

Chair

Kristen Price
A/g Director – Migration Planning
Migration Planning and Design Policy Branch
Immigration and Citizenship Policy Division, Policy Group
Department of Home Affairs

Via email: migration.policy@homeaffairs.gov.au

Dear Ms Price

On behalf of the Innovation and Science Australia (ISA) Board I would like to present the following submission to your discussion paper – *Managing Australia's Migrant Intake*¹.

ISA was established by the Australian Government as an independent statutory board with responsibility for providing strategic whole-of-government advice on all science, research and innovation matters. As part of its mandate, ISA was tasked to develop a strategic plan for the Australian innovation, science and research system to 2030 for consideration by Government. The ISA *Australia 2030: prosperity through innovation* [the 2030 Plan] was publicly released on 30 January 2018².

The 2030 Plan aims to contribute to the wellbeing and prosperity of all Australians by ensuring that Australia reaches its innovation potential. The 2030 Plan considers the key challenges likely to face Australia's innovation system through to 2030, including the role of skills development and skilled migration. Relevant to your discussion paper, it advises that **Australia's innovation investment and talent can be strengthened by improving access to global talent pools**. Specifically, the 2030 Plan recommends that the Australian Government should continue to facilitate Australian business access to top talent by iterating migration rules to meet changing market needs.

ISA has previously considered multiple methods by which this could be achieved, as outlined in its submission³ to your department's *Transforming Australia's Visa System* public consultation process⁴ and as discussed below in response to the questions raised in your discussion paper.

¹ <http://www.homeaffairs.gov.au/about/reports-publications/discussion-papers-submissions>

² Innovation and Science Australia (2018) *Australia 2030: prosperity through innovation*, www.industry.gov.au/isa

³ ISA submission to the *Transforming Australia's Visa System* review, <https://www.homeaffairs.gov.au/Visasupport/Documents/visa-simplification-submissions/innovation-science-australia.pdf>

⁴ <https://www.homeaffairs.gov.au/trav/visa-reform/policy-consultation-paper>

Q. How can we plan migration to ensure it is balanced to manage the impact on the economy, society, infrastructure and the environment in a sustainable way?

Economic impact of migration

ISA wants to ensure that we **dispel the myth that skilled migration costs local jobs** as this is simply not true. The current evidence tells us:

1. Overseas skilled workers boost local skills through shared knowledge and mentoring.

Co-founder of Australian-based technology company Atlassian, Scott Farquhar, has noted that the workers he employs from overseas help train and create new jobs for Australians, rather than take work from unemployed Australians.⁵

2. High growth firms that have access to the right skills (including international experience, know-how and best practice) create more jobs for locals.

A recent CGU Migration Small Business Report⁶ showed that a third of small businesses are run by migrants, and they are over-performing across a range of measures including job creation, innovation, revenue, and growth aspirations.

3. Skilled migrants are expensive to recruit and will only be brought in if there is a local skill shortage.

The cost, time, and effort involved in seeking visa approvals for overseas workers means that employers will only seek this option when there is a local skills shortage.

ISA believes that skilled migration policy needs to ensure it gives due consideration to the 'upside risks' of value creation and economic dynamism that migration can bring to our economy, as well as protecting against some of the more commonly noted 'downside risks'.

Australia is a country of migrants with over one quarter of our population (28%)⁷, and 35.7% of our start-up founders⁸, having migrated to Australia from overseas. Canada is making a play for venture capital and tech talent amid recent migration pressures applied under the US Trump administration⁹. **Australia has the potential to be a regional innovation hub, and should not risk losing available innovation talent to regional competition, such as from New Zealand and Singapore.**

⁵ Paul Smith, "Atlassian boss Scott Farquhar warns visa changes risk stunting local tech growth", *Australian Financial Review*, 2 November 2017.

⁶ CGU Migrant Small Business Report <https://www.cgu.com.au/migrantsmallbusiness/> (accessed 24/1/18)

⁷ Australian Bureau of Statistics (2017) ABS Cat no. 3412.0 – *Migration, Australia, 2015-16*, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3412.0>

⁸ Startup Muster - *Startup Muster 2017 Annual Report* <https://www.startupmuster.com/reports>

⁹ Axios (6 July 2017). *U.S. venture capital and tech expertise are flowing to Canada* <https://www.axios.com/u-s-venture-capital-and-tech-expertise-are-flowing-to-canada-2454091784.html>

The international networks and skills of Australia's migrant population have significant value, although they are currently underutilised¹⁰. Leading innovation regions such as Silicon Valley and Israel have used their migrant connections to good effect to build their innovation ecosystems and ensure that they remain well connected globally¹¹.

A flexible and agile visa system enables Australia to respond quickly to local and global trends, capitalising on opportunities to attract new and better skilled migrants where they arise. A flexible skilled migration system should be able to rapidly respond to market effects by changing the Short-Term Skilled Occupation List (STSOL) and Medium and Long-Term Strategic Skills List (MLTSSL) to ensure that innovative Australian businesses are never without the skills they need. It is ISA's view that this can best be achieved through **regular reviews of the STSOL and MLTSSL by one agency (with input from other relevant agencies) to ensure that these occupation lists are agile and keep pace with domestic skills gaps, both now and in the future.**

It is disappointing to see that ISA's previous advice to your department, in relation to skilled occupations supporting the innovation and science agenda, has not been considered in the latest skilled occupation list update¹² on 17 January 2018.

In addition to the use of skilled occupation lists, ISA is mindful that the innovation economy is evolving so rapidly that there are certain high-value roles emerging that do not fit within existing traditionally-defined occupation categories. ISA therefore suggests¹³ consideration of a salary threshold (for example, above \$180,000) as an exemption criteria to the skilled occupations lists (STSOL and MLTSSL) for skilled migrant applicants under visa subclasses 186, 187 and 457 to **encourage attraction of skills in high-demand frontier occupation areas that may not yet be identified on these occupation lists.**

Infrastructure requirements

Large Australian cities attract greater research and development (R&D) activity and related investment, synonymous with innovation¹⁴. A skilled migration system designed to generate spillover benefits through enhanced productivity will naturally disproportionately attract skilled migrants to these cities. Therefore, the infrastructure requirements of cities in particular should always be considered in skilled migration planning.

To inform future infrastructure planning, ISA's consultations on the 2030 Plan heard concerns around innovation system enabling infrastructure such as: **affordable, high-speed and reliable internet access; availability of affordable and reliable energy; and sufficient rail and road transport (particularly from the urban periphery into the major cities).**

¹⁰ Australian Council of Learned Academies (ACOLA) (2016) *Australia's Diaspora Advantage: Realising the potential for building transnational business networks with Asia*, <http://acola.org.au/wp/saf11/>

¹¹ Startup Genome (2017) *Global Startup Ecosystem Report 2017* www.startupgenome.com

¹² Department of Home Affairs (2018) Summary of 17 January 2018 changes to the lists of eligible skilled occupations, <https://www.homeaffairs.gov.au/trav/work/work/2018-changes-of-eligible-skilled-occupations> (accessed 24/1/18)

¹³ ISA submission to the *Transforming Australia's Visa System* review, <https://www.homeaffairs.gov.au/Visasupport/Documents/visa-simplification-submissions/innovation-science-australia.pdf>

¹⁴ Regional Australia Institute 2017, *[In]Sight – Innovation in regional Australia: spreading the ideas boom*, Regional Australia Institute, Canberra, <http://www.regionalaustralia.org.au/home/innovation-insight-update>

Q. Does the current size and balance of the Migration Program reflect the economic and social needs of Australia?

Attracting highly-skilled talent and entrepreneurial skills

ISA agrees with key stakeholder groups that securing sufficient talent is vital for companies, particularly high-growth, scaling firms¹⁵. ISA's recent *Performance Review of the Australian Innovation, Science and Research (ISR) System* found that **Australia's desirable lifestyle opportunities is a significant competitive advantage in recruiting the highly skilled talent the Australian ISR system needs**¹⁶. A study of Startup Founders noted that 26.8% had moved to Australia within the last 5-10 years¹⁷. However international relocation from the northern hemisphere is not a decision taken lightly, or with a short-term time horizon. Long-term predictability is therefore a key requirement for potential immigrants.

With great disappointment, ISA has observed that recent policy changes to the pathways between skilled migration visas and permanent residency have reduced the incentives available for world-class talent to choose Australia as a place to work and live.

To quote Chief Executive of the Australian Industry Group, Innes Willox, "To hack into the immigration program risks hacking into Australian's growth prospects and would send a terrible signal to people around the world about Australia being open for business".¹⁸

In preparing our 2030 Plan, ISA received consistent feedback from investors across the innovation system that limitations on access to skilled and experienced global talent is limiting their ability to assist early stage innovative companies succeed. The StartupAus 2017 Crossroads report¹⁹ also provides comprehensive evidence of the importance of a broad talent pool to high-growth tech companies, along with additional suggestions of how to counter the current barriers to attracting global talent. This collective evidence highlights **the importance of Australia's skilled migration system to early-stage Australian businesses growth**.

Further to the positions presented above, ISA offers the following suggestions based on our analysis of the migration program and its influence on our innovation, science and research system^{20,21}:

¹⁵ StartupAUS (2017) *Crossroads 2017: An action plan to develop a world-leading tech startup ecosystem in Australia*. <https://startupaus.org/document/crossroads-2017/>

¹⁶ Innovation and Science Australia (2017), *Performance Review of the Australian Innovation, Science and Research System*, www.industry.gov.au/isa pp 76 and 82.

¹⁷ Startup Muster - *Startup Muster 2017 Annual Report* <https://www.startupmuster.com/reports>, p6.

¹⁸ Patrick Durkin, "Business bags Abbott's 'badly informed' anti-immigration call", *Australian Financial Review*, 24 January 2018.

¹⁹ StartupAUS (2017) *Crossroads 2017: An action plan to develop a world-leading tech startup ecosystem in Australia*. <https://startupaus.org/document/crossroads-2017/>

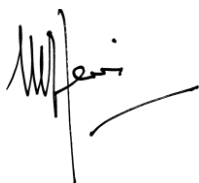
²⁰ ISA submission to the *Transforming Australia's Visa System* review, <https://www.homeaffairs.gov.au/Visasupport/Documents/visa-simplification-submissions/innovation-science-australia.pdf>

²¹ Innovation and Science Australia (2018) *Australia 2030: prosperity through innovation*, www.industry.gov.au/isa pp54-56.

- **Reinstate the 50 years age limit to the skilled migration program**, particularly in occupations where experienced business management and leadership skills are required²².
- **Review the current capping level** of the skilled migration scheme in response to a growing economy and competition for overseas talent.
- **Reform Entrepreneur visas criteria** to facilitate attraction of startup founders²³ including through allowing sponsorship by a recognised startup accelerator program.
- Make further **improvements to the cost and speed of processing visas** to enable Australia to compete for entrepreneurial skills and talent with equivalent countries where visa conditions and application processes are more streamlined.
- Build on strength in accessing overseas talent through **improved marketing to suitable talent** especially through Austrade (with a focus on target markets).

Thank you for the opportunity to provide input into your department's annual review of Australia's migration program. ISA continues to have a significant interest in ensuring skilled migration policy changes do not adversely impact the efficient and effective operation of Australia's innovation system and appreciate being actively engaged on this agenda. Should you require any clarifications on our submission, please contact the Office of Innovation and Science Australia at office@isa.gov.au.

Yours sincerely



Bill Ferris AC

2 February 2018

²² It is a persistent myth that startup founders are primarily young - a recent study of Australian Start-up Founders (*Startup Muster 2017 Annual Report*) found that 16.3% were aged between 45 and 50 years, and a further 15.9% aged over 50 years.

²³ The Chilean Government puts considerable funding into encouraging Startups to set up in Chile - http://newsletters.cii.in/Newsletters/mailler/LAC_Newsletter/december/Opportunities/Chile.pdf.