Workers on temporary 457 visas: Implications for future training and skilling of Australians

Susanne Bahn and Llandis Barratt-Pugh

Centre for Innovative Practice - School of Management
Faculty of Business and Law Edith Cowan University

Abstract

This paper presents some of the findings of a 2012 study that investigated the costs and benefits of employing workers on temporary 457 visas in the Western Australian (WA) resources sector in terms of the implications for training and skilling Australians. Employers in resource companies in WA have indicated that they are experiencing a shortage of skilled workers to support strong project growth. There is a limited pool of Australian labour with the required skills who are willing to relocate, there are reducing numbers of workers taking up apprenticeships and traineeships, and there is a lack of industry experience in new graduates who are not ‘work ready’. As a response to these of labour supply pressures, there are unprecedented levels of employing skilled workers on temporary 457 visas by WA resource companies. But at what cost to the future skills pool of Australian workers? Currently the Australian labour market has a participation rate of just over 65% with 11.5m workers (ABS 2012) training in skill development and skill acquisition which is significantly short of the 69% target set by the Australian Workforce and Productivity Agency (AWPA) to meet future demands. Furthermore, since September 2010 there has been a steady decline in apprenticeship and traineeship completions (NCVER 2012). This paper discusses the issues of employing workers on 457 visas and the impact that such a strategy may have for training and for Australian skills pool of the future.

Key Words: VET, Australia, skills shortages, migrant workers, work ready graduates,

Introduction

Australia is currently positioned as the 13th largest economy in terms of Gross Domestic Product (GDP) in the world (IMF 2011), and has sustained more than 20 years of economic growth despite a recent depressed global economy. Many would argue that this is due to the increased global demand for resources that is driving major infrastructure projects within Australia (BIS Shrapnel 2009). However, this expansion of the resources industry requires an increasing supply of skilled workers, and presently Australia is experiencing a shortage, specifically in mining and construction workers in professional roles for major resources projects (AWPA 2012). This is particularly an issue for Western Australia because in July 2012 the state had an unemployment level of 3.6%, the lowest of all Australian states (DEEWR 2012) and therefore a limited skilled labour pool. Furthermore, Australia, mirrored by other developed countries, has an ageing workforce (Khoo McDonald, Voigt-Graf & Hugo 2007) with more leavers than entrants, reducing the labour pool for the future. Demographer, Bernard Salt (2012) noted that 2011 began what he termed a ‘tilt point’ where baby boomers begin to become eligible for an age pension, thereby exiting the workforce at a faster rate than Generation Ys are entering the workforce.

One mechanism to address the shortage of skilled workers in Australia has been to increase overall skilled migration numbers. The current levels (240th) of net overseas migration (NOM) contribute about 60 per cent of Australia’s population growth, outstripping the natural
increase in the population since 2005 and underpinning the national growth from a nation of 10m in 1960 to 22m in 2010 (ABS 2009). NOM has seen WA, for example, experience significant population growth in the past two years to reach a population of 2.5 million in 2012 (ABS 2012a). In 2011, the Federal Government increased the cap on the skilled stream of Australia’s Migration Program from 113,850 places in 2010-11 to 125,850 places in 2011-12 (DIAC 2012). In addition, the Federal Minister for Immigration & Citizenship, Chris Bowen, announced on the 19th July 2011 that Perth had been classified as a regional area (Bowen 2012) thereby increasing the numbers of eligible permanent residents that could be brought into WA through various skilled migration schemes. Skilled migration specifically under the subclass 457 visa currently accounts for about half of all migration to Australia (ABS 2009; Phillips & Spinks 2011). A quarter of Australia’s current labour force was born overseas (DIAC 2011). Political perspectives about skilled migration are polarised. From one perspective skilled migration increases the future skilled labour pool, reduces training costs and provides employers with work ready employees. From the alternative perspective, skilled migrants may displace local workers, reduce investment in training infrastructure, and place increasing burdens on social infrastructure. However, this is a debate strongly driven by ideology rather than research, and this study sought to gather data that could inform and improve the level of social debate.

**Workers on temporary 457 visas employed in Australia**

While modern Australia has been continually built through skilled migration schemes, the Temporary Business Long Stay Visa subclass 457 was introduced as Australian policy in 1996 (Oke 2010). In 2007-08, 58,050 sponsored employees entered Australia on the subclass 457 visa. This was a 24% increase upon the previous year (DIAC 2009). In WA, workers on temporary 457 visas account for 0.4 per cent of the population (Huddleston, Huddleston & Tonts 2012). Over 9,000 visa holders on temporary 457 visas were in trade occupations with 56% of those located in Western Australia (WA) and Queensland (Qld). Workers on temporary 457 visas make up 20% of the workforce in the resources sector (DIAC 2011). In 2012, WA had the second highest number of skilled workers on 457 visas in Australia and had achieved a rise of 75% with a total of 19,430 workers entering WA in 2010/11 (DIAC 2012).

The Commonwealth Government, using ABS statistics, compiles a listing of specific skilled roles where skill shortages exist. Employers are then able to search for and sponsor skilled migrants for these roles. Skilled migrants entering Australia under the temporary 457 visas are permitted to work for a maximum of four years and are allowed a maximum of 28 days out of work before they must leave the country. Once a worker is allocated a 457 visa their spouse and children can also come to Australia. Spouses gain full work rights and applications for permanent residency are only reliant on sponsorship from their employer and a guarantee of continued employment for a reasonable time. Access to sponsorship and visa application confirmation has become faster with the availability of online submissions since November 2003 (Khoo et al 2007). Workers are not bound to their original employer after the close of their contract and within 2 years of their stay can apply for permanent residency for themselves and their family (DIAC 2009). After a further two-year period they may apply for citizenship.

In Australia previous migration schemes were government sponsored, however currently individual employers often bear the significant costs of employing workers on temporary 457 visas (Khoo et al 2007; Millbank 2008). Employers acting as sponsors for these workers have a number of specific responsibilities including: provision of work; assistance with ensuring
that the worker has access to adequate housing during their time in Australia; providing equitable payment for the work performed; and ensuring there is adequate provision for the workers’ children to attend school (Khoo et al 2007). There is a sharp contrast between such investments in single work ready employees and investments in developing ongoing training partnerships or training infrastructure within the local community.

**Shortage of employer led training in Australia to develop specialised skills**

Due to a shortage of highly skilled workers in Australia the federal government has not placed a requirement upon Australian business to undertake any labour market-testing to see if Australian residents are available to do the work (Toner & Woolley 2008; Kinnaird 2006), or to invest in training home labour prior to sponsoring workers on temporary 457 visas. However, supporters of skilled migration argue that in periods of rapid growth the Australian economy lacks the capability to train sufficient domestic workers within the rapid timeframe industry requires (OECD 2002; Roach Report 2005; Evans 2008). As evidenced by the National Centre for Vocational Education reports Australia has been in the grip of an extreme shortage of trades’ skills for several years (NCVER 2008) due to employer investment in training beginning reducing during the 1990s. For example, in 2001/02 only 24% of employers provided training that led to recognised qualifications and only 13% employed apprentices or trainees (Watson, Buchanan, Campbell & Briggs 2003). Hugo (2006) identified the central training dilemma when he questioned the extent to which any increase in workers on temporary 457 visas substitutes or competes for investment in Australian education and training by government and employers. Toner and Woolley (2008:47) go further, asserting that in Australia ‘if temporary migration, in effect, operates as a parallel system to supply skilled labour then there are likely to be consequences for the traditional apprenticeship training system’. This view is supported by Richards (2006), who argues that large increases in workers on temporary 457 visas numbers have been matched by a fall in employment levels of Australian residents. Interestingly, a significant proportion of workers on temporary 457 visas are employed directly by Australian labour hire companies. Hall and Bretherton (1999) maintain that while labour hire companies sponsor large numbers of workers on temporary 457 visas, they are by their very nature not large providers of formalised training for their labour pool, and therefore lack an incentive to invest in training for workers who are not their direct employees.

Currently the Australian labour market has a participation rate of just over 65% with 11.5m workers training in skill development and skill acquisition (ABS 2012b). This is short of the 69% target set by the Australian Workforce and Productivity Agency (AWPA) to meet future demands. The AWPA report (2012) questions how long such economic expansion will last and what future scenarios will require in terms of labour market needs and employee skills. They forecast that the workforce will need to expand by no less than 1 million workers and will most probably require up to 3.5m additional workers, suggesting some significant labour market skills issues for the next decade. Under any future scenario they predict a continued demand for more skilled workers with between 4.3 million and 6.4 million new jobs created. They indicate that the resources industries and managerial skills will be a specific focus for that demand. Perhaps most importantly, they predict potential skill shortages until 2025 indicating there will be at least a 250,000 deficit of higher-level qualified workers (AWPA 2012:5).

Compounding the problem, training commencements and completions in Australia have fallen in recent years. The early trend estimates by the National Council Vocational Education Research (NCVER) of apprenticeship and traineeship commencements indicate that although trade commencements grew steadily from the June quarter 2009 to the
September quarter 2010, from that point in time there has been a steady decline (NCVER 2012). However, the AWPA (2012) note that the Council of Australian Governments (COAG) Reform Council reports that the proportion of Australians aged 20-64 years without Certificate III qualifications has slowly declined to 44.7% in 2011 from 47.1% in 2009. This figure would need to rise to 76.4% in 2020 to meet the COAG targets. Finally, in terms of specialised highly skilled professionals for example engineering, Engineers Australia (2009) argue that the major causes of engineering skill shortages include: that there are insufficient numbers of engineers trained domestically; there is a long lead time in training engineers (up to 5 years at the university level); the ageing engineering workforce; the demand for engineering skills during high levels of activity in resources projects; and international competition for highly skilled labour (Cameron & Joyce 2010).

The existing skill shortage is therefore forecast to continue and will most probably become even more acute as baby-boomers retire and the workplace demands more highly skilled operatives. While skilled migration has historically been a component of building Australia’s labour pool, it has generally been used as a shock absorber filling troughs and being withdrawn when there are domestic peaks. How significant should the role of migrant labour be in developing Australia’s labour pool for the future? What are the associated costs and benefits and how may the impact on national training infrastructure and industry production.

Methodology

The study used a mixed methodology because it was looking at both economic and social paradigms. Creswell, Plano Clark, Gutman and Hanson (2003:210) support a mixed approach as a distinct research design that uses both qualitative and quantitative investigative methods. Creswell et al (2003:231) after Cherryholmes (1992) state that in using mixed methods ‘researchers should be concerned with applications, with what works and with solutions to problems’ as in the focus of this study concerned with the ‘impact’ of workers on 457 visas on business, migrant families and the community. The study built on both the field research and the accumulated statistics of skilled migration.

The qualitative field work was based upon a grounded theory approach to work with the interview data. Grounded theory aims to generate or discover a theory, or abstract the analytical schema of a phenomenon that relates to a particular situation grounded in the experience and perceptions of the participants (Glaser & Strauss 1968). The researcher, as the primary instrument, works closely with stakeholders in the business world, assuming an inductive stance to enable the results and findings to be grounded in the empirical data (Patton 1990). The data collected for the study was conceptualised and reduced, ‘elaborating categories in terms of their properties and dimensions, and relating through a series of prepositional statements’ (Strauss & Corbin 1998:12) or coding. This process allowed for the emergence of key sensitising concepts from the data thus alerting the researcher to possible avenues for future investigation (Clarke 1997). Theory grows out of this data, but is also grounded in the data (Moustakas 1994). A grounded theory approach is important to the study as the researcher’s worked closely with the skilled migrants and employers to identify the issues that migrants encounter during their time in Australia, the issues employers face when employing workers on 457 visas and the impact on the Australian economy and future training and working arrangements. Subsequently, the analysis of the study’s qualitative data generalised and modelled the key relations between the various stakeholders.

The research questions that drove the investigation were:
1. What are the benefits, costs and issue to business, communities and migrant families employing 457 workers?
2. What support do business, migrant families and communities need when 457 workers are employed?
3. What are the implications of the study findings for policy and practice?

The quantitative analysis examined the impact of using workers on 457 visas on the migrant families, the local community, WA resources companies and the overall Australian economy. Secondary data was analysed to determine the welfare gains or losses of the workers currently working in the resources sector compared to Australians who have the potential to work or to be trained for these jobs, the financial implications of employing workers on 457 visas instead of Australian workers and the impact of workers on 457 visas on the overall Australian economy.

**Study sample**

The study sample and sources of data are shown in Table 1. Fifty-four semi-structured interviews with migrant workers, business representatives and support agency representatives conducted between May and September 2012. Twelve interviews were conducted face-to-face and 42 were conducted by telephone (due to some participants working in remote areas of WA). A Cost Benefit Analysis was conducted and secondary data between 2007 and 2012 were analysed.

### Table 1: Study Sample

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<th>Instrument</th>
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| **Semi-Structured Interviews** | 30 semi-structured interviews with workers on temporary 457 visas employed in the resources sector in WA predominantly in professional roles.  
17 semi-structured interviews with employers from 15 firms employing workers on temporary 457 visas in the resources sector in WA.  
7 semi-structured interviews with support agencies: Migration Agents, Relocation Agents and support groups (ex-pat groups). |
| **Cost Benefit Analysis**   | A Cost Benefit Analysis was conducted to provide the benefits and costs associated with employing workers on 457 visas for WA businesses, migrant families and the community. |
| **Secondary demographic data** | Statistics collected by the DIAC between 2007-2012 of the number migrant workers and their families entering Australia on 457 visas, what businesses they were employed in, and the work they did, the numbers that were employed by the WA resources sector and how they spent the money they earned. |

**Findings**

The quantitative analysis and cost benefit analysis performed in the study are the subject of future publications. For this paper we present some of the qualitative data that emerged from the semi-structured interviews. The purpose of the semi-structured interviews with workers on 457 visas, business representatives who employ these workers and support agencies who assist these workers was to determine the benefits and issues of working in Australia. A thematic analysis of the interview data was conducted to identify the key themes. For this paper we present the themes that emerged on accessing skilled labour and work readiness of
graduates and support these with verbatim quotes from the business representatives we interviewed.

Accessing skilled labour
The issue of accessing skilled labour for resource projects emerged as a strong theme from the interview data. The business representatives interviewed indicated that workers with the specialised skills they required, e.g. engineers and project managers were in very short supply in Australia. Even though there was no government requirement to source Australian workers first, it was evident from the interviews with the resource sector business representatives that they attempted to source labour in Australia before seeking workers on 457 visas as the costs for importing a skilled migrant workers averaged about $30,000.

There’s a shortage for us here with the contract specialists within the sector like process engineers, geophysicists, geologists etc. We don’t really have a choice because we can’t find anybody in Australia. So, it’s not as if we’re choosing them above Australians.

The shortage of workers with specialised skills was particularly problematic for businesses who construct machinery in countries other than Australia for use on resources projects. The training and skills required to operate and maintain this equipment resides with their current workforce situated within their home countries. These workers are trained outside of Australia. In some cases this training was so highly specialised the VET and higher education sectors in Australia do not provide courses to train these skills. These workers are employed on a 457 visa in order to work in Australia. There was evidence in the study to indicate that while conducting business in Australia (although for these companies their workforce is predominantly from within their current labour ranks), they also employ additional Australian workers to provide training and for them to join their labour pools.

We’re obviously looking to source those specialised skills in the equipment that we purchase or that we’re constructing, which isn’t necessarily available here in Australia or we have experience within the business that we want to tap into to utilise.

[The company] isn’t in the business of just bringing 457 visa holders. It’s because there is a specific skills shortage. We would have done everything we can to try and recruit Australians but we only go out when we can’t find roles. We’ve had roles that have been opened for months on end because we’ve not found the people in Australia or even overseas. We can’t even get people to leave Tasmania to go to Melbourne!

There is much debate in the academic literature regarding the issue of skills transfer, where the introduction of migrant workers subsequently generates increased opportunities for Australian workers. Brooks, Murphy and Williams (1994) argued that skilled temporary workers increased employment opportunities for Australian residents. However, Toner and Woolley (2008) counter by noting that it is the absorptive capacity of the business that determines the extent of such skills transfer. It is questionable how much skills transfer occurs between workers on temporary 457 visas and the Australian residents given that much of this transnational workforce sources work in the countries that need them temporarily and are unlikely to remain in Australia (Wang & McLean 2007). However, there was some evidence that skills and knowledge transfer between these workers and Australian workers was beginning to occur as international workforces included Australian workers.

Graduate work readiness
The data showed that not only were specific skills sought for resources projects; experience
in the industry was just as important. There appears to be a gap in the training offered in Australia that fails to provide enough hands-on and workplace experience for students who are required to graduate ‘work ready’ (Watson et al 2003). Business appears to be somewhat reluctant to employ workers without industry experience that may be in part due to the high risks involved for large construction projects involving multi-million dollar machinery. In addition graduates are completing their training to find they remain unemployed and there is evidence that trade enrolments and completions are in decline (NCVER 2012).

The challenge for us in WA or the challenge for WA is that kids aren’t going to do apprenticeships to be paid $30,000 a year when they can go and drive a dump truck for $120,000 a year with no skills, no training, go and do a couple of days course and you’ve got a higher paid job than what you’re going to get when you finish your apprenticeship.

The Australian Apprentice System needs a boost and a kick up the backside, not in terms of the quality but numbers and the attitudes. We’ve got an apprentice at all of our sites and we put a lot of time and effort into developing our apprentices and I know other companies do as well. But generally there seems to be a bit of a malaise.

If enough apprentices were coming through, that would have a big effect on the need to recruit from abroad because I don’t think the apprentices are being looked after. There will be another skills gap and there won’t be enough Australian tradesmen coming through in the next 5 to 6 years because there aren’t enough kids doing apprenticeships.

The ability for business to source skilled labour remains difficult due to a lack workers with highly specialised skills in Australia, reducing numbers of workers taking up apprenticeships and traineeships and graduates completing training with limited ‘work ready’ skills particularly at the university level. The issue is compounded by the fact that working in the resources sector is far more like undertaking an international work assignment, with new graduates often more than a thousand kilometres and several flight from their home base, and isolated for blocks of time in geographically and climatically challenging environments. This is not an ideal situation for industry acculturalisation. Buchanan (2009) notes that there is limited emphasis on occupational knowledge for both Vocational Education & Training (VET) trainees and for higher education graduates, and indicates that they need more coherent structures of competence linked to industry situations. He argues that there should be incentive structures developed for industry to encourage a greater investment in training.

What is also evident nationally is that the resources industry is located in usually remote sites. While the resources industry remains a significant sector in the Australian economy it may well be that, despite the possibilities of training local workers for specific roles, there will continue to be insufficient numbers of trained employees willing to relocate to another State, willing to fly in and fly out, or work for significant blocks of time remotely. The historical pattern of migration to WA is that net migration annually has never been above 6,000 while overseas migration has brought rarely less than 20,000 and often more than 30,000 into the State (Simba, 2006). There is an established pattern of relying on skilled migration as domestic migration has always been insufficient. In the broad perspective of generating a growing high-skilled, high-participation and flexible labour market, skilled migration will need to continue to be part of the national strategy. However, it is challenging to develop policy that will enable resources exploitation and simultaneously encourage the investment in training infrastructure.
Concluding discussion

This study explored the wider costs and benefits to workers, employers and the community through employing migrant skilled workers. An output of the study was a report that provides current data to inform the ongoing debate about the issues of skilled migration (Bahn, Yap & Barratt-Pugh, 2012). This paper has focused on how such initiatives impact upon training delivery, opportunities and infrastructure. It produces a complex picture and indicates no simple solutions. Indeed, analysing the past may not significantly inform a future where global labour flexibility may increasingly play a part, and where the future of Australian industry will be determined by the social, political and economic fortunes of a wide range of nations.

What emerges from this study is the need to determine and continually review the appropriate balance between skilled migration and the development of training infrastructure. What Australia requires is a vibrant highly skilled labour market. Traditionally, this has always been supplemented through skilled migration. Balance is required. If skilled protectionism stifles industry growth, or skilled migration displaces training investment, there are significant longer-term costs. National policy in this area needs to achieve a balance between both contributions - a balance that will need regular monitoring and fine-tuning.

Employers with major resource projects in remote locations desire graduates who are ‘work ready’. However due to a reliance on skilled migrant workers their international relocation is costly and further diminishes the opportunities for local employees to gain relevant work experience at a lower level. The implication of these findings for VET providers is that of a double-edged sword. Where VET is currently strong is where industry integrated programmes of training include work placements and ‘on the job’ training, providing that sought after work-readiness of graduates. However, the issue for VET is the poor retention and subsequent completion of those in apprenticeships and traineeships. While employers may indeed focus on immediate skill needs there is a persuasive argument that they should be partners in developing more workplace-based learning programmes. The argument is about effective investment rather than just social responsibility.

Such developments also have significant benefits for Australian trainees. The link between local training and local work are increasingly being fractured, with the resources industry emphasising this trend. Training in one place may well be preparation for work in another. For example, re-training of redundant workers in Geelong may develop skills, but not the capability to perform work at Roy Hill in 14-day shifts.

These issues have long term implications for Australian workers in that sourcing global labour changes the way in which we view work, how we work and where we will work in the future, how we train, what we’ll train and how training providers connect with industry. The ramifications for such practices are complex and extensive in terms of impact on Australia and training in Australia. This study was the first in to gather empirical data on employing workers on 457 visas. However the findings open up numerous questions and future lines of research. Further research is specifically needed in the area of graduate work readiness and skills in both the VET and higher education sector that could draw upon the VET delivery model to better equip university graduates.

References


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