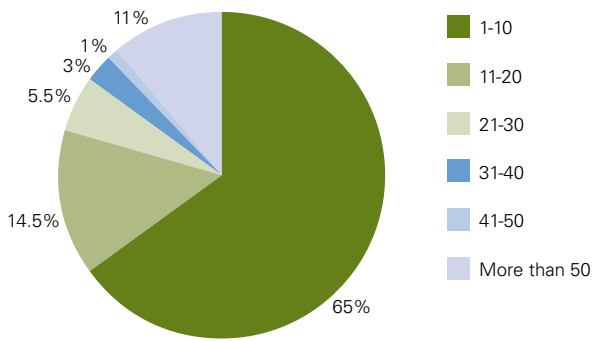
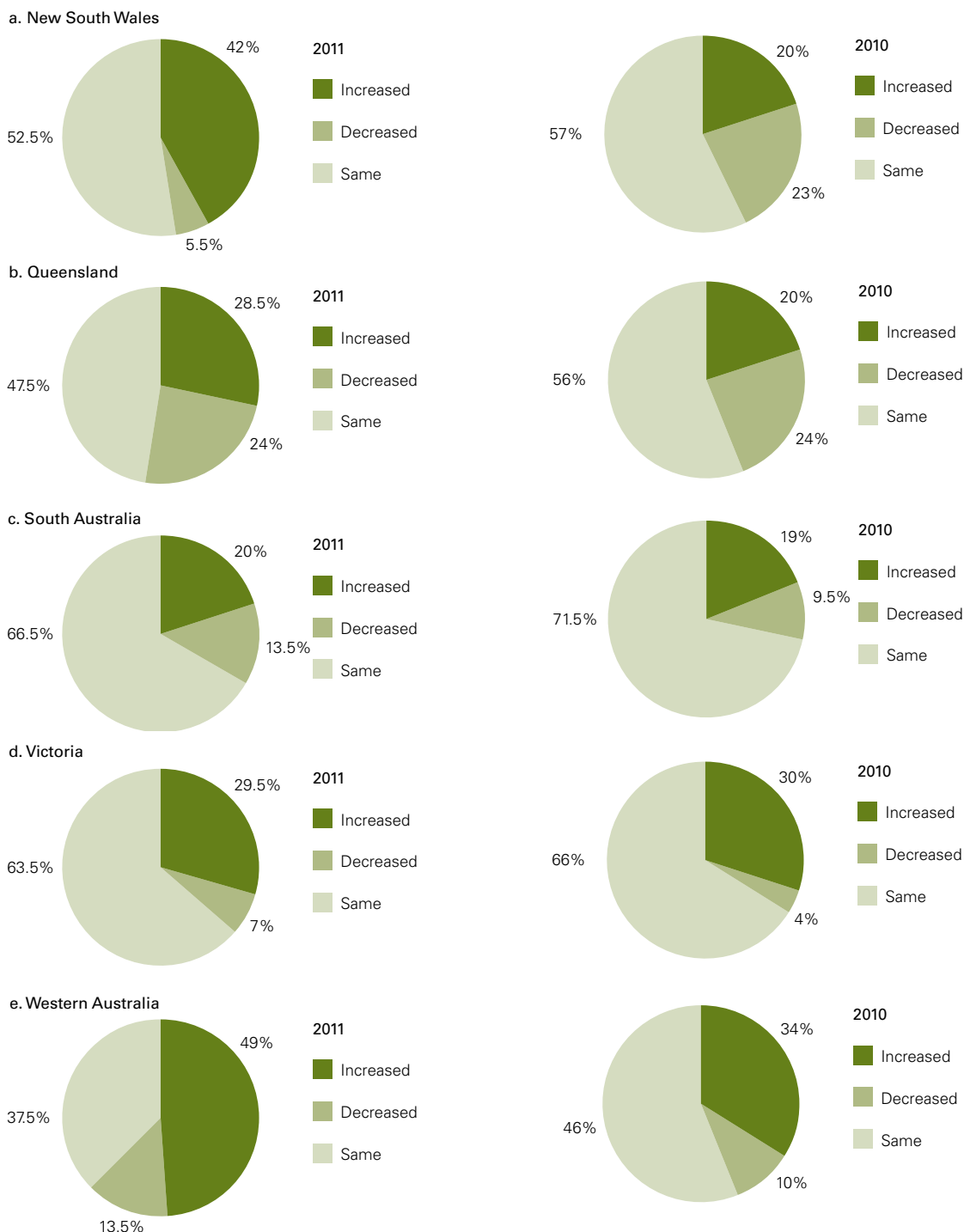


Figure 2: Number of workers per organisation recruited on the 457 visa scheme.



Figures published by DIAC show that the number of primary visa holders in Australia at 30 June 2011 was 72,030, an increase of 5.3 percent (from 68,400) in comparison with the same date last year. This is still below the historic peak of 83,000 visa holders reached in February 2009. The number of visa holders is increasing steadily as businesses continue to invest in growth following the worst of the global financial crisis.

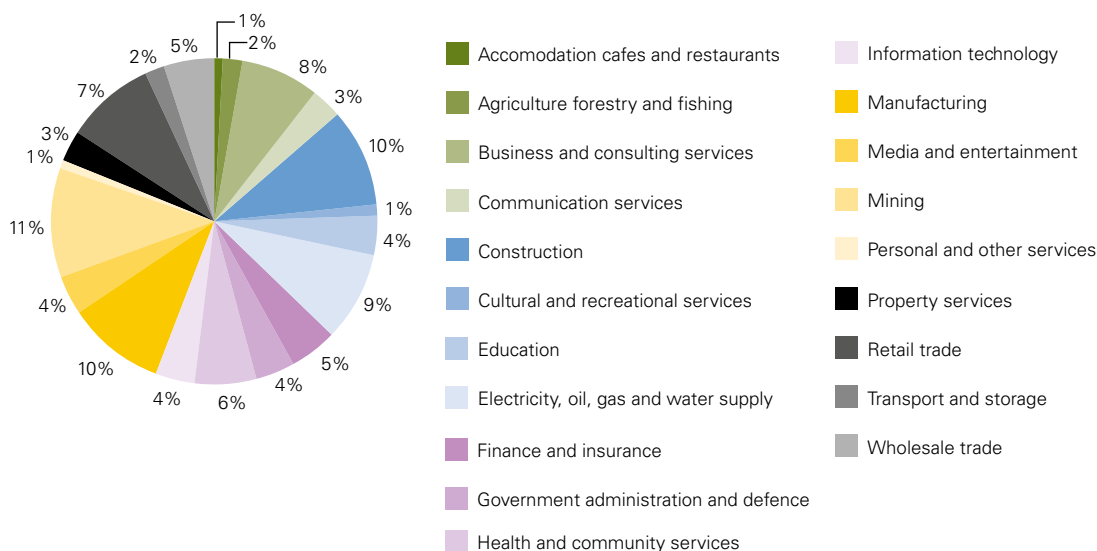
Figure 3: Movements in 457 visa hires by state over the past 12 months.



Unsurprisingly, Western Australia experienced the largest increase in 457 recruitment with nearly half the respondents from that state reporting an increase in numbers (Figure 3e). While this is obviously aligned to the resource boom, the figures do illustrate that migrant workers are becoming a more viable alternative to fill shortages. In New South Wales (Figure 3a) the proportion of employers reporting an increase in hires under 457 visas more than doubled over our 2010 figures. The reason for this increase is likely related to an increased shortage of accounting and finance professionals.

Queensland also saw an increase in the number of skilled migrants being brought into the state, while Victorian and South Australian respondents said their intake remained much the same as 2010.

Figure 4: Skilled migration increases by industry.



By Industry, increases to skilled migration are most apparent in the mining, construction, and manufacturing sectors (Figure 4). Energy and resources (electricity, oil, gas and water) saw an increase from 2010 and since last year the business and consulting services sector has reported increase usage of the scheme.

Figure 5: Source regions for skilled workers.

We asked participants the most common regions they were sourcing workers from (Figure 5). The United Kingdom and Ireland remain the source country of most of Australia’s skilled migrants with 31 percent of respondents recruiting from that region (this number was 29 percent in 2010). The rest of Europe (17.5 percent) and China/South East Asia (15.5 percent) are also strong sources of 457 migrants.

Skills	%	Skills	%
UK & Ireland	31.0	Canada	2.5
Europe	17.5	Other	2.0
China/South-East Asia	15.5	South America	1.5
South Africa	9.5	Central America	0.5
Japan/Korea	5.0	Russia or the Former Soviet States	0.5
North America (USA)	4.0	The Middle East	0.5
India	3.5	Rest of Africa	0.5
New Zealand	3.5		

The flexibility of the 457 visa is clearly attractive to many people, as is the potential for workers to convert their temporary status to permanent residency. Fifty-five percent of respondent businesses said they had supported applications for permanent residence by employees working under 457 visa arrangements in the past year. A further 60 percent expected to offer this support in the next 12 months.

Figure 6: Number of 457 visa holders supported in pathway to permanent residency in 2010/11.

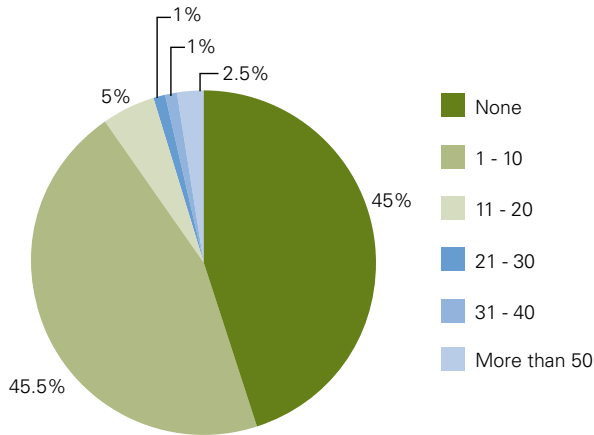
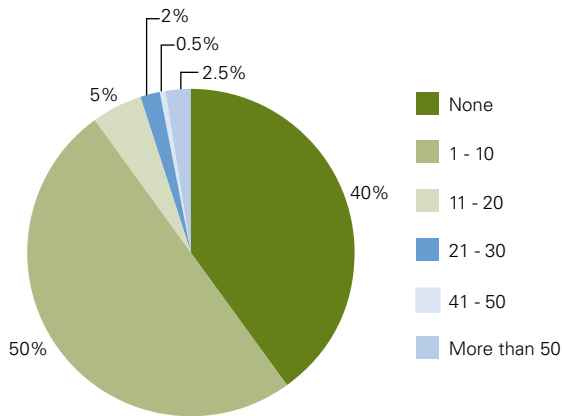


Figure 7: Anticipated number of 457 visa holders that will be supported in pathway to permanent residency in 2011/12.



Danielle Robertson

CEO

'DIAL-AN-ANGEL'

DIAL-AN-ANGEL is Australia's only national provider of a range of home-based professional housekeeping, childcare, nursing, aged care and home maintenance services. We have registered nurses, experienced carers, domestic cleaners and professional babysitters and nannies. Our minimum age is 19, but we have 'Angels' in their seventies — we have people who still have a lot of energy and want to keep active. So our workforce is very diverse.



We could probably double the size of our business if we could find quality staff. It's been an ongoing problem and is a big issue for us. We would love to go global, we would like to set up more offices in Australia too – but we don't have the resources to do that. With our business, we've always got clients, we don't market to clients, they come to us. Our criteria for hiring people are quite strict — we don't just take anyone on as an Angel. They need to have special qualities and the skills and experience we require. If we relaxed some of our criteria it might be different, but we've built our business on the quality of our service and that remains important to us.

We generally can't use the skilled migration program.

Many of the people we're seeking are not on the list of skilled occupations. I would refer to them as being 'semi-skilled'. We also don't offer full-time employment. All of our Angels are casual workers; they choose their own hours, the type of work they wish to do in the area they wish to work. They can go from client to client. It means we can't meet the sponsorship requirements of the 457 scheme, or the guaranteed annual minimum salary. We'd like to see the skilled migration system modified to allow more casual workers to come in but they must have good English and the skills and experience we need.

Gaps in the market are being filled illegally. There's an illegal market in domestic cleaners coming in from the Philippines, Poland, South America, China and India. I don't believe they are on working visas or any other visas. We can't tap into that because our 'Angels' need to be completely legitimate — they go through our books and we don't encourage a cash-in-hand situation. We're a professional organisation and we're just not prepared to engage in that sort of market. The majority of our clients also prefer to use the credit card merchant facility of DIAL-AN-ANGEL.

We regularly employ young people who are in Australia on working holiday visas. They are only allowed to work for one employer for a maximum of 6 months, then they have to move on. It would be great if the employment period of holiday makers could be extended. It would be a huge benefit to a business like ours that relies on the casual and semi-skilled workers. It's at a low cost to Australia — these visitors pay taxes and because they're temporaries we don't have to educate them or pay for their health care or social security. They are young people who want to come to Australia to work for a short period of time and mostly they are coming from the Commonwealth group of countries, where unemployment is a big issue at the moment.

We've got an ageing population, and people don't want to go into nursing homes. They want to remain in their own homes, and the government is providing incentives for them to do that. Effectively the government is putting work our way, which means our services are only going to be in higher demand. The ageing population alone means our business is secure. Yet down the track, I don't know how we're going to be able to service all our clients without more skilled workers coming into Australia.

We're looking at setting up our own Registered Training Organisation (RTO) in 2012, so we can get people through the door to complete their Certificate III in aged care or community services work, childcare and domestic cleaning, manual handling courses and first aid. I know there are currently many training organisations, but they're not feeding their graduates to us. This way we can pick out the good ones and get them on our books. It's really another way for us to pull in good quality people to recruit. It's part of our strategy to be more creative.

Bernard Salt, KPMG's resident demographer, has profiled the transition of Australia's nurse population over the past 10 years. The age profile of the nurse population in 2001 showed that most nurses were then aged 40-44; 5 years later most nurses were aged 45-49. But of greater concern than the ageing workforce is the fact that 34 percent of the registered nurse population in 2006 was aged 50 and over. Bernard believes that the baby boomers dominate nursing, as they do other broadly practiced jobs such as teaching, and that we are likely to see one-third of the Australian nursing population begin to consider retirement from 2011.

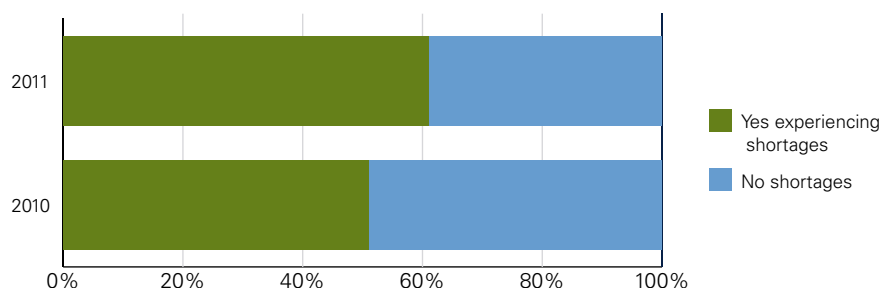


The steady growth of a skills decline

Australia's skills shortage continues to grow with sought after skills now spreading beyond the technical and trade categories.

Sixty-one percent of our 2011 survey respondents reported experiencing skills shortages during the past 12 months compared with the 51 percent that disclosed shortages in 2010.

Figure 8: Businesses experiencing skills shortages, 2011 compared to 2010.

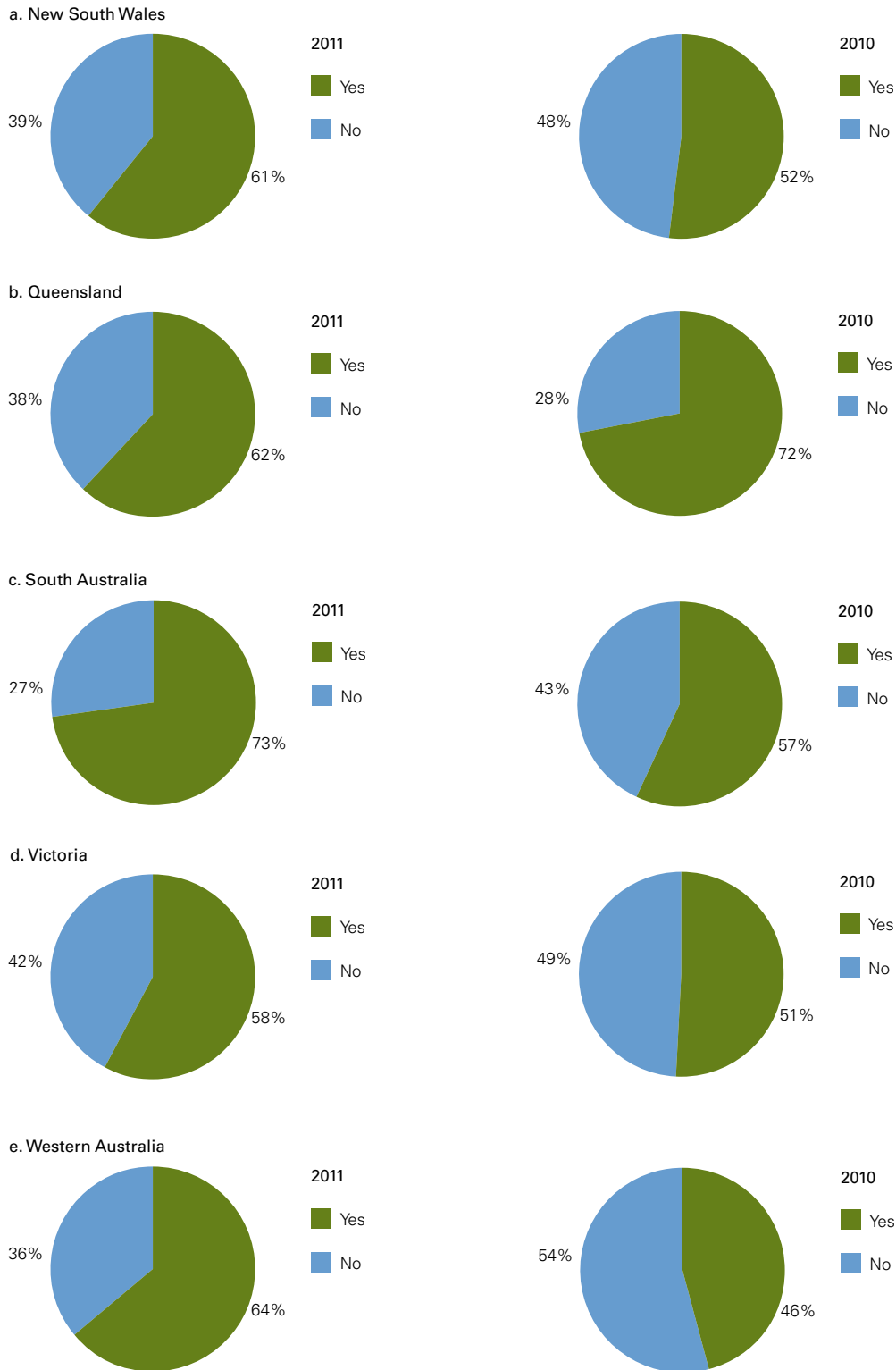


On a state-by-state basis, South Australia had the highest proportion (73 percent) of businesses claiming to be suffering a skills shortage (Figure 5). Paradoxically, only 20 percent of South Australian respondents said they had increased their recruitment under 457 visas in the previous 12 months. (Over this period the national survey average for such recruitment was 36.5 percent.)

The sharp year-on-year jump in skills shortages in Western Australia (18 percent) doubtlessly reflected ongoing investment in that state's resources sector. Meanwhile, an 11 percent increase in businesses reporting skills shortages in NSW is matched by that state's increased participation in the 457 visa skilled migration scheme (Figure 9a).

The only state to report a decrease in their skill shortage troubles was Queensland, which in 2010 reported the most significant shortages (Figure 9b). It is likely that the extensive flood and cyclone damage in that state could well have depressed activity in a range of industries, including mining and the already struggling tourism sector, and in the process alleviating the pressure on skills. Over the next 12 months it is likely that the shortage will again increase as the rebuilding efforts gain further momentum.

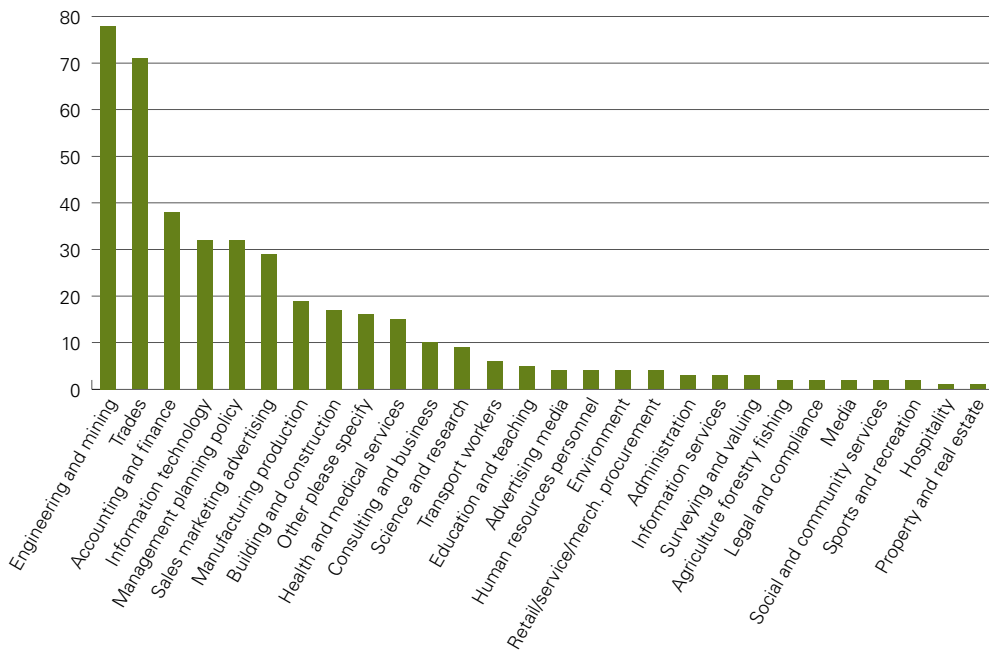
Figure 9: Reported skills shortages by state.



Analysis on the most sought after skills being brought into the country using the 457 visa scheme show that demand for engineering and mining specialists as well as the trade categories combined to be at least double that of any other skill category (Figure 10). However in a significant change from 2010, a shortage of accountants and other finance professionals is becoming more pronounced, as is a shortage of IT specialists and senior executives with experience in management planning and policy.

The large increase in skill shortages in NSW and their equivalent increased engagement in the 457 scheme is likely aligned to the reported demand for these latter mentioned professional skill sets.

Figure 10: Skills most sought from overseas.



In a change from our 2010 report, we asked participants whether the skill sets they were seeking were actually included on DIAC’s approved occupation list for 457 visa purposes. Nearly a third of our respondent businesses said the skills they were seeking were not included in the list, perhaps illustrating the lag of official lists in keeping pace with changes in the real economy.

Client interviews conducted to provide commentary around the survey findings suggested that those skills that were not included, were likely to be a reflection of the skills shortages spreading into the ‘semi-skilled’ category of the workforce.

Despite the continued proliferation of the shortages, only 13 percent of respondents said shortages were having a ‘major effect’ on the feasibility of large investment projects and 41 percent felt the shortages were having at least a ‘minor effect’ on such activity. Asked if skills shortages were affecting staff performance and morale, 30 percent agreed that existing staff were being adversely impacted, and 14 percent were unsure about the matter.

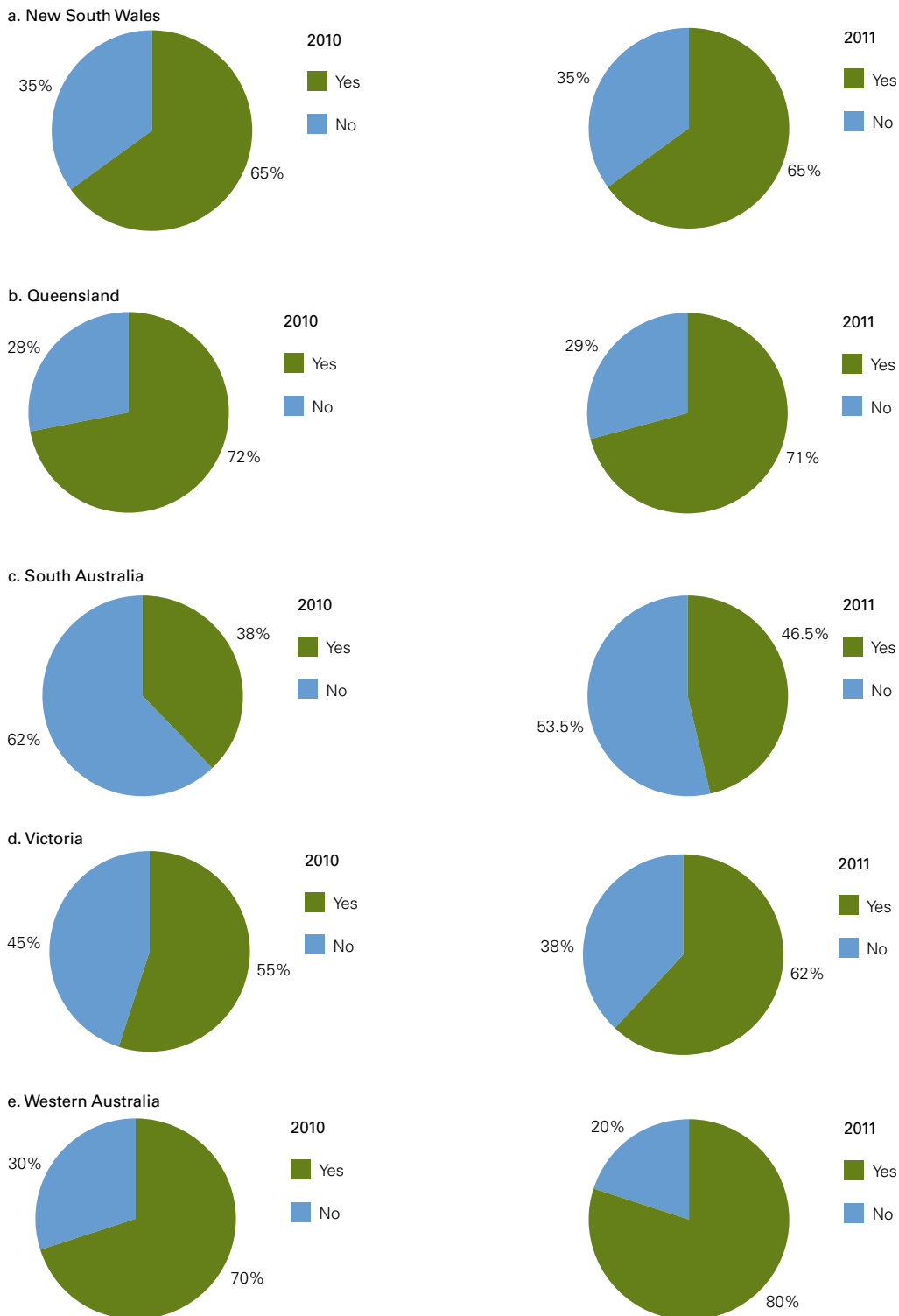
Sixty-six percent said they intend to recruit additional workers under the 457 visa scheme in the next 12 month period, an increase of 10 percent from 2010 (Figure 11). Of these, 56 percent expect the increases to be of less than 20 full time staff.

Companies from Western Australia, Victoria and South Australia planned significant increases in their 457 visa hires over the next 12 months. New South Wales and Queensland expected their offshore hiring’s to remain close to current levels.

Figure 11: Additional workers expected to be sourced on 457 visas in the next 12-months.



Figure 12: State breakdown of plans to hire under the 457 visa scheme in the next 12 months.





Jody Freestone

General Manager
Freestone Transport

There are shortages in just about every facet of operating a transport business today, but a shortage of drivers to move freight is our main worry and the shortages are more severe on the interstate routes. The average age of Australian truck drivers is between 47 and 49, and we're already starting to see many retire so we anticipate a mass exodus from the industry in 5 to 10 years.

We're competing against the mining industry for drivers, operational staff and heavy diesel mechanics. Yet we can't compete with the money being offered by mining companies. I know of transport companies that are based in Queensland who are suffering labour shortages much more than we are. It seems that the closer you are to the mining sector (in proximity), the more difficult it is to find the workers you need because they're being offered so much more by the mining companies and most businesses just can't compete with that.

We haven't used the skilled migration program before because it's just not suitable. Truck drivers aren't considered skilled professionals and aren't listed on DIAC's skilled occupations list. We've also found that there are issues in bringing in migrant workers from some countries because Australia does not recognise their licensing, even though they could be driving the equivalent machinery such as the case in Canada, the USA, and some European countries.

Our drivers are all company employees – we don't employ other 'owner-drivers'. If we can't source our own full-time drivers we have to source agency drivers and unfortunately there is a huge cost in doing that. It costs three times as much to employ an agency driver than it does to employ our own drivers, so it's a real cost burden. Hiring agency drivers also creates a quality issue and that impacts on our service delivery to our customers.

Skills shortages are impacting our ability to grow our business. We're in a good position to consider new investments; our area of freight in interstate road transport is growing by 4 to 5 percent per year and is set to double in the next 20 years. Freight is growing so quickly mainly due to increasing imports; there has been a huge surge over the past decade. So right now there are real opportunities for us to grow, but we need to also grow our labor base.

The graduated truck driver licensing scheme has created enormous barriers to entry for drivers wanting to get into the heavy vehicle sector. We only run prime movers (B Doubles) but new drivers must graduate from different classes of small to medium trucks until they reach our level. A 19-year old will be about 23 before they can drive one of our prime movers. It's OK for some of the larger transport companies that have multiple and varying pieces of road equipment, but most mid-sized companies can't provide that – they generally work within certain sectors of the industry, so like us, they can't bring in young drivers and train them up.

The global financial crisis has really damaged the transport sector in the USA, Canada and Ireland. Owner-driver fleets were all but wiped out. I've no doubt there are plenty of migrants from those countries who would jump at the opportunity to come and work here, even on a temporary basis. There are 1900 different ways to move freight in Australia, which means 1900 different jobs. A one-size fits all approach isn't going to work; the government needs to think outside the square. We may not have hit crisis level yet, but in 5 to 10 years we will and we need to start addressing it now.

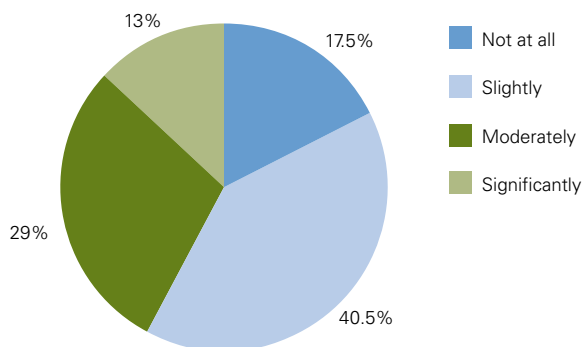


Navigating future scarcities

Adding to the skills stress are Australia's shifting demographics – notably the first of the baby-boomer generation reach age 65 in 2011. How this will affect both the demand for imported skills and local skills remains to be seen.

More than 28 percent of respondent businesses reported that they were already feeling the effects of the departure of baby boomers from the workforce. More generally, a high proportion of respondents expected Australia's ageing workforce would affect their business over the next 5 years, with 42 percent expecting the impacts to be moderate to significant (Figure 13).

Figure 13: How the ageing workforce will affect business in next 5 years.



Encouragingly, 69 percent of respondents already possessed some kind of strategy for dealing with ongoing skills shortages. Fifty-seven percent of respondents said they were planning for generational change and a similar proportion intended to capture the knowledge that otherwise might be lost with the retirement of their present baby boomer workforce.

Asked if they expected to become more reliant on 457 visa holders to fill skilled vacancies over the next five years, 43 percent of survey participants responded in the affirmative. This is an increase of 11 percent from 2010, indicating a further deterioration in skills availability. Larger companies expected to be more dependent on offshore skills than their smaller counterparts (Figure 14) with 53 percent of those expecting increased reliance reporting revenue in excess of \$100 million. The increased reliance of skilled migration is felt quite evenly across all industry sectors (Figure 15).

Figure 14: Increase reliance on skilled migration over the next 5 years, by revenue.

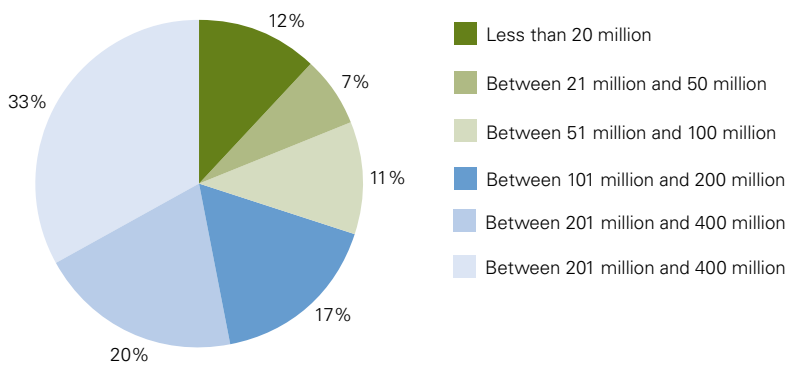
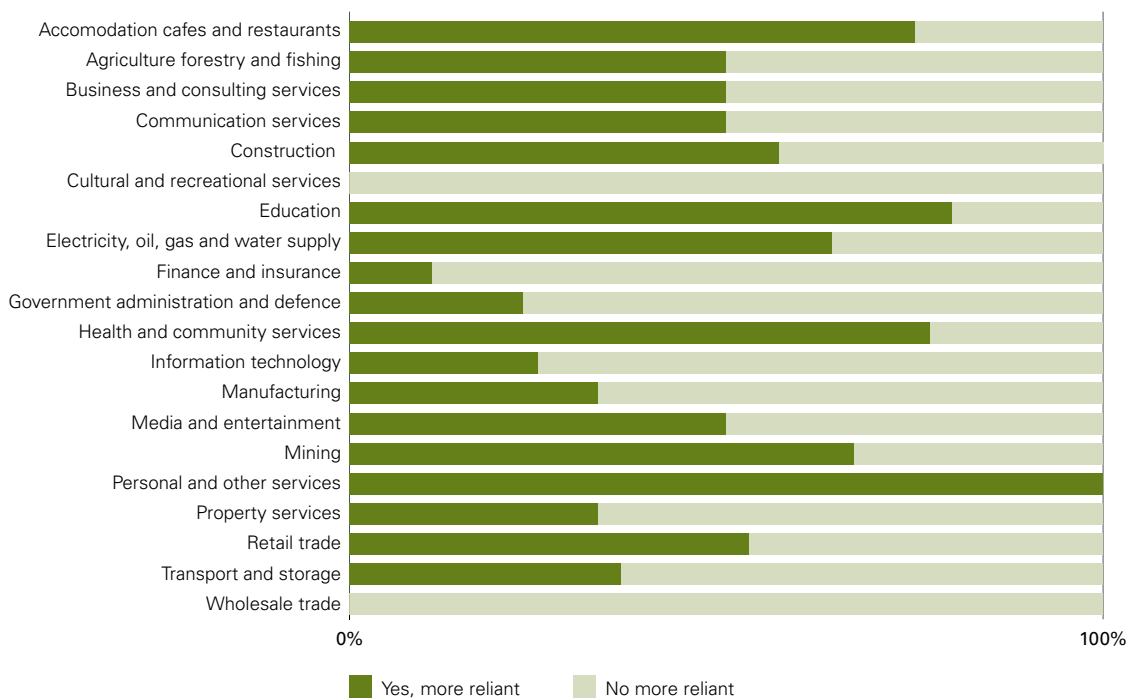


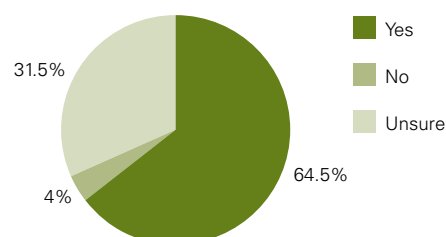
Figure 15: Reliance on skilled migration by industry sector.



Not to disregard the increasing importance of developing the local workforce, we also asked participants if they were actively training Australian employees to fill any current or future skill shortages. A high 89 percent of respondents said they were training Australian employees to meet future skill needs. Almost as many (78.5 percent) found it more effective to train and retain existing local employees than recruit skilled offshore workers under the 457 visa program.

More generally, nearly two thirds of respondents thought the Australian Government could more effectively leverage its skilled migration programs to support population growth (Figure 16). Most of the remainder were unsure. Only 26 percent considered that existing immigration programs were responsive to current economic conditions, although 37.5 percent said they were unsure about this proposition. These results tend to confirm business concern about the potential politicisation of Australia’s immigration policies and a failure to close the economy’s widening skills gap.

Figure 16: Could the government more effectively leverage its skilled migration program to support Australia’s population growth?



Kerry Little

General Manager Human Resources
Suzlon Energy Australia

Currently only 2 or 3 percent of Australia's energy requirements are being supplemented by wind but there is potential for that figure to be much larger. It's a good renewable source of energy. Suzlon commenced the construction of its first wind farm in Australia in 2007 and today we have nine farms in operation.

We're not suffering from a skills shortage so much as from a difficulty of finding people with the specialised skills we require to operate wind turbine technology and generate power from wind turbines. We are principally seeking electrical engineers and control engineers. A few years ago when there was a white hot construction market say in 2007/08, we brought in other skills such as project managers and civil engineers, but more recently the skills we need are very specific to wind turbine technologies or power and distribution.

We do find ourselves in competition with the resource companies for construction workers. They offer big packages for workers to move across so there is certainly that competition. There was an easing of competition during the global financial crisis when many construction projects in the west were put on hold. But they're going again now, and we are about to commence new projects too so we may be back in the same position that we were in before the downturn.

Our experience of the governments' skilled migration program is excellent, provided we can identify people with the skills we need. We currently have 16 employees here on 457 visas and have sponsored about six onto permanent residency. They're from a fairly diverse number of countries – we have 21 nationalities in a business of only 260 employees.

Our company is Indian owned so that means that logically there will be good resources available in India. Probably half of our 457 workers are from India, but we are a global business so we have been able to source skilled workers from other countries with leading wind technologies, such as Denmark, South Africa, South America and the USA.

Suzlon has a partnership with RMIT to provide training for more electrical based skilled people for the installation and service of the turbines. We also have commenced our own wind turbine training in Australia using our own facilities and Indian trainers that came from our parent company. As we have grown to nine wind farms, and with approximately 70 technicians that operate those wind farms, we found an increasing need for maintenance people and they all had to be trained.

In the foreseeable future I expect we will still have a need for skilled migrant workers but it will depend on the rate of construction in Australia. There is government legislation called the Large Renewable Energy Target (LRET). The target is for 20 percent of energy to be renewable by 2020, so that will prompt a lot of construction for us and we think that our growth will quadruple in the next 10 years. That is significant growth so there will still be a need for skilled workers.

We're really happy with the 457 visa program. It's not difficult for us to work within the current scheme. The workers we seek are listed on the DIAC skilled occupation list, I think because our workers are classified as highly skilled, or as having very specialist skills.



pictured: Nathan Arbon
Service Technician at Clements
Gap Wine Farm, South Australia

About our survey

KPMG's *Skilled Migration Survey* was conducted through July and August 2011. Responses were obtained from 300 businesses across Australia. These businesses represented a broad cross section of the Australian economy by industry (Figure 17), annual turnover (Figure 18) and state of head office (Figure 19).

Figure 17: Survey respondents by industry sector.

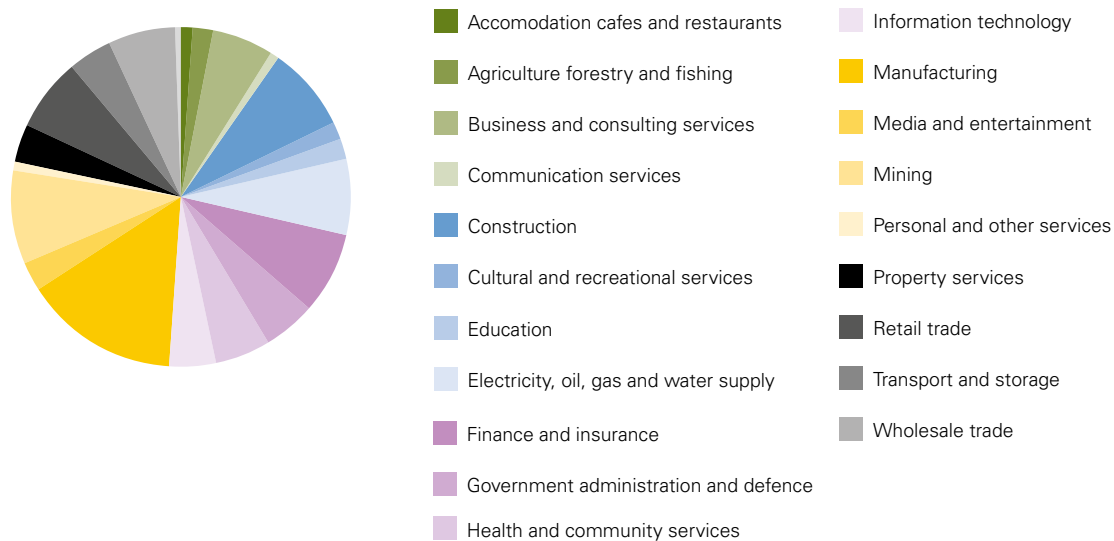


Figure 18: Annual turnover of respondent companies.

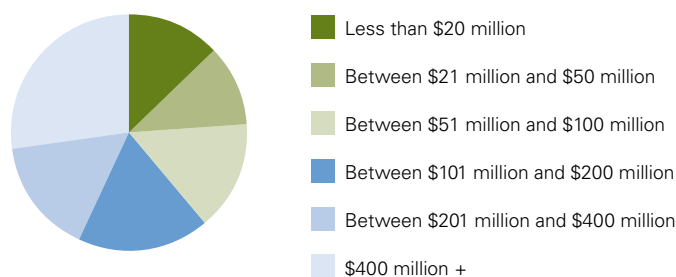
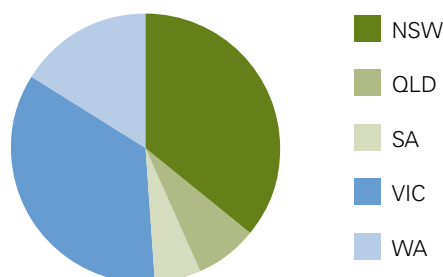


Figure 19: Geographic distribution of respondent companies.





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