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Independent Review of Integrity in Subclass 457 Visa Programme
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Via email: 457.Integrity.Review@immi.gov.au

Independent Review of Integrity in subclass 457 visa programme

Dear Panel Members

Thank you for the opportunity to provide the Department of Immigration and Border Protection with commentary in relation to the Australian automotive retail, servicing, repair and recycling sectors experience of the subclass 457 visa programme. This submission is an extension of the comments made by representatives of the Federation at the recent stakeholder meeting in Canberra on 17 April.

The Australian Motor Industry Federation (AMIF) is the pre-eminent body representing the interests of over 100,000 retail motor trades businesses which employ over 308,000 people and have an aggregated annual turnover in excess of \$162 billion; these figures, combined with the industries scope and size, makes the retail motor trades the largest small business sector in Australia. The Federation's membership consists of the automobile chambers of commerce and the overwhelming majority of state and territory motor trades associations, and it is these Members, members who are the 'bricks and mortar' enterprises which are the Australian Government's intended beneficiaries of the subclass 457 visa programme. Of the 35 distinct trade-based sectors within the retail, service, repair and recycling industry (RSRR), five appear on the 2014 *Skilled Occupation List*: Automotive Electrician, Motor Mechanic (General), Diesel Motor Mechanic, Motorcycle Mechanic and Small Engine Mechanic. Additional RSRR trades appear on the 2014 *Consolidated Skills Occupation List* including; Panel Beater, Vehicle Body Builder, Vehicle Trimmer and Vehicle Painter.

AMIF's Position:

It is AMIF's long held position, that the subclass 457 visa programme is an invaluable and necessary tool that addresses the short and medium-to-long term skills shortages affecting the Australian automotive industry. AMIF does not support the recent legislative reforms to the programme as there is no evidence to suggest that the integrity of the programme is being challenged in the Australian automotive industry. However, changes are required to address the Temporary Skilled Migration Income Threshold (TSMET) to reflect the average wage of industry sectors, as opposed to the current threshold being the average wage, as the current TSMET rate is well above domestic rates of pay within the automotive RSRR sector. Changes are also required to relax the overly stringent IELTS requirements for automotive sector and to reduce the complexity of the employer sponsorship process in order to reduce the red tape and associated cost burden. Government assistance is also required to address the longstanding skills shortages in the industry.

Discussion:

AMIF is unaware of any fraud or non-compliance by retail motor trades employer sponsors or 457 visa holding employees. Indeed, AMIF and its Members contest the claim that 'rotting' occurs, because the penalties involved are sufficient to ensure that employer-sponsors are complicit with their duties as required by the Department of Immigration and Border Protection. AMIF also notes that due to the reliance of retail motor traders upon the 457 scheme to fill skilled positions; there is little incentive to do so, and indeed much to gain, by complying with the system.

Statistics provided by the Department to AMIF indicate that the trend for subclass 457 visas is in decline compared to recent years.¹ This validates the findings of Auto Skills Australia's Automotive Scan 2014 that:

...a subdued trading environment has curtailed some demand for skilled labour across states and territories, skill shortages still remain across the industry particularly for suitably qualified and experienced trades' people. Demand for apprentices remains flat. Expectations are that skill shortages will deepen as economic conditions improve.²

Although the number of applications for subclass 457 visa's has dropped Technician's and trade workers remain in the top three categories of primary applications granted according to the Department's *Subclass 457 Quarterly Report*³. However, these statistics and the analysis that occurs as a result must be tempered by the fact that access to official government is either difficult (such as getting access to Department of Immigration and Border Protection statistics) or does not exist (such as in-depth industry statistics that were previously collected by the Australian Bureau of Statistics, but were reduced considerably in recent years). Therefore, the mechanism to define actual skill sets impacts the integrity of the subclass 457 visa programme as there is no quantified 'full picture'; AMIF understands that this problem is not limited to the automotive RSRR sector. This is of serious concern as the rapid change in technology and associated skillsets needs to be reflected in official statistics, otherwise strategic policy planning and program development cannot occur.

Automotive Skills Australia has conducted its own environmental scan and has forecasted national skills shortage of 21,800⁴ within the retail automotive trades. This figure is consistent with the evidence, both hard and anecdotal, that the impact of generational change upon the automotive industry, is leading to a reduction in the number of businesses, their capacity to employ apprentices and their need for skilled workers who are willing to travel for employment opportunities. This was highlighted in AMIF's industry position paper *An Industry at Crossroads: Automotive 2018*:

There is significant work available for retail motor traders, however there are shortages of skilled labour...options for sourcing labour when it cannot be filled domestically, such as through skilled immigration and 457 Visas, remains a critical industry issue.⁵

This evidenced by a recent skills migration expo held in Brisbane which was aimed at attracting interstate labour to the Northern Territory, where AMIF understands that the only interest for trade related positions came from overseas visa holders. Such an attitude by Australian workers is not limited to remote areas; ASA reports that the overall quality of Australian workers in the trades is being hampered by the quality of the

¹ Department of Immigration and Border Protection (2013). *Subclass 457 primary visa applications lodged between 2009-10 and 2013-14 to 30 November for selected nominated occupations by client location*. Catalogue no: BE6935.02

² Auto Skills Australia (2014). *Automotive Environmental Scan 2014*. Auto Skills Australia. Page 3.

³ Department of Immigration and Border Protection (2014). *Subclass 457 quarterly report: quarter ending at 31 December 2013*. Australian Government. Page 11.

⁴ Auto Skills Australia (2014). *Automotive Environmental Scan 2014*. Auto Skills Australia. Page 3.

⁵ Australian Motor Industry Federation (2013). *An Industry at Crossroads: Automotive 2018*. Australian Motor Industry Federation. Pages 13-14.

cohort available, which is identifiable as ‘under-achievers with poor language, literacy and numeracy skills for employers to choose from’.⁶

Members have advised AMIF that there are reports from retail motor traders that the current International English Language Testing System requirements are overtly stringent, with the requirement of scores of ‘7’ across the 5 proficiencies (previously applied to medical professionals) excluding not only applicants who speak English as a second language, but many English as a first language applicants, including those from the United Kingdom. The Review Panel may wish to consider relaxing the scores, as there is an obvious difference in the language proficiencies required for an automotive mechanic as opposed to a nurse, or a doctor. This is a serious barrier for employers as, arguably, many Australian’s (irrespective of their trade or schooling), would fail to achieve the required IELTS standard. It is not uncommon to have prospective British mechanics apply for a subclass 457 visa only to fail the IELTS exam. Given that English is their primary language, and automotive technicians of all subsets follow a global repair platform set down by global manufacturers (including automotive manufacturers, pain and component manufacturers, etc.) it seems self-evident that the IELTS level required is too high. AMIF would note that industry intelligence quoted earlier, would suggest that within the domestic labour market for the RSRR sector that Australian workers would have difficulty meeting this level of formal English.

Another serious discrepancy in the 457 visa programmes integrity is the inequity between the base TSMET wage (being \$52,000 per annum) and domestic RSRR trade wages. For example, an Australian resident employed as a motor mechanic would receive an average wage of \$42,000 – which is \$10,000 less than foreign national motor mechanic employed on a 457 visa with a mandated average wage \$52,000.⁷ AMIF is supportive of Australian labour policy applying to all workers, regardless of their residential status. However, this discrepancy does cause concern as it financially discourages employers from undergoing the process of becoming an employer sponsor as the overhead in terms of wages, let alone the sponsorship obligations, are financially unsustainable. Indeed, AMIF is anecdotally aware of a retail motor trade business in Queensland that was forced to close as domestic workers demanded a wage increase in line with the TSMET rate; which effectively cost the business too much in terms of overhead and return. AMIF has also been advised by Members that more employers would participate in the 457 visa programme if wages were equal to domestic rates.

However, there are exceptions to these observations even within AMIF’s membership, providing qualification to the discussions held with the Panel that a ‘one size fits all’ approach does not necessarily address issues peculiar to specific industries or discrete sectors within those industries.

AMIF’s Northern Territory member , MTA–NT, reports that in the Northern Territory the average minimum wage is indeed **above** the TSMET rate, due to severe labour shortages and the need to entice skilled workers from other industries, other geographic regions and indeed internationally.

With regards to the provision of information by employer-sponsors about workers’ rights and responsibilities to 457 visa holders, AMIF and its Members would support, in principle, this requirement. However, this should be done in a manner which minimizes the impact of ‘red tape’ upon businesses and the associated cost burden. Indeed, one of the few concerns that the Federation has in regards to the operation of the subclass 457 visa programme is the lack of transparency of the process in regards to the process for employer-sponsors

⁶ Auto Skills Australia (2014). Ibid. Page 16.

⁷ Open University Australia. *Careers Guide: Motor Mechanic*. <http://www.open.edu.au/careers/engineering/motor-mechanics>. Accessed 22 April 2014 at 3.24pm.

as there is a level of complexity in the process that negatively impacts the ‘mum and dad’ employer sponsors in terms of bureaucratic red tape and the time that small business operators must dedicate to understanding the process, let alone completing applications for sponsorship. The reality is that for the majority of automotive small-to-medium enterprises (SME’s), the ability to dedicate resources to a human resources officer or a migration lawyer is often unobtainable given the cost.

Within this vein, the Federation expresses similar concern for the ‘one size fits all’ approach to labour market testing and the auditable training benchmarks. Under the current integrity requirements ‘Mum and Dad’ SME’s are disenfranchised from the 457 process as the training expenditure upon their adult children who apprentice under the business are excluded from the training budget; this is worrying as many of the businesses AMIF represents are captured within this category. AMIF notes that the integrity requirements also exclude ‘informal’ training which commonly takes place in these businesses which is an issue that the Panel may wish to consider with a view to restoring some equity to small business operators. The issue of labour market testing is also of concern for AMIF and its members as the domestic recruitment requirements are targeted at job advertisements in paper and online format. It is the experience of retail motor traders that these forms of recruitment do not work for the RSRR sector; instead labour is sourced from Group Training Organisations (for apprentices) or through word-of-mouth (for qualified labour). Thus the *Domestic Recruitment Summary*⁸ template used by the Department is in many ways, of little use for RSRR employer sponsors and negatively impacts the ability of retail motor traders to undertake the employer nomination process. AMIF suggests that red tape reduction and labour market testing should be considered as priority reform areas by the Review Panel.

Finally, AMIF and its predecessor, the Motor Trades Association of Australia, have benefitted immensely from the position of an Department of Immigration and Border Protection Industry Outreach Officer (IOO), over the last decade; in terms of the provision of information relating to the Department’s activities and policies in relation to skilled migration, and in the provision of a dedicated officer to assist retail motor traders with questions surrounding the 457 visa programme and assisting in the sponsoring process. AMIF supports the continuance of the programme as the work performed by officers contributes heavily to the ability of retail motor traders to undertake the employer sponsor process.

In conclusion, AMIF supports the continuance of the current subclass 457 visa programme. The Federation and its Members welcomed the opportunity to address the integrity review, because AMIF believes that the programme is critical to addressing current and future skills shortages and have responded in as much detail as possible. If Panel Members have any further questions or seek clarification on the points raised within this submission, please contact Mr Richard Dudley, CEO of AMIF at richardd@amif.com.au or Ms Verity Jausnik, Director Strategic Engagement at verityj@amif.com.au .

Yours sincerely



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⁸ Department of Immigration and Border Protection. *Domestic Recruitment Summary Template*. <http://www.immi.gov.au/Visas/Documents/domestic-recruitment-summary-template.pdf> . Accessed 22 April 2014 at 2.40pm