

Regulation Impact Statement

Trade Skills Training visa proposal

1. Introduction

1.1 Australian industry is currently facing major skill shortages in the traditional trades, particularly in regional Australia.¹ Whilst the bulk of shortages must be met by supporting the training of Australians, immigration can also play a role.

1.2 On 14 April 2005, the Minister for Immigration and Multicultural and Indigenous Affairs announced a package of initiatives as part of the Migration Program for 2005 – 2006. One of the initiatives announced was a pilot program to allow overseas students to undertake traditional trade apprenticeships in regional Australia on a full fee paying basis, and on completion of these, to apply for migration under one of the regional migration visa categories. This regulatory proposal flows on from that announcement.

1.3 The proposal is to create a new visa subclass which will enable overseas nationals to undertake trade skills training in regional Australia (on a full fee basis). The visa would be granted for the duration of the apprenticeship – which would generally be for three to four years (depending on the trade). The training would be conducted under the Commonwealth Government’s New Apprenticeship scheme and visa applicants would be required to undertake employment as an apprentice with an employer in regional Australia. The applicant would be required to be sponsored by an approved Australian employer or organisation. On successful completion of the apprenticeship, applicants would have the option of applying for permanent residence in Australia via a regional migration visa, or returning to their home country.

2. The problem

2.1 The problem is long term trade skills shortages, and the declining rate of apprenticeship take up, particularly in regional Australia. Following on from this is the question of how immigration might assist in resolving this issue.

2.2 Research conducted by the Department of Employment and Workplace Relations (‘the DEWR May 2005 report’) has found that skill shortages are evident for most trades, and some trade skill shortages have been persistent for 10 to 25 years. For example, toolmakers have been in shortage for 20 of the last 25 years, motor mechanics for 19 years, and metal machinists and sheet-metal workers for at least 15 of the last 25 years.²

2.3 The issue of trade skills shortages has also been brought to DIMIA’s attention by a submission from a local government which outlines the severe skill shortages

¹ *Skill Shortages and Labour Supply*: a discussion paper, prepared by the Department of Employment and Workplace Relations for the IDC on Skill Shortages, Labour Supply and Skills development, May 2005.

² *Skill Shortages and Labour Supply*, pp 8-9.

affecting the town, the inability of the town to recruit and retain apprentices, and the lack of visa product to assist in addressing this issue. This submission is typical of the message of trade skills shortages that the Government has been hearing from regional Australia.

2.4 The reasons for trade skill shortages are complex, and as explained in DEWR's report on *Skill Shortages and Labour Supply*, May 2005, shortages

“may result from economic or demographic change, persons not completing training, qualified workers not working in the occupation for which they are qualified and/or experienced, cyclical fluctuations in labour demand, emerging demands of new technology, lack of flexibility in wages and regional mismatches.”³

2.5 Reasons for shortages in regional areas in particular include social change and a population drift of young, job ready employees to bigger population centres and the cities.

2.6 These shortages have had significant impacts on local business, town infrastructure, and regional communities' access to goods and services. With a declining pool of apprentices and employees to take on low and medium skilled employment, there are insufficient skilled persons to fill the various job vacancies necessary to sustain the life and business of the regional community. Trade skill shortages can also have an impact on, and act as a constraint to investment.

2.7 The problem of shortages is widespread and exacerbated particularly in regional communities. Relying on the market to fix this problem will not resolve it in the short term, as the problem has been ongoing for some period of time.

2.8 As an extensive problem with a range of complex possible causes, it requires a whole of Government response, and the Government has announced a range of initiatives to deal with it. This proposal, involving new visa regulation to enable overseas nationals to do apprenticeships in regional areas of Australia in trades experiencing trade skills shortages, forms only one plank of a range of Government strategies being adopted, however will assist in improving the situation.

3. Objectives

3.1 The main objective of this proposal is to help address critical trade apprenticeship shortages in regional Australia.

3.2 A secondary objective is to ensure as much as possible that trade skills are retained in regional areas in the medium to long term, to assist regional businesses and communities to deal with the challenges facing them.

4. Options

³ *Skill Shortages and Labour Supply*, a discussion paper by DEWR, May 2005, p 8.

4.1 There are a number of possible options for the resolution of the problem, as follows:

Option 1 – Status quo- self regulation

4.2 The Government could do nothing to address the problem, in the hope that market forces will correct the situation of trade skills shortages.

4.3 Given that the problem has persisted for some time, and the impacts are being felt widespread, waiting for a possible market correction is not desirable as the skills shortage problem is having an increasingly detrimental effect on regional communities.

4.4 Further, although there are a range of trade industry associations which could promote and encourage the uptake of apprenticeships by Australians to address trade shortages, commitment by these associations is seriously hampered by the complex range of reasons discussed earlier as to why trade skills shortages persist. Industry has in fact, in general expressed support for visa regulation to assist address the problem in its various consultations with DIMIA.

Option 2 – Visa regulation

4.5 Existing visa classes do not provide for overseas nationals to come to Australia to undertake trade skills training or apprenticeships.

4.6 DIMIA believes it can offer the following options to aid in the resolution of the problem:

- a) DIMIA could introduce a new visa product to cater for the entry of overseas nationals wishing to undertake trade skills training in regional Australia. The new visa could incorporate the following elements:
 - The apprentice would be sponsored by an approved Australian organisation;
 - The Australian sponsor would need to give undertakings in relation to the apprentice to DIMIA, such as ensuring that the apprentice complies with the conditions of their visa.
 - The apprentice would be between 18 – 35 years of age, have vocational English and have the necessary education qualifications to start their trade skills training;
 - The apprentice would need to do an apprenticeship as part of the Commonwealth's New Apprenticeship Scheme in a trade experiencing skills shortages. The apprenticeship would need to be in a regional area, and there would be a requirement that no suitable Australian has been able to be found to take up the apprenticeship position;
 - The apprentice would need to demonstrate sufficient financial capacity to support themselves whilst in Australia, including the capacity to pay apprenticeship tuition costs;

- On completion of the apprenticeship, persons could apply for permanent migration under one of the regional migration visa categories.

b) Alternatively, existing visa classes could be amended to allow non-citizens to do apprenticeships in Australia.

Option 3 – Domestic initiatives without visa regulation

4.7 There are a number of other regulatory and non-regulatory options to addressing apprenticeship and trade skill shortages, and these are being considered as part of a whole of Government approach to tackling the problem. These include measures recently announced by the Government such as:

- The provision of 4,500 pre-vocational training places in trades.
- The creation of an additional 20,000 places in the New Apprenticeships Access Programme, specifically targeting industries and regions experiencing skill needs.
- The establishment of incentives to employers who offer a New Apprenticeship opportunity to young people who have already obtained a Certificate I – IV qualification at their own expense.
- The opening up 24 new Australian Technical Colleges, aimed at increasing the number of New Apprentices in the traditional trades, which will complement their school studies, allowing them to secure a Year 12 level education while progressing towards a qualification in the traditional trades.
- The provision of a Commonwealth Trade Learning Scholarship of \$500 to New Apprentices undertaking skill needs trades at the end of each of their first and second years of their New Apprenticeship.
- The creation of a national apprenticeship system, which will allow anyone with a trade qualification in one state to have their qualification recognised in all other states.

4.8 The above strategies give a flavour of the range of options being canvassed at a whole of government level to address the issue. We do not propose to examine these domestic reforms in detail as part of this RIS as they are outside the scope of DIMIA's expertise.

4.9 An option, however, would be to continue to pursue these sorts of domestic initiatives without considering visa regulation.

5. Impact Analysis

5.1 Groups who would be impacted by any proposal to introduce (or not introduce) visa regulation include the business sector, regional communities, and Federal, State and Territory governments.

Option 1 – Status Quo

Impact on Business

5.2 There would be continued trade shortages in regional Australia, which would hinder economic and business development should the status quo continue, and no alternative regulation be considered. As businesses downsize, close or reconfigure as a result of lack of skilled tradespersons and apprentices to support their ventures, this will have an impact on businesses' competitiveness and viability. This in turn will have a negative impact on investment in the region.

Impact on Community

5.3 There would be a continued decline in the goods and services able to be produced and delivered within regional communities. Communities would also feel the impact of reduced economic and business development from trade skill shortages, as when regional businesses close or downsize, a town's population decreases, and this leads to declines in town infrastructure, such as public transport and schools, as less people means less demand to maintain facilities.

Impact on Government

5.4 There would be an impact on the Federal Government's agenda to address trade skill shortages. The Government would continue to receive pressure from business and the community to find ways to address the issue. There might also be indirect impacts and costs on State and Federal Governments in terms of delivering services to the community such as infrastructure services, welfare or business support.

Option 2 – Visa regulation

(a) New visa product

Impact on Business

5.5 There would be a positive impact for business through the creation of a new visa allowing non-citizens to do apprenticeships in regional Australia in trades experiencing skill shortages. A new visa would assist in providing a solution to current labour shortages, and because apprentices will be provided with a pathway to permanent residence in regional areas, it would assist in addressing the issue in the longer term. Small businesses would have improved access to skilled tradespeople which would enhance their competitiveness.

5.6 Small businesses would also benefit overall through increased numbers of persons in the region buying food, and using regional services such as transport, and medical services. With increased population also comes increased investment.

5.7 There would also be a positive business impact in regional areas through a focus on trade skills training programs with increased opportunities for the Vocational Education and Training (VET) sector to develop targeted training programs.

5.8 A cost identified for business is some administrative cost in having to be involved in the sponsorship and visa application process, and in having to monitor and give undertakings in relation to the apprentice to DIMIA. These costs would not be

dissimilar to existing visa products, and as such are not envisaged to have an onerous impact.

5.9 Further, the visa application processing fee, which is proposed to be \$420 (first instalment) plus \$3,300 (second instalment), and the sponsorship processing fee, which is proposed to be \$1050, could be interpreted as being a significant cost and disincentive to small business in particular. It should be noted that in terms of the total cost to business however, the sponsorship fee is a one off fee, which can be used to support an unlimited number of apprentices over a period of two years, and as such, is not that onerous a fee in the broader scheme of things. The second instalment of the visa application charge (the \$3,300 fee) is also a charge which in effect gets paid back to the sponsor/ employer of the apprentice through the Commonwealth Government's employer incentive payments, and as such, is not envisaged to have a significant impact on business. It is estimated that approximately 20 sponsors and 250 apprentices will seek the new visa in the first year, with a total of 45 sponsors and approximately 1000 visa applications by its third year of operation.

Impact on Community

5.10 There would be positive impacts on the community in terms of increased access to trade skill services, and downstream benefits as a result of increased populations available to support local businesses.

5.11 There might also be less tangible benefits to the community from having non-Australian populations settle in regional areas, through the introduction and exposure of the community to diverse cultures.

5.12 Alternatively, there may be some cost to the community in terms of community relations issues arising as a result of having non-Australians doing apprenticeships in regional areas of Australia, particularly in areas that are not used to dealing with people from different cultural backgrounds. Despite developing a visa product which would ensure that no Australian would be displaced from doing an apprenticeship, there might also be some who argue negative effects on those Australians who might otherwise seek to take up apprenticeships.

5.13 A focus on anticipating and addressing potential community relations issues would be essential to ensure broad community support for the proposal and that overseas apprentices are valued for the contribution they can make to regional communities.

Impact on Government

5.14 This proposal will have implications for the Department of Education, Science and Training (DEST), the Department of Employment and Workplace Relations (DEWR) the Department of Transport and Regional Services (DOTARS), and the Department of Industry, Tourism and Resources (DITR).

5.15 The proposal will impact on DEST in terms of them having an increased monitoring role in relation to New Apprenticeship contracts entered into by non-citizen apprentices. However whilst there may be additional numbers that DEST will

need to monitor and process, there should not be any other burden as the administrative requirements will be the same as for Australian citizens and permanent residents.

5.16 The impact on DEWR will mostly be in terms again, of only having additional numbers of non-citizens who will be subject to industrial relations and workplace legislation.

5.17 The proposal will also have implications for state and territory governments, who have responsibility for legislation and eligibility governing New Apprenticeships.

5.18 These agencies and governments have been consulted on the proposal and are generally supportive. DIMIA will continue to work closely with them in the development and operation of the proposal.

Financial Impact

5.19 Sponsors and visa applicants will be charged application fees in line with current DIMIA charges (these are not currently classified as cost recovery). The sponsor assessment, visa processing and program integrity costs will be offset by the additional revenue generated from sponsorship fees and visa application charges.

5.20 To minimise the cost to the Budget, it is proposed that we recover the Government incentive payments paid to employers for apprentices under the Commonwealth's New Apprenticeship Scheme via an additional charge included in the second instalment of the visa application charges (VAC). The first VAC instalment will be \$420 and the second instalment of \$3,300. To offset the costs of monitoring a sponsor, we propose to include a sponsorship application processing fee of \$1030.

5.21 Given the high cost of the second VAC fee and the sponsorship fee, and the impact this could have on take-up rates, costing discussions with the relevant agencies are ongoing.

(b) Existing visa products

Impact on Business, Community, Government and Finances.

5.22 The costs and benefits to business, the community, government and finances would be similar to option (a). However there may be additional efficiency costs in having existing regulations amended to cater for this group, as a more complex client communication strategies, stakeholder consultations, legislative drafting, and visa training and decision making would be required compared to having a separate, tailored visa product.

Option 3 – Domestic initiatives without visa regulation

Impact on Business

5.23 An approach which focuses solely on domestic initiatives to solve trade apprenticeship shortages would not have the immediate benefit that visa regulation would have in terms of bringing in a ready made pool of persons willing to do apprenticeships in regional Australia.

5.24 There would also be opportunity costs to business in adopting domestic solutions only, as there would be smaller numbers of persons doing apprenticeships in regional Australia for industry to draw upon.

Impact on the Community

5.25 There would be an opportunity cost to regional communities, in terms of their declining populations.

Impact on Government

5.26 There would be some savings to Government from not having to regulate and monitor visa holders in Australia.

6. Consultation

6.1 This proposal was prepared using a broad consultative model, supported by the collection and analysis of data compiled from a range of data sources within DIMIA, other agencies and industry associations. An initial discussion paper, which canvassed the background and current issues, was presented for discussion with relevant internal and external stakeholders in late 2004 and the first half of 2005. Updated issues papers were subsequently sent out to stakeholders on a regular basis, as consultations continued and policy was fine tuned.

6.2 A broad range of stakeholders have been consulted, and continue to be consulted on the visa regulation proposal. These consultations have been largely positive, and have not indicated any major concerns with the introduction of the visa. Stakeholders consulted include the following:

- Commonwealth government departments, such as the Department of Education, Science and Training (DEST), the Department of Employment and Workplace Relations (DEWR), the Department of Transport and Regional Services (DOTARS), the Department of Finance and Administration (DOFA), and the Department of Prime Minister and Cabinet (PM&C).
- State and Territory government departments responsible for training and vocational education.
- Local governments and councils in regional areas.
- Peak industry bodies such as Group Training Australia, the Australian Chamber of Commerce (ACCI), the Business Council of Australia (BCA), the Australian Industry Group (AiG), the National Farmers Federation (NFF) and Agrifood Industry Skills Council.
- Peak education and training industry bodies such as TAFE Directors Australia, Australian Council of Private Education and Training (ACPET), the Australian Council of Independent Vocational Colleges ,(ACIVC) and regional TAFEs in Victoria.
- Potential sponsors, such as Group Training Organisations, and local employers.

6.3 If the proposal proceeds, the Department will undertake a promotion and public information campaign with key industry groups and stakeholders to promote the new Trade Skills Training visa. Costs for marketing have been provided for in the Budget allocation for this visa, and are along the lines of \$100,000 for 2005/06, \$200,000 for 2006/07, \$50,000 for 2007/08 and \$20,000 for 2008/09.

7. Conclusion and recommended option

7.1 The adoption of **Option 2(a)** is recommended.

7.2 Option 2(a) is recommended over Option 1, as the seriousness of trade skills shortages in regional areas in particular, and the fact that they have persisted for some time without correction from market forces, warrants a regulatory response.

7.3 Option 2(a) is recommended over Option 2(b), as having one visa product that is easy for clients, stakeholders and decision-makers to identify and understand, is preferable to amending existing visa classes.

7.4 Option 2(a) is recommended over Option 3, as introducing a visa for non-citizens to do apprenticeships in regional Australia provides an immediate solution to trade apprenticeship shortages, as well as provides a solution to the trade skills problem in the longer term. Option 2(a) would be implemented in conjunction with a range of domestic initiatives, such as those outlined in paragraph 4.7.

7.5 The benefits from pursuing Option 2(a) include:

- benefits for businesses in regional Australia, through training and retaining skilled trades workers in the longer term
- revenue for Australia
- satisfying current expectations on Government to implement measures to address trade skills shortages
- opportunities for the overseas education export market
- benefits to regional communities in general through increased access to trade skills services, and an increased consumer and resident population.

8. Implementation and Review

8.1 The new visa subclass is planned to come into effect on 1 November 2005. Legislation for this new visa subclass is currently being developed.

8.2 It is proposed that the effectiveness of **Option 2** will be reviewed by DIMIA on an ongoing basis in the first three years of operation.