A Migration System for Australia's Future

KPMG report

KPMG Australia

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Executive summary

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to the Department of Home Affairs Discussion Paper: *A Migration System for Australia's Future* (the discussion paper).

Australia's skills-focused migration program boosts labour force participation and real per-capita incomes, and economic analysis consistently shows that the skilled migration intake is budget-positive and does not depress local employment or wages in the long run. KPMG's own economic analysis finds that in a scenario where the number of overseas migrants is increased by 265,000 over the next five years, real GDP is projected to be almost $30 billion higher than in a baseline projection. Assuming that the new skilled migrants are 20 per cent more productive than the incumbent workforce on average, there is an additional projected$5 billion lift to GDP in 2030.

Australia must regain its place as one of the most attractive skilled migrant destinations in the world if our economy is to remain competitive and achieve real productivity and wages growth. The permanent and employer-sponsored skilled visa systems have ongoing challenges for migrants and employers due to migration cuts before COVID-19, the exodus of temporary workers due to border closures, short-term visas with no or protracted pathways to permanency, outdated and restrictive occupation lists, poor market testing and burdensome administration. A further factor impacting the ability of Australia's migration program to support business is the changing nature of the workforce; in particular the evolution of hybrid work arrangements.

More than two years of pandemic disruption to the workforce and workplaces has highlighted some significant challenges for Australia, which a thoughtfully designed migration program can help to address. Reform of Australia's migration program should be cognisant of the lessons learned during COVID-19 lockdowns.

The disruption to traditional supply chains has necessitated a rethink in many developed economies of industries and skills which in some cases had been offshored several years ago. KPMG considers that this is an opportunity to reconsider the focus of Australia's Business Investment Immigration Program and Global Talent Program to better target offshore skills in critical areas such as manufacturing, energy transition and cyber technology to leverage the attractiveness of Australia as a destination to build future-ready industries.

This submission outlines tangible steps that can be taken to build a migration system which is aligned to Australia's future workforce requirements, and we look forward to working with the government on these important issues.

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Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

KPMG currently employs 30 staff in its Immigration Services business, which was established in 1988 with a focus on providing immigration advice and assistance to businesses looking to access the various employer sponsored visa categories. The KPMG immigration team collectively has a wealth of technical and practical experience across all immigration matters and draws from many years of experience working in the immigration consulting industry, including within government agencies and in-house global mobility teams.

Section 1: KPMG recommendations

Skilled migrants boost our living standards

Finding 1: KPMG analysis indicates that in a scenario where the number of overseas migrants increases by 265,000 over the next five years, real GDP is projected to be almost $30 billion greater than in a baseline projection. Assuming that the new migrants are 20 per cent more productive than the incumbent workforce on average, consistent with a focus of increased skilled migrants, there is an additional projected $5 billion lift to GDP in 2030.

A sustainable increase in skilled migration

Recommendation 1: KPMG supports a further increase to the annual permanent migration cap. KPMG supports raising the cap by 265,000 over the next five years to address both skills shortages and migrants lost through the pandemic. Following the five-year increase, the rate should return to the average level over the last decade of around 195,000 or consistent with a set level of Australia's population.

Align immigration rules with how businesses manage their workforces

Recommendation 2: In order to align immigration policy with new ways of working, KPMG recommends the following measures:
- A new Sponsored Project Visa for targeted short-term projects, which would be valid for 12 months, include a minimum salary, and have no labour market testing (LMT) requirements;
- A Digital Nomad Visa that provides unrestricted work rights for up to 90 days, with the potential to extend for a further 90-day period, that is not age restrictive and is available to all passport nationalities;
- Streamlining the Temporary Skilled Visa pathway for intra-company transfers, including the removal of LMT and the annual market salary rate requirement if paid above a designated salary threshold; and
- Allowing Temporary Skilled Visa holders to job-share or engage in part-time work for a designated period of time.

Recommendation 3: KPMG recommends the removal of tiered occupational links to either two-year or four-year Temporary Skilled Visas, replaced by one overarching Priority Occupation List with the following features:
- A universal four-year visa, with the ability for business to extend in four-year blocks indefinitely if the employing business chooses; and
- If a sponsoring employer identifies an occupation not on a Priority Occupation List, the employer should still be allowed to nominate the role for a four-year Temporary Skilled Visa if the minimum annual salary for the role exceeds $90,000 plus superannuation.

Recommendation 4: KPMG recommends that the government considers the costs and benefits of lifting the age threshold for company sponsored permanent residency from 45 to 50 years of age. To address the competing imperative that skilled migrants are positive net contributors over the lifetime of their visa, applicants could be made subject to existing Assurance of Support conditions that currently apply to aged dependent relative, contributory parent and aged parent visas.

Recommendation 5: Recognising that Australia's labour market challenges will evolve in the future and include shortages in semi-skilled and unskilled labour, KPMG recommends the following measures:

- Extending targeted immigration programs such as the Pacific Australia Labour Mobility (PALM) scheme; and
- Labour market programs supporting semi-skilled and unskilled labour be demand driven with visa issuance capping adjusted based on local labour market conditions.

Addressing barriers in Australia's taxation system

Recommendation 6: KPMG recommends the government addresses tax-related disincentives in superannuation, pensions and accommodation that exist for highly skilled migrants relocating to Australia. This should include a more streamlined and less costly process for foreign workers to withdraw their superannuation on permanent departure from Australia.

Simplify the Skilled Immigration Program

Recommendation 7: KPMG recommends streamlining labour market testing requirements, such as allowing sponsoring employers to utilise their existing LMT arrangements or implementing a data-driven approach to LMT. In addition, exemptions for LMT should be introduced for accredited 'Trusted Trainer' companies.

Recommendation 8: KPMG recommends reforming the Skilling Australia Fund (SAF) levy by spreading costs evenly over the visa term, making more provisions for refunds and providing credits for 'Trusted Trainer' businesses when certain conditions are met. In addition, KPMG recommends removing the need for accredited employer sponsors to pay the SAF levy where they can demonstrate an ongoing commitment to the training and upskilling of Australian nationals.

Recommendation 9: KPMG recommends developing a more transparent credentials process for visa applicants in areas such as registration and licensing requirements and character checks. This could include development of a blockchain between government authorities and accredited sponsors to reduce the need for constant third-party interactions.

Recommendation 10: KPMG recommends providing easier access to information and support by creating a whole-of-government skilled migrant portal, which could provide customised information for applicants that draws from federal, state, and regional data sources.

Better leveraging the existing and future foreign workforce

Recommendation 11: To address the challenge of attracting talent to locations in regional Australia, KPMG recommends that a shift from the approach to attract overseas migrants to live and work in regional locations, to one which involves a "push incentive" of foreign talent already in Australia.

Recommendation 12: KPMG recommends allowing graduates from Australian tertiary institutions with a qualification aligned to the Priority Occupation List to apply for a three-year Temporary Graduate Visa with full work rights, with the following features:

- Including two streams under the revised Temporary Graduate Visa – sponsored and unsponsored;
- Providing Temporary Graduate Visa holders with a pathway to permanent residency via three years working with a sponsoring employer in a regional location, and five years working with a sponsoring employer in Sydney, Melbourne or Brisbane; and
- Implementation of a Regional Skills Match Database administered by Jobs and Skills Australia which contains the details of every foreign graduate from an Australian tertiary institution granted a Temporary Graduate Visa.

Recommendation 13: KPMG recommends an extension of the Australian Skills Guarantee to include international students and graduates on temporary visas.

Attracting leading professionals to priority sectors

Recommendation 14: KPMG recommends leveraging the Global Talent Visa to attract leading professionals into priority sectors in Australia, including by:

- Pre-approving certain priority occupations for a Global Talent Visa;
- Allowing government-approved recruiters to identify appropriate candidates and invite them to apply for a pre-approved visa, subject to mandatory health and character checks; and
- Inviting the pre-approved applicant to nominate similarly qualified experts in the priority occupation for a pre-approved visa.

Addressing long waiting periods

Recommendation 15: KPMG recommends including key performance indicators (KPIs) for processing times and accrediting specialist third parties to review visa eligibility so that the visa processing system is adaptable and responsive to market changes in growth sectors.

Migration agent regulation

Recommendation 16: Given the critical role that registered migration agents (RMAs) play in facilitating migration to Australia, KPMG supports measures that promote a highly qualified and professional industry, and combat misconduct, including:

- Updating Occupational Competency Standards for RMAs to include English language requirements;

- Introduction of a mandatory 12-month provisional licence for newly registered migration agents;
- Introduction of a three-tiered system of registration for RMAs that provides a graduated approach to career progression; and
- A review of the Continuing Professional Development arrangements.

Section 2: KPMG insights

KPMG insights

Skilled migrants boost our living standards

KPMG Economics' 2020 Report *Pathways to recovery: International students will boost our living standards* estimated the benefits of increasing Australia's international student intake to help offset the economic losses caused by the COVID-19 pandemic.

The report found that if the Australian population was one million lower in 2029-30, missing out on younger, more highly skilled Australian migrants, then Australian living standards would be adversely affected. KPMG's economic modelling suggested that real GDP would be $117 billion lower in 2029-30 than it would have been had COVID-19 not triggered a slowdown in immigration and the loss of young skilled migrants.

The annual loss of GDP and household disposable income from reduced immigration is a result of two factors. The first is fewer working-age people supporting older Australians as immigration, which consists mainly of younger people, is curtailed by COVID-19-related international travel restrictions. The second is the loss of more highly productive migrants, since the immigration program is deliberately tilted towards skilled migrants including university students and graduates.

This analysis clearly highlighted the imperative of reforms to Australia's migration system to attract international students and skilled workers, and address the decline in population growth.

Commonwealth Treasury in its paper *The lifetime fiscal impact of the Australian permanent migration program*[1] found that the permanent migration program generates significant fiscal benefits, in aggregate, for Australia and that permanent migrants have, on average, stronger labour market outcomes compared to the Australian population. Migrants from the Skill stream also have a more positive lifetime fiscal impact, on average, than migrants from the other streams. Within the Skill stream, employer-sponsored visa holders are estimated to have the most positive lifetime fiscal impact.

In an update to the 2020 analysis, KPMG has assessed an alternative scenario where the number of overseas migrants is increased by a cumulative 265,000 over the next five years. Real GDP in 2030 is projected to be almost $30 billion higher than in a baseline projection. Assuming that the new migrants are 20 per cent more productive than the incumbent workforce on average, consistent with a focus on skilled workers, there is an additional projected $5 billion lift to GDP in 2030.

If these additional migrants are all offshore permanent migrants, this implies increasing the permanent migration cap by 25,000 in 2022-23 and then an additional 60,000 in 2023-24, 2024-25, 2025-26 and 2026-27, cumulating in an additional 265,000 permanent migrant arrivals over five years. Following these targeted increases to the permanent migration cap, the cap would then return to the average level in the last decade at around 195,000 per annum (noting that this figure includes onshore permanent

[1] The lifetime fiscal impact of the Australian permanent migration program | Treasury.gov.au

migrants, who are not counted in the net overseas migration figure), with net overseas migration returning to a base case assumption of 235,000 per annum.[2]

The trend rate of 235,000 for net overseas migration is an important measure from an economic perspective as it reflects the net increase of migrants entering the country each year, rather than people on temporary visas applying for permanent residency who are already in the country. While providing permanency to those in-country who are on temporary visas is an important part of the program it does not, from a modelling perspective, increase the size of the labour force or levels of GDP.

A sustainable increase in skilled migration

KPMG welcomed the federal government's announcement at the Jobs and Skills Summit of an increase in permanent migration visas available in 2022-23 from 160,000 to 195,000 places. While this is a much-needed boost to the migration program, KPMG is supportive of further raising the cap over the next five years in order to address both skills shortages and migrants lost through the pandemic. Following the five-year increase, the rate should return to the average level over the last decade of around 195,000 or consistent with a set level of Australia's population.[3] Reweighting the skills stream back up to a 70 per cent share would also create additional fiscal benefits as highlighted previously.

KPMG recommends an increased focus on government settings that help facilitate the increase in migration arrivals and complement the uplift of domestic workforce skills and education efforts. This should include efforts to make migration gender equitable, targeting skilled women migrants, and providing better support to women who come to Australia under their partner's visa and subsequently have limited work and other opportunities. KPMG acknowledges the recent announcement of an extension to the Commonwealth's Paid Parental Leave scheme to migrants who meet residency requirements 'where the birth mother does not meet the newly arrived resident's waiting period requirement'.[4] This is a welcome step forward.

Skill shortages are being felt by employers across the economy. Temporary visa holders such as international students and holidaymakers fill low- and semi-skilled occupations while they are in Australia, but there are missed opportunities to transition more temporary visa holders to permanent migration.

In addition to baseline shortages, there is a growing need for specialised skillsets to enable Australia to keep in step with the requirement of emerging industries and with economic trends. Most notably, the clean energy sector and clean economy more broadly will continue to require a skilled and dynamic workforce that can evolve with the

[2] *Net overseas migration of 235,000 is the latest projection from the Centre for Population Studies,*

[3] *Between 2012-13 and 2015-16, Australia accepted around 190,000 permanent migrants each year. From 2016-17 onwards, this began to fall due to government decisions and then subsequently the pandemic. The low point reached in 2019-20 saw Australia accept around 140,000 permanent migrants. 2021-22 Migration Program Report (homeaffairs.gov.au)*

[4] *https://ministers.dss.gov.au/media-releases/9486*

changing environment across sectors, strategic landscapes and technological advancements. Migration can provide a critical boost to the expertise and skilled labour required to capitalise on these opportunities.

Boosting migration will require a whole-of-government effort that entails multi-year guidance that aligns migration levels with commensurate plans for population growth and ensures infrastructure (e.g., transport and digital), housing and key services (e.g., childcare, retail, broader education services, healthcare) keep pace. This is critically important as these services can impact women's workforce participation disproportionality.

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Align immigration rules with how businesses manage their workforce

Two years of international border closures have disrupted the nature of the workforce and the workplace. New ways of working such as hybrid work arrangements and a significant increase in business travellers globally have created an imbalance between the future of work and the immigration rules which facilitate the attraction and retention of foreign talent.

Align migration policy with new ways of working

Measures that can be taken to align migration policy with the emerging workforce include a new Sponsored Project Visa for targeted short-term projects. The visa would be valid for 12 months with the opportunity to apply for a longer term sponsored visa, supported by streamlined document threshold requirements, and limited to intra-company transfers. The Sponsored Project Visa should have a minimum salary threshold aligned with the temporary skills shortage visa income threshold (currently $53,900 plus superannuation) and have no LMT requirements. This initiative would allow Australian businesses to mobilise their offshore talent quickly and respond efficiently to targeted local needs.

The workforce has been disrupted in a unique way during the pandemic. During lockdowns, skilled talent departed their employers as businesses adjusted to diminished demand globally. A growing proportion of this talent has chosen not to return to previous work arrangements and this in turn has created an emerging global workforce which has chosen to deliver their talent in a more agile and mobile way.[5] In effect, we have observed the next iteration of the gig economy – the 'nomadic' workforce. This group includes highly skilled talent who want to remain in the workforce but deliver their talent in a globally agile manner, without being tied to a single employer. Australia needs to tap into this emerging workforce.

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[5] *Digital nomads - statistics & facts | Statista*

A Digital Nomad Visa should be considered that provides unrestricted work rights for up to 90 days with scope to extend for a further 90-day period. This visa pathway could complement the existing Working Holiday Visa program but would not be age restrictive and be available to all passport nationalities. Creation of a Digital Nomad Visa would also give Australia the chance to be part of the emerging global Digital Nomad Visa community, which could open Australia to a new sector of the global talent pool that chooses to use their skills and experience to travel the world.

Global talent has never been in such demand at a time when market forces have disrupted the nature of the workforce. Australia is competing fiercely for an international talent pool, and many of our competitors have used international border closures to enact critical structural workforce reforms.

Recognising the highly competitive global talent marketplace, KPMG recommends the removal of tiered occupational links to either two-year or four-year Temporary Skilled Visas, replaced by one overarching Priority Occupation List. This would be a universal four-year visa, with the ability for businesses to extend in four-year blocks indefinitely if the employing business chooses. The current tiered arrangement is both complex for employers and slows down visa processing.

In addition, if a sponsoring employer identifies an occupation not on a Priority Occupation List, KPMG recommends that the employer should still be allowed to nominate the role for a four-year Temporary Skilled Visa if the minimum salary for the role exceeds $90,000 plus superannuation ($100,000 for transitioning to a permanent visa). This arrangement recognises the emergence of new roles and occupations as the workforce evolves.

Australian businesses with a global workforce should have greater flexibility in how they deploy their foreign employees to Australia. In KPMG's view, this would include streamlining the Temporary Skilled Visa pathway for intra-company transfers, incorporating the removal of LMT and the annual market salary rate requirement if paid above a designated salary threshold which could be set at $90,000 per annum, or $100,000 per annum for transitioning to a permanent visa.

Changes in labour force participation during the pandemic have necessitated a more flexible approach to Temporary Skilled Visa work conditions. KPMG recommends that Temporary Skilled Visa holders be allowed to job-share or engage in part-time work for a designated period of time to provide the employer with flexibility to deploy their foreign workforce as business circumstances evolve. This arrangement would mitigate the risk of the employer losing access to the visa holder because of inflexible and outdated working conditions attached to their visa.

Some visa classification types also restrict the number of hours worked per week despite migrant ability and willingness to work. The role of visa holding workers in supporting the current labour shortages and economic recovery across the country is reflected in the temporary relaxation to unrestricted work rights for those on student visas until June 2023.

Pathways to permanent residency

The business community has clearly stated that access to permanent residency is an important lever to attract skilled foreign labour. Currently the migration rules governing transition to permanency are not aligned with how employers target and recruit skilled foreign labour. A simple solution to address this misalignment is to allow all Temporary Skilled Visa holders to apply for permanent residency with the support of their sponsoring employer at any point during their visa validity. Employers would directly benefit from increased permanent residency as they could maximise their upfront time and cost investment into training and developing workers, without the burden of frequent worker turnover.

Facilitating clear pathways to permanent residency as an attraction strategy for current and prospective workers is especially important in regional areas where there is a higher concentration of seasonal and labour-intensive industries as well as growing pressure on key services owing to growing populations. KPMG consultation across regional Victoria found that visa holders face additional barriers on top of community-wide challenges such as access to affordable and appropriate housing, public transport and childcare services to support participation in the workforce. These include mixed recognition of qualifications or credentials, restrictions on ability to exceed paid hours and restricted access to community services due to visa conditions.

While KPMG notes that the existing migration system includes a surge visitor scheme which aims to smooth seasonal demand particularly in the agricultural sector, expanding such programs to emerging sectors could bolster and scale existing training, work and knowledge transfer agreements between private businesses. An example raised through consultation across regional Victoria is bringing technicians from Europe to upskill local workers in existing and emerging clean energy technologies.

A common criticism from employers of the existing pathways to company-sponsored permanent residency is the low age threshold (currently set at 45 years) when applicants must apply for permanent residency. Whilst some exemptions apply to being able to apply for permanent residency for applicants over the age of 45, they are limited in scope.

KPMG recommends that the federal government considers the costs and benefits of lifting the age threshold for company sponsored permanent residency to 50 years. KPMG recognises the need to balance the lifetime net benefits to the economy of migrants with the need for business to attract skilled foreign labour to choose to live and work in Australia. Access to permanent residency is often cited as the pivotal reason for talent choosing to live and work in Australia.

One way to address these two imperatives is to require applicants to meet existing Assurance of Support conditions.[6] Under existing conditions for aged dependent relatives, contributory parent and aged parent visas, visa holders are required to meet Assurance of Support conditions. If assurees have received recoverable income support during a predetermined Assurance of Support period, the Australian government can

[6] Bank guarantee and term deposit for an Assurance of Support - Assurance of Support - Services Australia

recover the relevant amount from the balance of a term deposit. If the entire term deposit amount is recovered, the government can use its debt recovery powers under the Social Security Act 1991 to recover the balance of the debt.

For example, if a person born on 1 January 1972 obtains permanent residency at age 52, then departs full-time employment at 67 years of age and applies for an age pension, their Assurance of Support would be debited. If the term deposit was depleted, the government could use its debt recovery powers to recover the balance.

Targeted programs

The nature of the evolving workforce has highlighted some targeted areas for migration reform linked to particular industries. This has necessitated implementing industry sponsorship for targeted labour market needs. This could include a streamlined labour agreement arrangement in priority occupations such as healthcare, aged care and hospitality. These arrangements could be adjusted as labour market conditions change into the future.

Expanding the Designated Area Migration Agreements (DAMA) between the government and regional, state or territory authorities may be one pathway forward to ensure that skill needs pertaining to specific regional areas and key industries are fulfilled. Specific DAMA arrangements vary across each region with concessions including language, priority occupations and age available.

Recognising that Australia's labour market challenges will evolve in the future and include shortages in semi-skilled and unskilled labour, KPMG recommends an extension of targeted immigration programs such as the Pacific Australia Labour Mobility (PALM) scheme which allows eligible Australian businesses to hire workers from nine Pacific islands and Timor-Leste. KPMG further recommends that labour market programs supporting semi-skilled and unskilled labour be demand driven with visa issuance capping adjusted based on local labour market conditions.

Recommendation 2: In order to align immigration policy with new ways of working, KPMG recommends the following measures:

- A new Sponsored Project Visa for targeted short-term projects, which would be valid for 12 months, include a minimum salary, and have no labour market testing (LMT) requirements;
- A Digital Nomad Visa that provides unrestricted work rights for up to 90 days, with the potential to extend for a further 90-day period, that is not age restrictive and is available to all passport nationalities;
- Streamlining the Temporary Skilled Visa pathway for intra-company transfers, including the removal of LMT and the annual market salary rate requirement if paid above a designated salary threshold; and
- Allowing Temporary Skilled Visa holders to job-share or engage in part-time work for a designated period of time.

Recommendation 3: KPMG recommends the removal of tiered occupational links to either two-year or four-year Temporary Skilled Visas, replaced by one overarching Priority Occupation List with the following features:

- A universal four-year visa, with the ability for business to extend in four-year blocks indefinitely if the employing business chooses; and
- If a sponsoring employer identifies an occupation not on a Priority Occupation List, the employer should still be allowed to nominate the role for a four-year Temporary Skilled Visa if the minimum annual salary for the role exceeds $90,000 plus superannuation.

Recommendation 4: KPMG recommends that the government considers the costs and benefits of lifting the age threshold for company sponsored permanent residency from 45 to 50 years of age. To address the competing imperative that skilled migrants are positive net contributors over the lifetime of their visa, applicants could be made subject to existing Assurance of Support conditions that currently apply to aged dependent relative, contributory parent and aged parent visas.

Recommendation 5: Recognising that Australia's labour market challenges will evolve in the future and include shortages in semi-skilled and unskilled labour, KPMG recommends the following measures:

- Extending targeted immigration programs such as the Pacific Australia Labour Mobility (PALM) scheme; and
- Labour market programs supporting semi-skilled and unskilled labour be demand driven with visa issuance capping adjusted based on local labour market conditions.

Addressing barriers in Australia's taxation system

Australia's tax and superannuation system can also create disincentives for highly skilled migrants to move to Australia. For example, an employer is not currently required to make superannuation contributions for an individual who qualifies as a "senior foreign executive". Temporary foreign workers generally do not intend or have the right to retire in Australia and so the government could consider extending this exemption to all such workers, on an opt-in basis, in exchange for an equal amount of taxable wages.

Alternatively, there could be a more streamlined and less costly process for foreign workers to withdraw their superannuation upon permanent departure from Australia. Currently, this process results in a temporary worker's superannuation ultimately bearing tax at the top marginal rate, regardless of the worker's level of income.

Fringe benefits tax (FBT) considerations also create barriers for employers bringing highly skilled workers onshore. For example, there is insufficient clarity as to which foreign retirement plans can meet the definition of a "foreign superannuation fund", such that employer contributions to those funds could be free of FBT.

The FBT legislation disadvantages workers who relocate from overseas to take up a temporary role in Australia, compared to an individual who relocates within Australia in similar circumstances. The latter can receive subsidised accommodation FBT-free for up to 12 months in certain circumstances, whereas the former cannot. This reduces the attractiveness of Australia to certain highly skilled migrants as they may be able to access subsidised accommodation in other judications instead.

Recommendation 6: KPMG recommends the government addresses tax-related disincentives in superannuation, pensions and accommodation that exist for highly skilled migrants relocating to Australia. This should include a more streamlined and less costly process for foreign workers to withdraw their superannuation on permanent departure from Australia.

Simplify the Skilled Immigration Program

The complexity of Australia's existing immigration rules is often cited by employers and migrants alike as an impediment to attract and retain skilled foreign talent. Many areas of Australia's regulatory framework have been simplified or automated over the past 20 years. However, our migration program has become more complex and the numerous elements which support the visa requirements are burdensome and largely manual in nature.

Where LMT is required for a nominated role, KPMG recommends implementing arrangements that allow sponsoring employers in Australia to utilise their existing LMT arrangements, rather than prescribed methods which have not been used by the employer in the past, or which have not been deemed successful if previously used by an employer. Alternatively, a trial of a data-driven approach to LMT could be implemented based on a risk-management approach. Exemptions from LMT should be introduced for accredited 'Trusted Trainer' companies with a strong record of employer-sponsored visas, good training, hiring locally and high salaried positions.

The introduction of the Skilling Australians Fund (SAF) levy has significantly increased the cost on Australian businesses sponsoring skilled foreign talent. In some cases, this has meant businesses have not accessed foreign talent to the detriment of their business requirements. Steps can be taken to reform the SAF levy by spreading costs evenly over the visa term, making more provisions for refunds and providing credits for 'Trusted Trainer' businesses when specified conditions are met.

In addition, KPMG recommends the requirement for accredited employer sponsors to pay the SAF levy be removed based on their 'Trusted Trainer' credentials. This would require the accredited employer sponsor to provide data which supports their commitment (including expenditure as a proportion of payroll) on the training and upskilling of Australian nationals, which would need to be met throughout the life of the accredited sponsorship period. Institutions such as hospitals, universities and colleges which demonstrably upskill and train Australian nationals should be exempt from the SAF levy.

KPMG recognises that steps have been taken to leverage technology solutions to manage Australia's migration program. However, more can be done, including steps to digitise the skills assessment process. Where skills assessment is required for a visa application, the skills-assessing authority and the Department of Home Affairs should develop a common assessment platform which automates as much of the process as possible. This removes the requirement for visa applicants to undertake a separate skills assessment process prior to visa lodgement.

The processing of visa applications is often significantly delayed because of the need for visa applicants to obtain supporting credential documents. Steps should be taken to develop a more transparent credentials process for visa applicants in areas such as registration and licensing requirements and character checks. This could include development of a blockchain between government authorities and accredited sponsors to reduce the need for constant third-party interactions.

Simplification of Australia's skilled immigration program should also include easier access to relevant information and support. Government resources required to assist foreign talent with their cross-border move are complex and fragmented across multiple government websites. A whole-of-government skilled migrant portal should be created which could be configured around the requirements of each migrant. For example, allowing the prospective migrant to answer a series of threshold questions around location preference, qualifications, skills, work experience and family composition would generate a customised migrant portal drawing from federal, state and regional information to cover topics such as immigration, taxation, licensing, housing, infrastructure (such as transport and schooling), health care and employment conditions.

There are also opportunities to further coordinate practical 'reception' programs with several best-practice examples of regional approaches to facilitating migrating or relocating workers into the local community. For example, the Greater Shepparton City Council and Committee for Greater Shepparton deliver the Community Connector Program in the Goulburn Valley Region of Victoria to support new arrivals in finding accommodation, employment for partners, navigating school and childcare options, and engaging in the social and networking events.[7]

Recommendation 7: KPMG recommends streamlining labour market testing requirements, such as allowing sponsoring employers to utilise their existing LMT arrangements or implementing a data-driven approach to LMT. In addition, exemptions for LMT should be introduced for accredited 'Trusted Trainer' companies.

Recommendation 8: KPMG recommends reforming the Skilling Australia Fund (SAF) levy by spreading costs evenly over the visa term, making more provisions for refunds and providing credits for 'Trusted Trainer' businesses when certain conditions are met. In addition, KPMG recommends removing the need for accredited employer sponsors to pay the SAF levy where they can demonstrate an ongoing commitment to the training and upskilling of Australian nationals.

Recommendation 9: KPMG recommends developing a more transparent credentials process for visa applicants in areas such as registration and licensing requirements and character checks. This could include development of a blockchain between government authorities and accredited sponsors to reduce the need for constant third-party interactions.

Recommendation 10: KPMG recommends providing easier access to information and support by creating a whole-of-government skilled migrant portal, which could provide customised information for applicants that draws from federal, state, and regional data sources.

[7] *Community Connector Program | Greater Shepparton: Great Things Happen Here*

Better leveraging the existing and future foreign workforce

Australia under-utilises the foreign workforce already in-country. For example, anecdotal evidence suggests that approximately 20 per cent of the foreign student population progresses to permanency in Australia. During lockdown, Australia's global talent competitors were planning for their post-lockdown talent attraction programs, which included clear pathways for students to transition to permanency. This has resulted in a slower than expected recovery in Australia's foreign student population, at the same time as we have observed a rapid growth in student populations in competing markets such as the United Kingdom and Canada.

Particular visa classification types also restrict the type of employment opportunities and number of hours worked per week, despite migrant ability and willingness to work. The role of visa holding workers in supporting the current labour shortages and economic recovery across the country is reflected in the temporary relaxation to unrestricted work rights for those on student visas until June 2023. KPMG supports scope for the government to adjust visa conditions such as work rights in response to changing economic conditions.

Similarly, a long-standing challenge for Australia has been attracting talent to locations outside Australia's major capital cities. A number of regional migration schemes have been introduced in the past, and all have met with varying degrees of success. KPMG recommends that a shift from the approach to attract overseas migrants to live and work in regional locations to one which involves a "push incentive" of foreign talent already in Australia to help alleviate the challenge of attracting skilled workers to regional Australia.

KPMG recognises that a successful regional migration program requires a whole-of-government approach which addresses not only migration, but also infrastructure and housing. This will require complementary policy and planning at federal, state and regional levels to ensure that Australia not only attracts the right skills to regional locations, but also motivates talent to remain.

Review and further consideration of eligibility criteria for employment, education and training opportunities can further support attraction and retention of the current and future foreign workforce. Reviewing and updating eligibility for employment opportunities within the Australian and state and territory public services, participation in publicly funded education and training and other programs can open more doors for current international students and workers, while also attracting a new wave of workers into the country. Industry and employers also play a significant role in supporting the development of a skilled workforce, through consideration of expanding existing work integrated learning, internship, graduate and broader job opportunities for skilled migrants and international students to participate.

Measures to leverage the foreign workforce already in Australia include allowing graduates from Australian tertiary institutions who hold a qualification aligned to the Priority Occupation List to apply for a three-year Temporary Graduate Visa with full work rights. KPMG recommends that there be two streams under the revised Temporary Graduate Visa – sponsored and unsponsored. An unsponsored Temporary Graduate Visa holder would be required to apply for an alternative visa should the visa holder want to remain in Australia for longer than three years. A sponsored Temporary Graduate Visa holder would have a pathway to permanent residency under one of the options detailed below.

KPMG recommends providing Temporary Graduate Visa holders with a pathway to permanent residency via three years working with a sponsoring employer in a regional location, and five years working with a sponsoring employer in Sydney, Melbourne or Brisbane. To complement this initiative, KPMG recommends implementation of a Regional Skills Match Database administered by Jobs and Skills Australia which contains the details of foreign graduates from Australian tertiary institutions that have been granted a Temporary Graduate Visa. Regional bodies (such as employers, local councils and chambers of commerce) should be given access to the database to nominate candidates to be employed in designated regional locations, including a pathway to permanent residency after three years working with the sponsoring regional employer. These recommendations align with the government's policy desire that migrants should not be "permanently temporary".

In addition, KPMG notes the federal government's proposal for an Australian Skills Guarantee. The Guarantee aims to use government investment in major projects to help train the next generation of skilled workers by ensuring that one in 10 workers on major, Australian government funded projects are an apprentice, trainee or paid cadet. At the Jobs and Skills Summit, the government announced the Guarantee will also include targets for women and a focus on the need for digital skills.

The Australian Skills Guarantee could also be open to international students and new graduates on temporary work visas in order to better utilise young talent currently onshore as well as enrich the international education experience in Australia. Including targets for international students in the Guarantee and providing employment opportunities through this program would further support the ambition to create opportunities and pathways for foreign students to progress to permanent residency in Australia. These arrangements could be adjusted as labour market conditions change into the future.

Recommendation 11: To address the challenge of attracting talent to locations in regional Australia, KPMG recommends that a shift from the approach to attract overseas migrants to live and work in regional locations, to one which involves a "push incentive" of foreign talent already in Australia.

Recommendation 12: KPMG recommends allowing graduates from Australian tertiary institutions with a qualification aligned to the Priority Occupation List to apply for a three-year Temporary Graduate Visa with full work rights, with the following features:
- Including two streams under the revised Temporary Graduate Visa – sponsored and unsponsored;
- Providing Temporary Graduate Visa holders with a pathway to permanent residency via three years working with a sponsoring employer in a regional location, and five years working with a sponsoring employer in Sydney, Melbourne or Brisbane; and
- Implementation of a Regional Skills Match Database administered by Jobs and Skills Australia which contains the details of every foreign graduate from an Australian tertiary institution granted a Temporary Graduate Visa.

Recommendation 13: KPMG recommends an extension of the Australian Skills Guarantee to include international students and graduates on temporary visas.

Attracting leading professionals to priority sectors

In addition to the Priority Occupation List outlined above, KPMG considers there may be an opportunity for a more targeted approach to attracting highly skilled professionals to particular priority sectors in Australia. This is especially relevant given the skills shortages and gaps being experienced in Australia and heightened economic uncertainty overseas in certain sectors. The recent increase in layoffs in the technology sector in the United States is a key example of this.[8]

The cyber sector is one area where a targeted approach could be beneficial. Labour costs, Australia's geographic remoteness from major markets and capital sources, limited local market demand, constrained supply chains, infrastructure latency and time-zone differences with major English-speaking markets all continue to create barriers for attracting global cyber talent. Most of the growth in this sector is coming from workers transitioning from other IT-related jobs, and Australian university graduates often do not have enough experience to fulfil the requirements of cyber jobs.

One approach of addressing these challenges could be to leverage the Global Talent Visa by directly approaching leading professionals from overseas; for example cyber experts, who could migrate to Australia on a Global Talent Visa. Along with their own expert knowledge, these professionals could then nominate teams or other experts to bring with them in order to address skills gaps in the sector.

Currently the Global Talent Visa is complex to navigate and applications take too long to determine. KPMG recommends that particular priority occupations be pre-approved for a Global Talent Visa. Government-approved recruiters would be able to identify appropriate candidates in targeted overseas markets and invite them to apply for the pre-approved Global Talent Visa which would be issued subject to mandatory health and character checks.

To further leverage from this streamlined pathway, the pre-approved applicant would also be invited to nominate similarly qualified experts in the priority occupation for a pre-approved Global Talent Visa. This approach recognises that there is often a community of experts in certain priority occupations.

To measure the ongoing value of this suggested approach, KPMG recommends that a performance measure be applied to the role played by the government-approved recruiters participating in this program.

Recommendation 14: KPMG recommends leveraging the Global Talent Visa to attract leading professionals into priority sectors in Australia, including by:
— Pre-approving certain priority occupations for a Global Talent Visa;

[8] https://www.reuters.com/markets/us/us-weekly-jobless-claims-increase-more-than-expected-2022-11-23/

- Allowing government-approved recruiters to identify appropriate candidates and invite them to apply for a pre-approved visa, subject to mandatory health and character checks; and
- Inviting the pre-approved applicant to nominate similarly qualified experts in the priority occupation for a pre-approved visa.

Addressing long waiting periods

KPMG welcomes the federal government's announcement at the Jobs and Skills Summit to address processing times within Australia's immigration system.

Improving processing times for employer sponsored visas and skilled talent visas including the Global Talent Scheme and the Business Innovation and Investment Program visa categories so that they are adaptable and responsive to market changes and business requirements would greatly improve take-up. The Global Business and Talent Attraction Taskforce will hopefully go some way in streamlining pathways to permanent residency for exceptionally talented individuals and successful businesses interested in growing their success in Australia.

The current processing times as indicated by the Department of Home Affairs under the Global Talent Visa program is up to three months.[9] This does not include the EOI timeframe and is much longer than other jurisdictions that promise fast-tracked processing of two weeks under similar schemes. The processing times under some of the Business Innovation and Investment visa categories are extensive, taking up to 29 months for some streams, and are unsustainable and act as a significant disincentive to investors who want to start or acquire an interest in an Australian business. High net worth individuals may consider investment in Australia too difficult and opt to set up their businesses or invest their wealth in other jurisdictions.

In addition to long wait periods, a factor often cited by business which impedes their ability to manage their workforce requirements is the inconsistency in time taken to finalise visa applications within the Department of Home Affairs. KPMG supports the identification of performance metrics for employer-sponsored and global talent visa categories coupled with transparent reporting of the department's performance against established metrics.

Recommendation 15: KPMG recommends including key performance indicators (KPIs) for processing times and accrediting specialist third parties to review visa eligibility so that the visa processing system is adaptable and responsive to market changes in growth sectors.

Migration agent regulation

The Australian migration advice industry has supported Australia to become one of the most successful multicultural societies in the world and will continue to play an important role, since migration is integral to Australia's economic prosperity and recovery from COVID-19. Given the critical role that registered migration agents (RMAs)

[9] *According to DOHA website 90 per cent of applications are finalised in three months – see [Global visa processing times (homeaffairs.gov.au)]*

play in facilitating migration to Australia, it is also important that the Australian government has the ability to effectively combat misconduct and unlawful operators.

KPMG has previously supported a proposal to update the Occupational Competency Standards for RMAs to include English language requirements, increasing the level of English required for registration as an RMA to proficient English.[10] KPMG notes that the current English language requirements are inconsistent with those of comparable occupations in Australia, and lower than the requirements for persons providing immigration assistance in Canada and New Zealand.

Further to this, KPMG would welcome the introduction of a mandatory 12-month provisional license for newly registered migration agents, who would operate under the supervision of a fully licensed RMA and would be limited in the type of immigration assistance they can provide. Practicing under a fully licensed RMA would be valuable to newly registered agents to gain both experience and foundational professional guidance, particularly since 40 per cent of the industry operates as sole traders.

KPMG also supports steps that would increase the professionalism of the migration advice industry, including the introduction of a three-tiered system of registration for RMAs that provides a graduated approach to RMAs' career progression. In addition, KPMG welcomes the proposal to review the Continuing Professional Development (CPD) arrangements, including strengthening oversight of CPD, introducing new quality control for CPD activities and clarifying CPD provider standards.

While KPMG supports reforms that seek to elevate the profession, we note that consideration should be given to how the new qualification requirements will be applied to RMAs who have practiced for a significant period of time. A professional recognition framework could be considered for those with extensive experience in the industry with an unblemished record of delivering immigration advice to ensure they are not adversely impacted by changing requirements.

Recommendation 16: Given the critical role that registered migration agents (RMAs) play in facilitating migration to Australia, KPMG supports measures that promote a highly qualified and professional industry, and combat misconduct, including:

— Updating Occupational Competency Standards for RMAs to include English language requirements;
— Introduction of a mandatory 12-month provisional licence for newly registered migration agents;
— Introduction of a three-tiered system of registration for RMAs that provides a graduated approach to career progression; and
— A review of the Continuing Professional Development arrangements.

[10] https://www.homeaffairs.gov.au/reports-and-pubs/files/migrations-agents-instruments-review-report/submission-kpmg.pdf

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