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COMPETING FOR SKILLS: MIGRATION POLICIES AND TRENDS IN NEW ZEALAND AND AUSTRALIA

EXECUTIVE SUMMARY



Australian Government
**Department of Immigration
and Citizenship**

Department of Labour
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- Department of Immigration and Citizenship (Australia)
- Department of Education, Employment and Workplace Relations (Australia)
- Institute of Professional Engineers New Zealand
- Engineers Australia
- Medical Council of New Zealand
- Health Workforce New Zealand
- Australian Medical Council
- Nursing Council of New Zealand
- Australian Nursing and Midwifery Council

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EXECUTIVE SUMMARY

Aim of this study

The aim of this study was to compare skilled migration policies in New Zealand and Australia from 2004/05 to 2008/09, including employment outcomes for primary/principal applicants (PAs) in the early settlement period.¹

Importance of longitudinal migration research to inform policy

Australia – Longitudinal Survey on Immigrants to Australia

Global comparisons of skilled migration outcomes are rare, given the inherent challenges of securing matched data. Australia has made a unique investment in longitudinal migration research in the past 18 years, in a process since replicated by the New Zealand and Canadian Governments.² Commencing with a pilot survey in 1992, the Longitudinal Survey on Immigrants to Australia (LSIA) has been administered three times (in 1993–95, 1999–2000 and 2005–06), to a representative sample of PAs and secondary applicants. In LSIA 1 and 2 in-depth interviews were conducted at 6 months (wave 1) and 18 months (wave 2), focused on immigrants selected through the Skilled, Family, and Humanitarian Categories. (This was extended to a wave 3 interview in LSIA 1.) For LSIA 3, a shorter mailout survey was administered at 6 months, followed by a telephone interview at 18 months (excluding Humanitarian entrants who were separately surveyed).

Australia has made this investment in longitudinal migration research to improve policy formation, in particular by ensuring government decisions are accurately informed by migrants' early employment and settlement experience.

New Zealand – Longitudinal Immigration Survey: New Zealand

New Zealand developed its variant of the LSIA in 2004 – the Longitudinal Immigration Survey: New Zealand (LisNZ). Three waves of data have since been secured. While Australia moved to a paper-based survey of 10,000 migrants in 2005 (the achieved sample for the LSIA 3 with a 49 percent response rate), New Zealand affirmed Australia's initial preference to collect extensive interview-based data, based on an achieved sample of 7,000 migrants at 6 months (wave 1 with a 66 percent response rate), with follow-up interviews conducted at 18 months³ (wave 2) and 36 months (wave 3).

¹ Australia uses the term 'primary applicant' and New Zealand uses the term 'principal applicant'. The abbreviation 'PA' is used for both terms throughout this summary and the main report.

² The author was commissioned by the Canadian Government in 2004 to conduct a comparison of skilled migration policy and outcomes to Canada and Australia, based on analysis of longitudinal data collected in 1993–95 and 1999–2001, and 2001 census data. L Hawthorne (2008) 'The impact of economic selection policy on labour market outcomes for degree-qualified migrants in Canada and Australia.' *IRPP Choices* 14(5): 1–50.

³ The achieved sample for wave 2 was approximately 6,000.

Opportunity for contrastive Australia-New Zealand research

The establishment of LisNZ created an excellent opportunity to undertake contrastive Australia-New Zealand research – arguably a process of strong strategic relevance for four reasons.

Firstly, New Zealand and Australia are global competitors and collaborators in the race to attract and retain skilled migrants.

Secondly, in the past decade skilled migration has dominated migration flows to each country (constituting 60 percent or more of intakes). While developments in Australia have received global attention, New Zealand's policy evolution and outcomes are less known.

Thirdly, while significant differences exist between LisNZ and LSIA 3, the timeframes for wave 1 and wave 2 data match well. Thirty-five common questions could also be identified with a capacity to yield excellent comparative data.

Fourthly, while New Zealand and Australian policies have much in common, there are marked areas of policy divergence. The years preceding LisNZ and LSIA 3 data collection were associated with significant change and experimentation in each country. The impact of these changes on migrants' early settlement and employment outcomes warrants serious assessment.

Comparison of policy mechanisms and outcomes

The Department of Labour (New Zealand) and Department of Immigration and Citizenship (Australia) commissioned the present study to compare policy mechanisms and outcomes, supported by a major literature review. The report is divided into four sections.

Section 1 describes the characteristics of permanent compared with temporary skilled migration flows to New Zealand and Australia from 2004/05 to 2008/09, noting the strong interconnection between the two programmes. The study starts in 2004/05, the year in which the great majority of LisNZ and LSIA 3 longitudinal survey respondents were selected, with trends defined to 2008/09 to establish the changing characteristics of those admitted.

Section 2 describes the skilled migration policy setting in 2005 for each country, including the points-based selection criteria. Following this, the labour market outcomes achieved by skilled PAs are systematically compared, based on analysis of the 35 matched LisNZ–LSIA 3 questions at 6 and 18 months post-migration. A range of multivariate analyses are provided for Australia, in addition to a brief reference to 2006 Australian census data (defining the early employment outcomes secured by degree-qualified migrants selected across all immigration categories).

Section 3 describes key skilled migration policy developments in New Zealand and Australia from 2006 to 2010, in the context of changing national governments and the global financial crisis. To illustrate the significance of these trends and demonstrate the impact of skilled migration on professions of significance to each country, engineering, medical and nursing case studies are provided.

The conclusion in section 4 highlights major areas of policy convergence and difference between Australia and New Zealand in recent years – most notably experimentation with two-step migration (including the study–migration pathway), the growing ‘privatisation’ of skilled migration (through employer sponsorship), and the increased focus on regional skilled migration in Australia.

Permanent skilled migration to New Zealand and Australia, 2004/05 to 2008/09

According to a prominent United States economist, immigration policies across the world are based on two components – ‘how many migrants a host country should admit, and which migrants it should admit’. To define such a programme, ‘you have to determine what you want to accomplish.’ However, no definitive data exists to guide governments on this challenging process. The United States (US) lacks a permanent resident skilled migration category; instead it admits 1 million low-skilled migrants per year. Australia, New Zealand, and Canada, by contrast, have prioritised skilled migration in the past decade in a context where ‘migrants gain by moving, or else they would go back’, employers ‘make big capital gains, because they secure more workers’, and governments aim to combine economic with population development.⁴

The recent period has coincided with extraordinary growth in skilled migration to New Zealand and Australia, through both permanent and temporary entry. Between 2004/05 and 2008/09, Australia selected 358,151 permanent General Skilled Migration (GSM) migrants, including dependants. In 2009/10 Australia allocated 59 percent of its permanent migration places to skilled applicants (108,100), 33 percent to Family Category entrants (60,300), and 8 percent to Humanitarian Category entrants (13,750), out of a programme total of 182,450. New Zealand had a planned overall intake of 45,000–50,000 people, including secondary applicants, across the:

- Skilled/Business Category: 26,900–29,975 (60 percent)
- Family (Partner and Dependent Child) Category: 9,900–10,700 (21 percent)
- Family (Parent, Adult Child and Adult Sibling) Category: 4,950–5,500 (11 percent)
- International/Humanitarian Category: 3,250–3,825 (8 percent)

The age and gender of Skilled Migrant Category (SMC) PAs to New Zealand were directly comparable to GSM PAs to Australia. Between 2004/05 and 2008/09, 37,329 male and 19,880 female SMC PAs were selected, with males constituting 65 percent of the total (compared with 63 percent in Australia). By 2008/09, 35 percent of the 11,973 SMC arrivals were female (compared with 33 percent in Australia) – identical to the New Zealand proportion 5 years earlier. (In Australia, the female share had slightly declined.)

Once accompanying family members are factored in, New Zealand had admitted 129,723 SMC migrants within 5 years, including a slightly higher proportion of females than chosen by Australia (48 percent of the total compared with

⁴ G Borjas (2010) ‘Keynote address: Canada’s immigration policy – Reconciling labour market needs and longer-term goals’, Institute for Research on Public Policy, Ottawa, 25–26 May.

46 percent). Thus, marked similarities exist between Australia and New Zealand in terms of the category share, age, and gender of recent permanent skilled migrants. Analysis of 2004/05 to 2008/09 arrivals, however, highlighted three significant differences.

Two-step migration pathway

The first difference concerned application place and pathway. Onshore skilled migration has been the norm for New Zealand since 2003, constituting 83 percent of PAs in 2008/09 compared with 35 percent in Australia. The nature of onshore migration differs significantly between the two countries. The great majority of onshore applicants in Australia are former international students, transiting to permanent residence status (an option available since 1999). By contrast, New Zealand's SMC prioritises the selection of temporary foreign workers with New Zealand experience, current employment, and/or job offers – a strategy certain to maximise employment outcomes. Former students also migrate through 'study to work' then 'work to residence' pathways, their migration occurring within 10 years. In 2008/09, around 30 percent of SMC approvals had previously studied in New Zealand.

It is important to note that in comparison with Australia, international students were enrolled in New Zealand at relatively low levels. For example, in 2008/09, 47 percent of all international students in New Zealand were in vocational training courses compared with 37 percent in schools and 16 percent in university courses (excluding English language and informal sector enrolments). In Australia in March 2009, by contrast, 50 percent of international students were at university, 44 percent in the rapidly growing technical training sector and just 6 percent in schools (excluding English and other not for credit course enrolments).

Source countries

The second critical difference concerns the skilled migration source countries for the SMC and GSM programmes. Australia selects few primary applicants from the major English-speaking background (ESB) countries, typically defined as the United Kingdom (UK), Ireland, the US, Canada, South Africa, New Zealand, and Australia.

Between 2004/05 and 2008/09, Australia's top 10 sources were India (21 percent), China (18 percent), the UK (14 percent), Malaysia (6 percent), Indonesia (4 percent), Sri Lanka (3 percent), Republic of Korea (3 percent), South Africa (3 percent), Hong Kong Special Administrative Region (3 percent) and Singapore (3 percent). Just three of the major ESB nations featured in Australia's top 20 sources along with 14 nations located in Asia. Together these ESB migrants constituted just 17 percent of the GSM total, in stark contrast to trends in New Zealand.

From 2004/05 to 2008/09, the major source countries for SMC PAs to New Zealand were the UK (31 percent), China (18 percent), South Africa (10 percent), India (7 percent), the Philippines (6 percent), Fiji (4 percent), the US (3 percent), Germany (2 percent), Malaysia (2 percent), and South Korea (2 percent). ESB countries constituted an extraordinary 46 percent of the total.

Five European countries also featured (compared with none in Australia) – in rank order being Germany, the Netherlands, France, Romania, and Russia.

This selection strategy has profound implications for employment outcomes in a knowledge economy. As established by the global literature, facility in a host country's language/s represents a critical determinant of access to skilled work. As early as 1981 it had been demonstrated in Australia that poor English competence doubled the probability of males being unemployed. Unemployment predictors included English language ability, birthplace, period of residence in Australia, and the country in which formal qualifications had been gained. Australian research in 2009 demonstrated that recent skilled migrants with strong English skills are four times more likely to secure employment than those with only a basic ability.

As in Australia, migration to New Zealand from individual source countries has fluctuated significantly over time. In 2004/05, for example, the UK constituted 49 percent of all New Zealand SMC arrivals. This contracted to 22 percent in 2008/09. In the same period arrivals from South Africa rose from 12 percent to 18 percent; from China from 6 percent to 14 percent; and from the Philippines from 2 percent to 11 percent. Minimal growth was evident from India (5 percent compared with 6 percent) – a surprise given the scale of Indian flows to Australia.

PA's place of application also varied significantly by source country. Two-step migration was the choice for 98 percent of Chinese migrants to New Zealand in 2008/09 compared with 99 percent in 2004/05. UK and South African PAs by contrast generally applied offshore (61 percent of the UK total in 2008/09 compared with 49 percent in 2004/05, and 74 percent of the South African total compared with 84 percent). Similar trends applied in Australia.

Occupations of recent skilled migrants

The third difference concerns the education level of recent skilled migrants to Australia and New Zealand. These migrants are qualified in highly diverse fields, whether selected onshore or offshore. Between 2004/05 and 2008/09, 39 percent of SMC PA arrivals in New Zealand had worked in professional occupations (compared with 66 percent in Australia); 17 percent as managers and administrators (compared with 3 percent); 15 percent as associate professionals (compared with 5 percent); and an almost equal proportion in trades (15 percent and 16 percent respectively). Modest numbers to both countries were low-skilled workers.

The top five professions for skilled PAs arrivals to Australia were accounting (32 percent), computing (23 percent), architecture/building (9 percent), engineering (9 percent), and nursing (5 percent). The major trades were chefs/bakers (30 percent of trade arrivals), engineering (14 percent), building excluding plumbing (14 percent), electrical (12 percent), and hairdressing (12 percent). For New Zealand, computing and education were the major occupations for SMC professionals from 2004/05 to 2008/09 (both constituting 18 percent of professionally qualified PAs), followed by registered nurses (17 percent), architects and engineers (15 percent), business, human resource, and marketing professionals (15 percent), and health professionals (9 percent).

Temporary skilled migration to New Zealand and Australia, 2004/05 to 2008/09

Scale of flows

Between 2003 and 2004 the number of temporary workers resident in OECD nations increased by 7 percent (around 1.5 million people). Sponsored labour migration has become highly attractive to governments and employers – delivering strong and immediate employment outcomes. While the current study focused on permanent migration, the majority of occupations from 2004/05 to 2008/09 had strong temporary as well as permanent resident flows, with the ‘privatisation’ of skilled migration rapidly advancing.

In Australia, 418,940 arrivals were admitted through the 457 long-stay business visa at this time, when the economic cycle was strong and the mining boom was fuelling demand for labour. Annual arrivals surged from 48,610 people, including dependants, in 2004/05 to 110,570 in 2007/08, moderating to 101,280 in 2008/09 during the global financial crisis. By 2009, according to the Department of Immigration and Citizenship, an unprecedented 70 percent of Australia’s labour migrants were employer-sponsored, entering through the temporary and permanent skilled migration streams.

In New Zealand, from 2004/05 to 2008/09, 142,356 General/Essential Skills migrants were also approved,⁵ though growth was static across the period (with 26,283 arrivals in 2004/05 compared with 27,433 in 2008/09, noting this exceeded the number of selected SMC migrants).

The link between permanent and temporary migration is exceptionally strong in New Zealand. In 2006, 83 percent of SMC migrants were recruited onshore, primarily through the General/Essential Skills Category. As in Australia additional temporary labour was also received – most notably through the short-term youth-oriented Working Holidaymakers Scheme (38,946 visas issued by New Zealand in 2008/09 compared with 197,984 by Australia).

Qualification level and occupation

Marked occupational differences exist for temporary arrivals, replicating permanent skilled migration flows. From 2004/05 to 2008/09, 58 percent of Australia’s 457 temporary visa arrivals were working in professional fields (compared with 66 percent of permanent GSM arrivals). Seventeen percent were in the trades, 13 percent were associate professionals, and 10 percent were managers and administrators. Just 2 percent possessed lower level skills, despite the pressures of the mining boom and the existence of select low-skilled schemes (such as the recruitment of abattoir workers).

Interestingly, Australian employers’ preferred occupations varied significantly from those in the GSM programme. Registered nurses were the primary group imported (25 percent), followed by computing (13 percent), business professionals (10 percent), engineers (10 percent), and sales and marketing professionals (8 percent). Few accountants were sought, at a time when the

⁵ Unlike in Australia, this number excludes dependants, who apply under different categories.

Australian market was seriously over-supplied through GSM migration. Mechanical and fabrication engineering trades ranked sixth overall (constituting 34 percent of trade arrivals), followed by doctors, science professionals, teachers and lecturers, and human resource professionals.

It was not possible to fully match employer-sponsored occupational data for New Zealand and Australia (due to coding anomalies) but comparable data existed for occupation level. The primary General/Essential Skills groups entering New Zealand from 2004/05 to 2008/09 were clerical, sales, and service workers (21 percent), followed by 19 percent in professional occupations, 15 percent in the trades, 11 percent who were managers and administrators, 11 percent who were associate professionals, and 8 percent who were labourers. The major professions in 2008/09 were health and life sciences, including nursing (8,999), and teachers and lecturers (4,163). Two groups dominated the 19,791 trades total that year: mechanic and fabrication engineering (6,299) and automotive, mechanical, and building workers.

Temporary migration source countries

Recently, there has been a rapid escalation of sponsored flows. However, debate exists concerning the merits of employer or 'privatisation' compared with 'independent' government selection of skilled migrants.. In selecting temporary workers, however, employers signal to government the migrants they deem most immediately 'employable'. It is thus important to compare the characteristics of 457 long-stay and General/Essential Skills visa holders here, including differences between Australia and New Zealand (noting the primacy of New Zealand's work to residence pathway).

The most critical point to note is the Australian employers' preferred source countries for sponsored workers. These contrast markedly with the top 10 countries selected through the government-driven GSM programme. Five of the major ESB countries featured in the top 10 for temporary worker selection, in addition to two in West Europe (Germany and France), and one Commonwealth Asian country (India). Recent temporary worker selection demonstrates the strength of Australian employer preference for high-level English language ability (including native speakers), comparable education systems, and perceived worker capacity to integrate at speed.

Interestingly, General/Essential Skills flows to New Zealand were more diverse than those selected by the government as permanent SMC migrants. Twenty-nine percent of New Zealand's top 10 sources were the major ESB countries (compared with 46 percent of the SMC), with Ireland and Zimbabwe contributing 2 percent and 1.5 percent, along with India (6 percent). This category also featured five Asian source countries in the top 10 (China, India, the Philippines, South Korea, and Japan). Regional influences were strong, with Fiji contributing 7 percent of flows, along with significant intakes from Samoa.

Skilled migration policy evolution in Australia and New Zealand, 1999–2006

The decade to 2005 coincided with substantial policy innovation in Australia, commencing with the election of a Liberal–National government in 1996 after

13 years of Labor rule. While Family and Humanitarian migration intakes were endorsed by the government as serving broad social purposes, high and persistent unemployment among recently arrived skilled migrants was perceived to have undermined the effectiveness of the economic programme – one explicitly devised in 1988 to support national economic development. From 1996 to 1999, the Department of Immigration and Multicultural Affairs systematically reviewed and transformed skilled migration selection criteria – abolishing welfare benefits for migrants in their first 2 years post-arrival and introducing a determination to ‘select for success’ among PAs.

Following a preliminary audit in 1997–98, the government reviewed the effectiveness of the Independent Category points test. In the decade to follow, Australia would seek early and positive employment results from the GSM programme, given that results 6 months post-arrival were predictive of longer-term labour market outcomes. To refine the points-based selection strategy, the review drew on the LSIA and a comparative analysis of employment outcomes for migrant professionals admitted across all immigration categories (based on 1996 census data). In line with these research findings, from 1999, skilled PAs at risk of delayed or de-skilled employment in Australia were largely excluded at point of entry through rigorous expansion of pre-migration English language testing, mandatory credential assessment, assessment of occupational demand, and additional modifications to points-based selection.

In 2006 an expert panel reported on its extensive review of the skilled migration programme. The panel strongly affirmed the effectiveness of the policy changes since 1999 in delivering superior labour market outcomes, despite concern at the development of select perverse study–migration incentives. The panel found that within 6 months of arrival, 83 percent of points-tested Independent PAs had secured work in Australia compared with 72 percent of skilled Family migrants – far exceeding the 57 percent employment norm of a decade earlier (following recession). Sixty-three percent of Independent PAs were immediately using their qualifications in work.

Salary rates had grown strongly since 1999/2000, with average weekly wages rising to A\$1,015. Major gains had been achieved by traditionally disadvantaged groups (for example, PAs from Eastern Europe, the Philippines, and China). The negative impacts of older age and female gender for skilled PAs had been greatly reduced. By 18 months after arrival, skilled migrants’ unemployment rates had dropped to just 4 percent (below the Australian national average). In general, the programme was found to be selecting PAs able to use their qualifications in work, with skills wastage minimal – a dramatic improvement since the mid 1990s.

Despite these positive trends, the panel identified concerns about onshore compared with offshore GSM outcomes. In particular, former international students were found to be characterised by annual salaries of around A\$33,000 (compared with A\$52,500 for offshore arrivals), lower job satisfaction, and far less frequent use of formal qualifications in current work.

New Zealand’s skilled migration policy had also evolved markedly in the decade to 2005. In 1986, the government had undertaken a substantial migration policy review, the catalyst for selecting migrants from a wide array of source countries

based on human capital requirements. A points system was introduced in 1991, focusing on qualification level but permitting low English language ability. The result was a substantial surge of Northeast Asian migration, followed by the raising of English language requirements. In 1997 New Zealand's conservative government sponsored a national population conference to define the employment barriers for points-tested migrants, including the case for introducing settlement services.

The 1999 election of the Clark Labour government coincided with significant policy reform, with a far stronger focus placed on economic category migration (soon raised to 60 percent of permanent intakes). In 2003 New Zealand's SMC was introduced, addressing priority needs based on a revised points system in a move heralded as 'the most significant changes in immigration policy for more than a decade'. The government's aim from this time was to 'shift immigration policy from the passive acceptance of residence applications to the active selection of skilled migrants'. Refined in December 2004 to enhance employability and capacity building factors, New Zealand's SMC was based on a broader than previous definition of skills, embracing the trades (which could secure almost as many points as postgraduate qualifications). Prospective skilled migrants entered the SMC pool with scores of 100 points. From December 2005 guaranteed selection was introduced for those scoring 140 points or more, who were invited to apply for residence following initial assessment by the Department of Labour. Applicants securing 100–139 points were selected in sufficient numbers to meet the requirements of the New Zealand Residence Programme in a rank order that prioritised applicants with an offer of skilled employment or current skilled work in New Zealand.

Selection criteria were comparable to Australia's at this time, with international students awarded bonus points and eligible to migrate on course completion. Substantial points were allocated to applicants with current skilled employment in New Zealand or an offered skilled job, qualifications, work experience, and a defined age range, with bonus points for attributes such as employment, work, and/or qualifications in an area of absolute skills shortage or in an identified future growth area.

Skilled migration selection criteria at the time of the longitudinal survey administration

When the LisNZ and LSIA 3 were administered (2005–07), key similarities and differences in points-based selection could be summarised as follows:

- a rising points threshold for skilled category selection to both countries:
 - Australia – 120 points required out of a possible 175 (rising from 115 in 2004)
 - New Zealand – 140 points guaranteeing selection from December 2005 (out of a possible 200 or more points) with different criteria used to select applicants scoring between 100 and 139
- significant pre-migration English language requirements imposed for skilled category PAs in both countries:
 - Australia – International English Language Testing System (IELTS) band 5 or above required across all four language skills (reading,

- writing, speaking, and listening), with PAs scoring at lower levels ineligible to proceed with skilled migration; allocation of 20 points for 'competent' English language ability (IELTS band 6) compared with 15 points for 'vocational' English (IELTS band 5)
- New Zealand – a substantially higher threshold score of IELTS band 6.5 required from November 2002, across all four skills, resulting in a 6.9 IELTS average by 2006 for approved applicants⁶
 - pre-migration credential assessment mandatory for PAs to both countries:
 - Australia – 60 points allocated to applicants with recognised occupation-specific qualifications compared with 50 for general professional occupations and 40 for other skilled fields
 - New Zealand – highest points allocated for masters and doctorate qualifications (55), followed by bachelors and trade level credentials (50)
 - bonus points allocated by both countries for completion of host country qualifications (minimum 2 years' study): in Australia 15 for a doctorate, 10 for a masters or upper honours degree, and 5 for bachelor, diploma or trade qualification levels; in New Zealand 15 points for postgraduate qualifications and 10 for degrees or lower
 - relevant employment experience more valued by New Zealand than Australia:
 - Australia – 10 points allocated for work experience in a 60-point occupation related to qualification field, 5 for experience in any area of employment, with this requirement entirely waived for former international students (a policy choice revised from 2007)
 - New Zealand – New Zealand employment strongly rewarded (a major selection difference between the two countries, along with level of English); 60 points allocated for current skilled employment in New Zealand, 50 for current employment less than a year in New Zealand, and 50 for a current New Zealand job offer, with bonus points for employment in skill shortage areas
 - occupational demand a key determinant of selection for both countries:
 - Australia – allocation of 20 points and automatic prioritisation for assessment for skilled category applicants qualified in fields on the Migration Occupations in Demand List (with job offer), or 15 points for Migration Occupations in Demand List applicants without current job offers – from 2004 to 2007 the key determinant of skilled migration selection, once points requirements were raised from 115 to 120
 - New Zealand – allocation of multiple bonus points for experience or qualifications relevant to fields in demand (including in skill shortage locations), as well as for New Zealand-based work, with a December 2005 policy amendment strengthening this issue

⁶ R Bedford (2006) 'Skilled migration policy in Australia and New Zealand: Similarities and differences', in B Birrell, L Hawthorne, and S Richardson, *Evaluation of the General Skilled Migration Categories*. Canberra: Commonwealth of Australia, pp 219–246.

- age criteria requirements more rigid in Australia than in New Zealand:
 - Australia – GSM eligibility restricted to PAs aged 18–44, with 30 points for applicants aged 18–29, reduced to 15 for applicants aged 40–44
 - New Zealand – points awarded to PAs aged 20–55, ranging from 30 for applicants aged 20–29 to 5 for those aged 50–55 and older applicants ineligible for SMC migration
- partner skills modestly valued by both countries:
 - Australia – allocation of 5 bonus points, if spouse age, English ability, recognised qualifications and experience appeared likely to facilitate future employment
 - New Zealand – allocation of 10 points for a qualification and another 10 points for a skilled job in New Zealand
- family sponsorship more strongly rewarded by Australia:
 - Australia – 15 points allocated for GSM applicants for sponsorship by a close relative and a lower GSM threshold required of 110 rather than 120 points for relatives
 - New Zealand – 10 points allocated.

Comparison of longitudinal survey findings

The employment outcomes achieved by PAs to New Zealand and Australia, at around 6 and 18 months post-migration (2005–07) were impressive in global terms, far exceeding those in, for example, Canada. Both countries' economies were booming at this time, which favoured labour market integration. In New Zealand, for example, the unemployment rate was just 3.4 percent, with employment as well as earnings growing steadily. Australia's unemployment rate was slightly higher at 5.1 percent in 2005, with gross domestic product of 3.5 percent, and earnings similarly buoyant.

Age and source countries

Skilled arrivals were relatively young to both countries, with the those aged 25–44 predominating. Reflecting strong international student participation, recent skilled migrants to Australia were far younger overall, with 79 percent of LSIA respondents aged 18–34 years (compared with 52 percent in New Zealand), and 20 percent aged under 25 (compared with 7 percent). Youth affects early employment, with large numbers of Australian PAs lacking workforce experience before GSM selection. Age also had major significance for reported partnering rates – 72 percent of PAs in New Zealand had partners at this time compared with just 38 percent in Australia.

In line with skilled migration policy trends, marked differences in terms of country of origin were characteristic of the longitudinal survey samples. Migrants from ESB countries constituted 54 percent of the top eight source countries for New Zealand compared with just 10 percent for Australia (where the UK was the sole ESB country ranked in the top eight). Reflecting birthplace, the main five languages spoken by PAs in Australia at this time were English (38 percent), Chinese languages (26 percent), South Asian languages (9 percent), Indonesian (6 percent), and Japanese (2 percent). The comparison was stark with

New Zealand, where English (94 percent) was overwhelmingly reported to be the best spoken language at 6 months, followed by negligible numbers registering Chinese, Afrikaans, and Hindi facility.

Qualification place and level

Qualification levels varied markedly between skilled temporary and permanent labour migrants to New Zealand and Australia. Far larger numbers of trade-qualified migrants were attracted to New Zealand, constituting 38 percent of PAs (spanning basic to advanced vocational fields). By contrast, 82 percent of the LSIA 3 sample reported having bachelors degrees or higher with just 5 percent stating they held trade qualifications.

The main places where highest qualifications had been earned by LSIA respondents was Australia (59 percent, reflecting the scale of international student migration), England (11 percent), India (5 percent), China (5 percent), and South Africa (3 percent). For LisNZ PAs the top five places of qualification were the UK (35 percent), New Zealand (20 percent), South Africa (11 percent), India (6 percent), and the US (5 percent).

Migration pathways

Onshore migration was prominent for both countries at this time but far more prevalent in New Zealand: the route taken by 79 percent of LisNZ PAs (typically through 'work to residence') compared with 53 percent of LSIA respondents (largely through 'study-migration'). At 6 months (Australia) and 18 months (New Zealand), informants were asked whether they had considered alternative migration destinations. Fewer than 2 percent of migrants to New Zealand conceded this to be case, with Canada and Singapore (24 percent each) and Australia and the US (19 percent each) the primary alternatives. Australian PAs, by contrast, frankly conceded their consideration of global options, most notably Canada (52 percent), the US (35 percent), the UK (15 percent), and New Zealand (12 percent). Deciding factors in selecting Australia and New Zealand related to lifestyle and climate in each case. Encouragingly, both LisNZ and LSIA 3 respondents were extremely positive at 18 months about the settlement process, with 90 percent of New Zealand PAs stating they were settling in compared with 93 percent of PAs in Australia.

Occupational field and credential recognition

Comparing the professions and trades for survey respondents proved challenging, with careful matching of occupational codes required. In Australia, computing and information technology (IT) (22 percent combined), accounting (19 percent), engineering (12 percent), business and management (8 percent), and nursing (4 percent) dominated the professions, while food and hospitality was the primary trade (1 percent). In New Zealand, education and curriculum (7 percent combined), business and management (7 percent), IT (7 percent), accounting (6 percent) and nursing (6 percent) were the main degree-qualified fields, while automotive engineering and technology (11 percent), nursing related studies (11 percent), business and management (10 percent), and building (7 percent) were the major trades.

Qualification recognition for skilled migrants, particularly in regulated fields, can represent a major barrier to early employment. In New Zealand 45 percent of PAs had had their qualifications assessed at 6 months – a modest level (perhaps reflecting few being qualified in regulated fields). The majority of those failing to seek assessment did not view recognition as a priority at this time. In Australia, where the question was posed a year later, screening was less significant in a context where 56 percent of respondents held Australian qualifications. A further 29 percent reported they had had their qualifications assessed, leaving just 10 percent with qualifications who had not chosen to do so.

Employment at 6 months

Important differences existed between Australian and New Zealand informants in terms of human capital attributes at the point of migration. New Zealand PAs were largely selected with current employment or job offers. Australian PAs by contrast were younger, more highly qualified, and more likely to be Asia-born, be former international students, have recognised qualifications, and have been motivated by employment opportunity in terms of migration. Compared with New Zealand respondents, they were less likely to be partnered, or to be native speakers of English (noting that major problems with international students' English ability were being identified at this time).⁷

Regardless of these differences in selection, PAs in New Zealand and Australia were found to achieve excellent outcomes in world terms. At 6 months post-migration 93 percent were employed or self-employed in New Zealand compared with 83 percent in Australia. Work satisfaction at this time was fairly high. PAs from ESB countries fared particularly well in New Zealand and Australia, securing early employment rates of 92–97 percent, followed by strong outcomes for migrants derived from Europe and India. Within the early settlement period birthplace groups at risk of employment disadvantage were found to be highly protected by onshore migration pathways. For example in Australia 74 percent of onshore PAs from China were working at 6 months compared with just 53 percent of comparable offshore migrants. Overall, the two-step migration paradigm adopted by New Zealand and Australia appeared highly effective, regardless of whether the work to residence or study–migration pathways were used.

Job satisfaction and work correlation with past occupation

At 6 months post-migration, 53 percent of primary applicants in Australia stated they were working in their preferred occupation, while 29 percent said they were not (the remainder expressing no opinion on this score). Past occupation appeared well correlated to field of employment at 6 months – again a very positive finding. In Australia, where 17 percent of total PA arrivals had been computer professionals pre-migration, 12 percent were immediately working in

⁷ Australia's 2005/06 skilled migration review found that 40 percent or more of students from China, the Republic of Korea, Thailand, Taiwan, Hong Kong Special Administrative Area, and Bangladesh scored IELTS band 5 at the point of transition to skilled migration on completion of their tertiary studies: B Birrell, L Hawthorne, and S Richardson (2006) *Evaluation of the General Skilled Migration Categories*. Canberra: Commonwealth of Australia.

this field. Eight percent were working as accountants (who constituted 10 percent of LSIA 3 respondents), 4 percent as nurses (4 percent), and 2 percent as teachers (2 percent.) A modest level of de-skilling appeared to be occurring (for example, the proportion of sales assistants rose from 3 percent to 5 percent).

Outcomes in New Zealand were similarly positive. While 5 percent of PAs reported working as nursing or midwifery professionals before migration, 8 percent held employment in this field at 6 months (presumably some without qualifications, for example in the aged care sector). This was followed by 4 percent of school teachers (5 percent of PA arrivals), and 4 percent of computing and systems professionals (8 percent) – this latter group at greater risk of de-skilling. Level of satisfaction/dissatisfaction with current employment was not provided for the LisNZ sample at 6 months. Substantial numbers, however, expressed their desire for better work – an extraordinary 75 percent of PA respondents on this score stating that their salaries were too low, 67 percent that they were not using their skills or experience adequately, 16 percent that they had not secured work in their preferred occupation, and 16 percent that they wanted to work different hours. Of concern, 8 percent of PAs reported experiencing employer discrimination as migrants. By definition, de-skilling represents a rite of passage for recently arrived migrants, occurring across all immigrant-receiving countries. The problem has increased in severity in recent years, in particular where migrants are not employer-sponsored – a highly problematic issue addressed in a variety of recent OECD reports.

Employment outcomes at 18 months

Concerns at preliminary de-skilling, however, should not detract from the sustained excellence of New Zealand and Australian outcomes in global terms. At 18 months post-arrival, 85 percent of skilled PAs in Australia were employed, with a further 4 percent conducting a business (making 89 percent in work overall), 5 percent enrolled as students (in accredited or unaccredited courses), 3 percent engaged in home duties, and 3 percent unemployed. The comparable figures for New Zealand PAs were 87 percent employed, 7 percent conducting a business, 3 percent studying, 2 percent engaged in home duties, and a mere 0.7 percent unemployed.

Just 18 percent of skilled PAs to Australia at 18 months stated they had experienced any level of unemployment in the past year. This figure was markedly lower for New Zealand PAs, at 7 percent. For skilled migrants who had experienced unemployment, duration was typically short, with 2 percent of PAs unemployed a full year in Australia, 2 percent for 6–11 months, 5 percent 4–6 months, and 6 percent 1–3 months – an impressive finding. Negligible numbers of PAs in New Zealand had experienced unemployment of any length. It appeared that New Zealand's choice of relatively mature skilled migrants with higher levels of English was immediately beneficial in terms of labour market integration.

Job mobility in the first 18 months was common in Australia, where 70 percent of PAs stated they were working in their preferred occupation at this time compared with 53 percent at 6 months (a yes/no question in relation to this was not asked in the New Zealand survey). Thirty-four percent of PAs in Australia

had changed positions (the data suggesting this was to secure more highly skilled work and/or better remuneration). Many were former international students, replicating a common pattern among recent graduates. New Zealand by contrast was associated with exceptional occupational stability, with 87 percent of PAs employed in the same position at 6 and 18 months.

PAs partners were also entering the workforce in force at this time – 77 percent of New Zealand PAs stating their partners were employed at 18 months compared with 67 percent in Australia (where far fewer were married). As demonstrated by an analysis of secondary applicant characteristics and outcomes for New Zealand, partners achieved far more modest employment status than principal skilled applicants.

Remuneration levels at 18 months

For PAs in employment, salaries trended upwards between 6 and 18 months. In Australia at 6 months 48 percent of primary applicants had been on a low salary band, earning A\$20,000–40,000 per year. This dropped to 34 percent a year later. At 18 months post-migration, 34 percent were earning A\$40,000–60,000 a year (compared with 26 percent at 6 months), and 18 percent \$60,000 or more (rising from 13 percent). Salaries were predictably higher for New Zealand PAs, reflecting their pre-existing employment, greater age and experience, and markedly stronger English language ability. At 6 months 29 percent of LisNZ PAs had earned NZ\$20,000–40,000, 41 percent NZ\$40,000–60,000 and 27 percent NZ\$60,000 or more. By 18 months 20 percent were earning NZ\$20,000–40,000, 39 percent NZ\$40,000–60,000, and an impressive 37 percent NZ\$60,000 or more. This was double the proportion in Australia, despite New Zealand PAs' lower qualification levels (work experience, place of qualification, and/or English ability clearly compensating for this).

Work hours were a major contributory issue here. At 18 months post-migration, 71 percent of PAs in Australia worked 31–40 hours per week and 19 percent worked substantially longer (14 percent 41–50 hours and 5 percent more than 50 hours). PAs in New Zealand were more likely to work overtime (58 percent reporting 31–40 hours per week, 25 percent 41–50 hours, and 10 percent over 50 hours). This could reflect the higher value accorded mature workers, greater family responsibilities, and/or lower wage rates than those prevalent in Australia.

Preferred occupation and job satisfaction at 18 months

Within this impressive overall context, skilled migrants' level of satisfaction with employment in Australia and New Zealand was assessed, including any differences with reported 6-month levels of satisfaction. At 18 months 70 percent of PAs to Australia stated they were working in their preferred occupation (compared with 53 percent earlier) while 19 percent were not (compared with 29 percent). In New Zealand just 51 percent of PAs stated they were not using their skills and experience (compared with 67 percent a year earlier), while 51 percent stated their pay was too low (compared with 75 percent). Strong occupational mobility was thus underway in both countries.

Among Australian PAs working in their preferred position at 18 months, the largest groups were computing professionals (15 percent of all those working in their preferred occupation), accountants (11 percent), accounting clerks (6 percent), and nurses (5 percent) – similar proportions to the responses at 6 months. The most satisfied New Zealand PAs were those employed as nursing professionals (7 percent), computing professionals, school teachers, and managers and executives and engineers (4 percent each).

Welfare dependence

In line with the employment outcomes welfare dependence in both countries was extremely low, also reflecting post-migration eligibility requirements. Just 4 percent of New Zealand PAs reported receiving unemployment benefits, with few having any additional allowances (the main types being accommodation supplements (4 percent) and family support (3 percent)). In Australia family allowance (4 percent) was the primary benefit received by PAs, followed by 1 percent for rent assistance and parenting payments respectively.

Satisfaction with migration

Overall, principal applicants in both countries were very positive at 18 months regarding their settlement process (90 percent of PAs in New Zealand and 93 percent in Australia). Few had been out of work in the previous year – just 7 percent of PAs in New Zealand and 18 percent in Australia (typically for a few months).

Skilled migration policy developments in Australia, 2006–10

Despite the strength of these outcomes in 2005–06, the years since the administration of the LisNZ and the LSIA 3 have coincided with significant SMC and GSM policy shifts in each country. New governments have been elected, in the context of serious global recession.

Subsequent trends have included fine-tuning of the study–migration pathway, and (in Australia) a sustained shift towards sponsored labour migration entry – converging in this regard towards the New Zealand norm. Most notably, a new paradigm for GSM selection has been implemented in Australia since February 2010, and a new Immigration Act passed in New Zealand. Key skilled migration policy developments from 2006 to 2010 are summarised in section 3 of the report. These are illustrated by occupation-specific case studies defining the impact of temporary and permanent skilled migration in the critical fields of medicine, nursing and engineering. (See Boxes 1–6 in section 3 of the report.) Important trends are listed below.

Study–migration pathway – challenges and benefits

As established by Australia’s 2005–06 skilled migration review, challenges as well as benefits were associated with the study–migration pathway. Former international students achieved inferior labour market outcomes to offshore PAs. Despite near identical proportions being employed at 6 months (83 percent compared with 82 percent), they were characterised by annual salaries of A\$20,000 less and lower job satisfaction. They were also far less likely to use

their qualifications in work (46 percent compared with 63 percent of offshore primary applicants). Contributory factors identified in relation to this were, most notably, students' modest English ability and inadequate quality control of the rapidly emerging private vocational training sector (providing migration-aligned courses). Early employment outcomes also reflected students' youth and their recent qualification status.

Refinements to the skilled migration programme to remove perverse study–migration incentives

Responding to such concerns since 2006, successive Australian governments have refined the skilled migration programme to enhance former students' employment readiness, while removing perverse study–migration incentives. Collectively, the impact of these measures has been profound.

From September 2007 (the last 2 months of the Howard government) exemptions from English testing were no longer automatically allowed for former students. IELTS band 6 became the threshold score for GSM applicants (increased from IELTS band 5), more nearly approximating New Zealand norms (IELTS band 6.5). Significant bonus points were introduced for 'proficient' English (25 points for candidates rated at IELTS band 7 or above), with English rather than a migration occupation in demand now the key determinant of Independent selection. Higher migration points were awarded graduates with advanced qualifications: most notably those possessing Australian doctoral degrees (25 points) or 3-year qualifications (15 points). Liberalised access to post-course visas was introduced, allowing students an additional 18 months to upgrade their skills for GSM selection through work experience, improved English language ability, or completion of a professional year related to field of study).

Following 11 years of conservative rule, the Rudd Labor government was elected in November 2007. Reform of the study–migration pathway became an early priority. That year international student enrolments in Australia's vocational education and training sector had grown 51 percent while tertiary sector growth was just 8 percent. The problem of institutional quality control was intensifying – an unexpected consequence of Australia allocating up to 20 bonus points to skilled applicants with qualifications on the Migration Occupations in Demand List, in the context of sustained economic boom. The Rudd government took sustained steps to address these issues, its stated aim being to restore integrity to the study–migration pathway. A review was commissioned of the employment outcomes achieved by former international students across eight professions and trades, including an assessment of the attributes employers sought. Released late 2009, this study affirmed English to be the critical determinant of early employment, supported by a high degree of acculturation. A review of quality assurance in Australia's export education industry was commissioned – the report's recommendations (February 2010) affirming the need for enhanced quality, accountability, and governance across all education sectors, coinciding with the removal of perverse study–migration incentives. Fraud scrutiny of students was tightened (as in the UK). New financial compliance requirements were introduced for select countries, including for the major Australian student sources (India and China).

At the same time the affordability of Australian courses was progressively jeopardised by the strength of the Australian dollar. By October 2010 it would reach parity with US currency, at a time when the US and the UK (traditionally more 'prestigious' international student destinations) were intensifying their competition for Asian markets.

General Skilled Migration programme downsized

The GSM programme was downsized from a 2009/10 target of 133,500 to 108,100, reflecting the global financial crisis. A two-stage review of the Migration Occupations in Demand List was initiated (2009), followed by review of the points-based selection method in 2010 (the goal being to deliver higher level outcomes). The Labor government affirmed skilled migration to remain a strong priority. In future, however, the GSM would be framed to address adjunct labour market needs. In line with Labor's 2007 election policy, long-term demand was to be met through greatly expanded domestic training within a decade (most notably through 40 percent of the youth cohort becoming bachelors degree qualified, in what the government dubbed Australia's 'education revolution'). Medium-term demand would be addressed through an amended GSM programme, informed by the Migration Occupations in Demand List and the points test reviews. Short-term demand would be addressed through employer and state/territory sponsored labour migration programmes – most notably the 457 long-stay business visa.

Preference for health, engineering, and information technology professionals rather than trade-qualified migrants

By May 2009 just three trade occupations featured on Australia's interim Critical Skills List – now dominated by university-qualified health, engineering, and IT professions. The study–migration pipeline was thus utterly transformed; at a time when tens of thousands of international students were enrolled in low grade vocational courses they had assumed would guarantee permanent resident status. International student distress became pronounced – intensified by a spate of physical attacks, and the sudden collapse of a range of financially marginal private colleges. In May 2010 a new Skilled Occupations List was announced, favouring tertiary qualifications and classic apprenticeship training. In consequence demand for private vocational sector courses plummeted.

Rank order for processing became the new paradigm

Rank order for processing became the new General Skilled Migration paradigm. In future, employer and state/territory sponsorship would offer the best and fastest options for selection (ranked 1 to 3 for priority processing). Un-sponsored applicants and those not qualified in priority fields were advised they could expect processing delays of 3 years or more (many having no future prospect of selection).

Even before this policy shift, by 2008/09 Independent primary applicants constituted just 19 percent of migrant arrivals at a time when labour migration flows were being transformed by 'temporary long-stay movements and free movements'. These included uncounted flows from New Zealand – the source of

221,643 arrivals to Australia in the past decade compared with just 69,884 departures.

Interest in a 'smaller' rather than a rapidly growing Australia.

In June 2010 Kevin Rudd was replaced pre-election. Since August Prime Minister Julia Gillard has led a minority Labor government, following an election in which both the government and the Opposition signalled their interest in a 'smaller' rather than a rapidly growing Australia.

In August 2010 offshore visas for international students were reported to have fallen by a third, while demand for vocational sector courses were plummeting (-59 percent). New Indian student enrolments were in rapid decline (-77 percent). In the view of a prominent academic, 'International student numbers could halve over the next 4 years unless the incoming government changes the immigration settings'. According to a September 2010 Australian Bureau of Statistics analysis, following years of exceptionally high growth:

Australia's population growth is in free fall, with net immigration slumping 37 percent year on year in the March quarter to its lowest level in years ... from 98,138 in March 2009 to just 61,780 in March 2010 ... Most of that fall was in the last 6 months, after the Rudd government closed the back door allowing foreign students in low-level courses to stay on as permanent migrants. Opposition Leader Tony Abbott pledged in the recent election campaign to cut net overseas immigration to 170,000 by 2012. The Bureau figures suggest most of that had already been achieved by March, with the trend suggesting further falls in the coming months.⁸

Impact of points test changes

In November 2010 Australia released the outcomes of its skilled migration points test review, with major policy changes to be implemented from July 2011. In the future 65 points (rather than 120) will be required for selection. Key changes were as follows.

- *Occupation:* In marked contrast to recent practice, no points will be allocated to applicants with an occupation in demand (a qualification on the Skilled Occupations List introduced in July 2010 representing a hurdle rather than a points-rewarded requirement).
- *English:* No points will be allocated for meeting the threshold English language requirement of IELTS band 6 or equivalent. By contrast, 20 points will be allocated to applicants with IELTS band 8 (near native speaker level) and 10 points to PAs with IELTS band 7 – English was now the key determinant of selection.
- *Place and level of qualification:* Minimal advantage will now flow from possession of Australian qualifications (just 5 bonus points). Instead, level of qualification will be rewarded – 20 points for a doctorate, 15 for a bachelors

⁸ T Colebatch (2010) 'Immigration slumps, population growth plunges', *The Age*, 30 September, p 3.

or masters degree, and 10 for a vocational qualification (regardless of study location).

- *Age:* Eligibility for skilled migration will be extended to PAs aged up to 49 years, with the greatest points allocated to young and experienced workers (25–32 years) rather than new graduates (as was previously the case) or older applicants.
- *Experience:* Bonus points will be provided for both Australian and overseas experience, with only a slight premium awarded recent Australian work.

These points test changes have profound significance for international students as well as for offshore migrants. They reflect employer preference. The GSM programme in the future will markedly favour the selection of older native English speakers who are qualified with bachelors or higher tertiary degrees. They are certain to disadvantage current and recent international students – in particular those who tailored course choice to the defunct Migration Occupations in Demand List, securing qualifications at the certificate level. The government's aims in making these changes are clear – namely to 'deliver the best and brightest skilled migrants by emphasising high level qualifications, better English language levels and extensive skilled work experience'.

Sponsorship Australia's dominant migration paradigm

By 2009, sponsorship had become Australia's dominant migration paradigm, spanning temporary and permanent labour flows (in marked contrast to the historic preference for a supply-driven model). In the context of the global financial crisis, the flexibility of the 457 visa was greatly valued – grants dropping 10,000 between 2007/08 and 2008/09, but rebounding as Australia avoided recession.

In 2008 a programme integrity review had been commissioned to correct employer abuses. In consequence, the 457 visa has been tightened up, with sponsored workers to be paid the same as Australians doing comparable work, supported by greater employer compliance. By late 2009 an estimated 70 percent of temporary and permanent skilled migrants to Australia were sponsored. The influence on the GSM programme had become marked. As demonstrated by the 2005-06 skilled migration review, permanent migrants who were employer nominated secured near perfect early employment. Ninety-nine percent were employed at 6 months compared with 82 percent of offshore and 83 percent of onshore Independent migrants.

Role of state/territory governments in sponsorship

In 2005/06 the employer and state/territory sponsored skilled categories had delivered 15,230 and 8,020 GSM migrants respectively. By 2008/09 these numbers had risen to 38,030 and 14,060 (45 percent of the skilled total compared with 24 percent).

The role of state/territory governments has become critical in relation to sponsorship – a process responding to longstanding policy submissions. Ninety percent of new migrants elect to settle in capital cities. Migrants' preferred locations to date reflect Australia's population base, favouring the dominant states of New South Wales (in 2008/09 securing 30 percent of all migrants) and

Victoria (25 percent), and the fast-growing mineral-rich states of Queensland (20 percent) and Western Australia (16 percent). Others such as South Australia (6 percent) and Tasmania (1 percent) have struggled to attract and retain significant numbers, despite adoption of proactive measures.

To integrate federal/state labour migration policy, states/territories have been commissioned to develop skilled migration plans by late 2010, following growing policy engagement in the past decade. The intention is to provide state/territory governments with flexibility within the migration programme to address specific skill shortages and local labour market needs, on the basis of agreements reflecting each jurisdiction's requirements. In 2009, following the introduction of a range of proactive measures, the proportion of new migrants settling in regional Australia had risen from 10 to 15 percent.⁹

New Zealand by contrast 'grapples with the challenges of "two New Zealands" for immigration purposes: the Auckland supercity and its surrounding region, and the rest of the country'. In Bedford's view 'there is unlikely to be any serious attempt to allow Auckland to go in one direction with regard to immigrants, while other parts of the country go another way'.¹⁰ Points-based assessment seems certain to remain New Zealand's norm, in marked contrast to Australia's shift to a more decentralized model.

Skilled migration policy developments in New Zealand, 2006–10

New Zealand, like Australia, sets explicit goals for skilled migration – a key difference being Australia's higher qualification focus. Numbers matter acutely, in the context of what has been termed 'demographic survival'.¹¹ According to the Department of Labour:

Without migration New Zealand would be unable to maintain its population or fill skill shortages, even in a time of economic slowdown. In 2008/09, New Zealand lost 28,000 New Zealanders on a permanent and long term basis; this follows 35,000 lost in 2007/08. Without migration to balance these departures and with the ageing population, New Zealand's working-age population would experience ongoing decline. It is worth noting that over the 2001–2006 period, 60 percent of the growth in the working age population was from migration.¹²

⁹ M Cully (2011) *The Contribution of Migrants to Regional Australia*. Canberra: Department of Immigration and Citizenship, p 2.

¹⁰ Review comment to the author by Richard Bedford in relation to the current study, December 2010.

¹¹ R Bedford (2006) 'Skilled migration policy in Australia and New Zealand: Similarities and differences', in B Birrell, L Hawthorne, and S Richardson, *Evaluation of the General Skilled Migration Categories*. Canberra: Commonwealth of Australia.

¹² C Blake (Secretary of Labour) (2009) 'Foreword', in IMSED Research, *Migration Trends and Outlook 2008/09*. Wellington: International Migration, Settlement and Employment Dynamics Research, Department of Labour. www.dol.govt.nz/publications/research/migration-outlook-200809/index.asp (accessed 25 October 2010).

From March 2002 to March 2009 New Zealand welcomed record numbers of overseas-born permanent and long-term arrivals: around 490,000 compared with 161,491 departures after one or more years. Recent migrants born in Asia, Africa and the Middle East, and the Americas, however, have been the most likely to leave New Zealand for Australia. This trend is policy significant, in a context where from June 2001–09 half of New Zealand’s 900,329 approvals for work, study, or residence purposes were derived from Asia (36 percent, 76 percent, and 41 percent respectively), alongside substantial European flows (454,234 approvals).

Measures to ensure adequate workforce supply

To ensure adequate workforce supply, New Zealand, in the last years of the Clark Labour government, implemented a range of proactive policy measures. Firstly, while Australia has contracted its study–migration pathway, New Zealand has increasingly cultivated international students as prospective skilled migrants. Beyond bonus points for 2 years or more of accredited study in New Zealand, additional points are awarded for masters degrees or doctorates, and in an important strategic move since 2006 doctoral fees have been dramatically reduced for international students. On course completion students have been encouraged to stay via the study to work (and to residence) pathway, in a context where research affirms them to be highly acceptable as migrants. Like other SMC applicants, they can secure bonus points for credentials in an identified future growth area and/or in an area of absolute skills shortage.

Stability of international student population remains an issue

Despite such measures, the stability of international student population remains an issue (noting a significant drop in Chinese student supply occurring in 2005). In recent years New Zealand has, therefore, audited global immigration policies where it might lag behind competitors (Australia, the US, the UK, Ireland, and Canada). Student sources have been diversified. Progressive steps have been taken to improve the attractiveness and equivalence of work and residency policies relative to competitor countries, including students’ access to work during study, the provision of employment rights to postgraduate students’ partners, the extension of graduate job search permits from 6 to 12 months (post-qualification) for students qualified in courses meeting SMC criteria, and extension of the post-study practical experience permit to 3 years (where required to obtain registration or professional accreditation). Additional strategies have been proposed, including the development of partnerships between education and industry stakeholders, improved immigration promotional outreach, and more personalised service provision supported by timely and transparent visa processing.

Global exemplar in the attraction and retention of temporary workers

Few modifications to the SMC points system were made in the Clark government’s last years. As in Australia, demand for skilled migration was booming in 2007/08 before the onset of recession, with the Labour government continuing to liberalise worker entry and retention. In 2006/07, 115,400 temporary migrants were issued with work permits, an increase of 16 percent on the previous year and far exceeding the number of visas awarded to permanent

applicants. In 2007/08 temporary work permits were further increased by 13 percent. Occupations were added to the long-term and immediate skill shortage lists, supported by increased quotas for the fortnightly Expressions of Interest draws. Seventy-seven percent of PAs selected were derived from the top applicant category (Expressions of Interest scoring 140 points or more, with or without a job offer). By 2008 growing numbers were also being approved without employment.

By the time of the 2008 election, New Zealand had become a global exemplar in the attraction and retention of temporary workers. In 2008/09 81 percent of permanent resident grants were awarded to migrants onshore. Eighty percent of SMC PAs were employed at point of selection, or had received local job offers. According to the Department of Labour, domestic safeguards were adequate at this time. It is important to note here that substantial low-skilled labour developments were also occurring in New Zealand with a focus on seasonal labour migrants (an important trend beyond the brief of this study). Temporary Pacific migration was growing markedly, rising from 12,176 arrivals in 2002–05 to 20,112 in 2006–09, most notably from Fiji, Samoa, Tonga and Vanuatu. Such flows, while regionally significant, were dwarfed, however, by the scale of more highly skilled SMC and temporary entry Asian and European arrivals.

Encouragement of return migration a national priority

In November 2008 the New Zealand Government changed (a year following Australia and in the reverse political direction). This had marked consequences for skilled migration. An immigration manifesto had been released by the National Party before its election, with encouragement of return migration and reduction of 'the net loss of New Zealanders overseas' defined as national priorities.¹³ The impacts of recession and rising unemployment were being felt – spurring the National government's philosophical commitment to economic productivity.

Little changed in the Key government's first months. Selection categories, numbers, and immigrant characteristics were stable to July 2009, despite a growing focus on applicants with job offers. The two-tier SMC system was retained. Strong takeup of this pathway continued from temporary migrants, with growing use made of graduate job search permits by former international students (around 10,000 per year allocated from June 2008 to 2009). That year 136,481 migrants were issued with temporary work permits, while 46,097 were approved for permanent residence (across all immigration categories). Ninety-four percent of SMC PAs and 77 percent of secondary applicants had held temporary student, worker, or visitor permits in the previous year (with 88 percent of SMC PAs holding earlier work permits).

¹³ R Bedford, E Ho, and C Bedford (2010) 'Pathways to residence in New Zealand, 2003–2010', in A Trlin, P Spoonley, and D Bedford (Eds), *New Zealand and International Migration: A digest and bibliography – Number 5*, chapter 1. Palmerston North: Department of Sociology, Social Policy and Social Work, Massey University, p 3 of draft.

Two-step migration for students and temporary migrants more difficult

In July 2009, the economic climate worsened significantly. The National government maintained the scale of SMC intakes (25,000–27,000 people that year), but 44 occupations no longer in shortage were removed from the Immediate Skills Shortage List and 8 from the Long-Term Skill Shortage List. As a result of the recession and the subsequent increase in unemployment it became more difficult for former international students and migrants on temporary work permits to transit through the two-step migration process. Further policy measures reduced the duration of permits issued to lower-skilled workers. Business and wealthy retiree migration was also strengthened at this time.

In line with the immigration manifesto, an unexpected trend was also occurring. In marked contrast to previous recessions, New Zealand was experiencing retention and population gain. Permanent and long-term arrivals to New Zealand had increased in the recession, with 86,410 people arriving in 2009 compared with 59,743 in 1999 (growth of 45 percent). Simultaneously, there had been a marked fall in expatriate flows – the lowest number of long-term departures since 1979, with 2009 seeing a 32 percent decline in New Zealand permanent and long-term departures compared with the previous year. Decreased demand for temporary migrant workers was an immediate consequence.

A new era in immigration policy

From October 2009 the Key government introduced an extensive suite of migration legislative changes through a new Immigration Act, designed to 'lay the foundation for a new era in immigration policy in a very different national and global context than the one that existed 20 years earlier'. Changes included the abolition of permits and exemptions (visas henceforth to be used for all migration movements); a higher level of responsibility for sponsors, including in relation to temporary work visas; the introduction of new categories of sponsors; and a greater focus on employer obligations.

Conclusion

As demonstrated by this comparison of New Zealand and Australia, policy formation remains challenging in a context where global migration is a defining phenomenon of the early twenty-first century. Migration embraces all categories of people – skilled and unskilled, family, refugee, legal and illegal, permanent and temporary. The short-term movement of people is rising markedly, while the accessibility of one immigrant-receiving country may transform the level of demand for another. Given the dynamism of these trends, the few nations left with active immigration programmes are obliged to modify their entry policies, all the time encountering 'difficulties in harnessing their immigration programs to achieve diverse and often incompatible policy goals ... [in] economic development, human resource development, population and foreign affairs'.¹⁴

¹⁴ C Stahl, R Ball, C Inglis, and P Gutman (1993) *Global Population Movements and Their Implications for Australia*. Canberra: Australian Government Publishing Service, p xiv.

Policy trends

The governments of New Zealand and Australia are at once competitors and collaborators within this process:

- both have prioritised skilled migration in the past decade, despite sharp differences in the scale and characteristics of intakes
- both labour markets are intimately linked – enriched and (in the case of New Zealand) jeopardised by free trans-Tasman flows
- both maintain constant surveillance of each other’s policies, replicating strategies that work
- both have ‘privatised’ selection to a marked degree, a process increasingly outsourced to employers and (in Australia) to states/territories
- both achieve impressive skilled migration outcomes in global terms – 93 percent of PAs in New Zealand employed at 6 months and 83 percent in Australia, compared to 94 percent in New Zealand and 89 percent in Australia at 18 months.

Within this context six policy trends to watch are:

- the changing characteristics of skilled migrants
- the evolution of two-step migration
- the likely influence of employer selection
- skilled migration from the ‘neighbourhood’
- the attempted dispersal of skilled migrants
- the challenge of retention.

‘Neighbourhood’ migration in the Pacific

Regional migration in the ‘neighbourhood’, for example, is at once a threat and an opportunity as demonstrated by trans-Tasman flows (221,643 New Zealanders migrating to Australia in the past decade compared with just 69,884 permanent departures).

To what extent have Pacific Island countries become a skilled migration resource for New Zealand and Australia, noting the ‘brain drain’ risk this entails? Temporary flows to New Zealand have risen markedly in recent years, from 12,176 arrivals in 2002–05 to 20,112 in 2006–09 (primarily derived from Fiji, Samoa, Tonga, and Vanuatu).¹⁵ New Zealand’s Recognised Seasonal Employer Work Policy also facilitates short-term labour contracts for up to 8,000 low-skilled workers per year (employment of up to 7 months in the horticulture and viticulture industries). While such flows are dwarfed by SMC and General/Essential Skills Asian and European arrivals, ‘neighbourhood’ impacts are evident with the skilled. Between 2004/05 and 2008/09 Fiji ranked sixth for

¹⁵ R Bedford, P Callister, and R Didham (2010) ‘Arrivals, departures and net migration’, in A Trlin, P Spoonley, and D Bedford (Eds), *New Zealand and International Migration: A Digest and Bibliography – Number 5*, chapter 2. Palmerston North: Department of Sociology, Social Policy and Social Work, Massey University, pp 34–35 of draft. Note the figure of 19,000 was originally provided in this text; amended December 2010 by Department of Labour advice to L Hawthorne to 8,000.

SMC PAs, with annual intakes growing steadily. A total of 2,205 PAs were selected overall (rising from 239 in 2004/05 to 701 in 2008/09, overwhelmingly approved onshore). Fiji also represented an important labour source in the General/Essential Skills category – contributing 9,422 temporary arrivals in these 5 years (2,500 in 2008/09 compared with 963 in 2004/05). Additional temporary flows were received from Samoa (2,276 people), Tonga (1,748), Kiribati (462), Tuvalu (267), Papua New Guinea (151), Vanuatu (95), and American Samoa (7). Reflecting the poverty of the region, Fiji was the sole major source of international students to New Zealand – ranked eighth from 2004/05 to 2008/09 overall, but contributing 11,237 (3 percent) of the enrolled total.

Australia has shown minimal interest in cultivating Pacific flows, despite government to government dialogue on more liberal temporary entry. Fiji was the sole Pacific country in the GSM 'top 20' from 2004/05 to 2008/09 (1,541 PAs selected). Annual flows, however, have diminished rather than grown in recent years (358 PA arrivals in 2004/05 dropping to 250 in 2008/09). Melanesia was the source of few additional PAs, principally derived from Papua New Guinea. The entry of temporary 457 visa holders was also modest – 620 PAs from Papua New Guinea between 2004/05 and 2008/09 and 580 from Fiji (large numbers of whom were retained through two-step migration), plus 30 from Samoa. Reflecting this, study–migration rates have been slight – principally from Fiji, with 380 former students securing permanent GSM status.

Major challenge – retention of high-quality skilled migrants

The report concludes that recruitment of high-quality skilled migrants constitutes one major challenge. As demonstrated by occupation-specific case studies, their retention is another – a particular issue for New Zealand demonstrated by medical, nursing, and engineering case studies.

According to recent data (for example) 7,102 temporary work permits were issued to international medical graduates from 2005 to 2009, in addition to 1,612 SMC residence grants (PAs).¹⁶ The UK was by far the largest source of these doctors, followed by the US, India, and South Africa. In June 2009, according to the New Zealand Medical Council, New Zealand had 12,493 practising doctors, with 323 new domestic graduates registered that year. This figure was dwarfed, however, by the number of international medical graduates registered (1,141). According to the council in 2008 just half these migrant doctors were retained for 1 year. Retention dropped to 31 percent within 3 years of initial registration – a trend consistent over the past 8 years. Those most likely to stay were from Asia (50 percent resident 7 years after initial registration). Less than 50 percent of South African doctors, however, stayed more than 5 years, less than 30 percent of UK doctors more than 2 years, and

¹⁶ Department of Labour and Statistics New Zealand (2010) 'Migration of health workers to New Zealand: Context, trends and outcomes', presentation at the Fifteenth International Metropolis Conference, The Hague, 6 October.

less than 30 percent of US or Canadian doctors more than 1 year (the lowest rate).¹⁷

Australia faces far less serious challenges in terms of migrant retention.¹⁸ The year 2007/08 coincided with the largest departures on record: 76,923 people leaving 'permanently', including two-thirds aged 25–54 years. Almost half those departing were skilled – their major destinations being New Zealand (18 percent), the UK (18 percent), the US (9 percent), Hong Kong Special Administrative Region (7 percent), and Singapore (6 percent). A total of 86,277 people left Australia permanently in 2009/10. Fifty-one percent were overseas-born (compared with 49 percent the previous year) – most returning to their birthplace. Two-thirds of those leaving were employed, the majority as professionals, followed by managers and administrators, and intermediate clerical, sales, and service workers.

Recent research, however, contests the severity of the impact on Australia, demonstrating net losses to be 'remarkably small'.¹⁹ The stated intentions of those leaving were tested against length of absence. Just 14,658 of Australia's 'permanent' 2007/08 departures had remained away more than 12 of the following 16 months. Australia's net loss of citizens was thus stable and small (20,310) – minimising the need for migration to compensate for significant 'brain drain'.

Strong policy convergence between New Zealand and Australia

Despite select differences between New Zealand and Australia, there has been strong policy convergence between the two countries in recent years. New Zealand is rapidly developing study–migration flows. Employer sponsorship and work to residence pathways are simultaneously expanding in Australia based on a decisive reversion to ESB and experienced GSM applicants. Competition for skilled migrants between the two countries will intensify as a consequence – the key differentiator likely to be skill levels.

Skilled migrants to Australia were more highly qualified than those to New Zealand from 2004/05 to 2008/09 at every migration level. Sixty-six percent of GSM migrants had been professionally employed pre-migration (compared with 39 percent of SMC migrants). Fifty-eight percent of 457 visa temporary workers had worked as professionals (compared with 19 percent of General/Essential Skills entrants). Forty-two percent of international students were enrolled in degrees in Australia in 2008 (compared with 16 percent in New Zealand 2008/09), with many in both countries certain to remain. Following the 2010 points test review, the Australian Government has affirmed its commitment to selecting 'the best and brightest skilled migrants by emphasizing high level qualifications', supported by better English levels and extensive skilled work experience. Should competition grow, New Zealand will thus be advantaged

¹⁷ Medical Council of New Zealand (2008) *The New Zealand Medical Workforce in 2008*. Wellington: Medical Council of New Zealand.

¹⁸ DIAC (2008) *Emigration*. Canberra: Department of Immigration and Citizenship.

¹⁹ B Birrell and E Healy (2010) 'Net overseas migration: Why is it so high?', *People and Place* 18(2): 56–65, pp 63–64.

by its more liberal approach to skills. As demonstrated by the LisNZ and LSIA 3 analysis, the SMC's lower occupational criteria have had no discernible impact on PAs early work or remuneration rates. Such workers have proven highly acceptable to New Zealand employers, the majority being experienced, and of ESB or European background. In the period ahead such policy differences and impacts will be important to watch. In the 'looming war for skills', New Zealand and Australia will benefit from each other's growing regional profile. At the same time they will use the research evidence to compete hard to recruit and retain the most highly sought migrant workers.

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