

Working for your business.
Working for South Australia



Business SA submission: Inquiry into the Economic Contribution of Migration to South Australia

October 2018

Executive Summary

- The ability of South Australian businesses to attract migrant workers, particularly in the regions but also across metropolitan Adelaide is often critical to both maintaining and expanding their existing operations, and indirectly to growing the entire South Australian economy which while faring better than expected, is still undergoing a structural transformation following the closure of the auto-production sector
- While the economic contribution of migrants is more evident within larger industrial sectors of South Australia's economy, particularly agriculture and food and beverage manufacturing, it is often other niche industries which can be just as reliant if not more reliant on migrant workers for a range of roles across various skills levels and Business SA also wants to ensure their voice is heard
- Unfortunately recent changes to the Regional Sponsored Migration Scheme (RSMS) have diminished the attractiveness of South Australia as a designated regional location for migrants, particularly the changes to income thresholds and required work experience levels, and the State Government needs to be considering how to ensure South Australia can remain advantaged to other jurisdictions which take in higher levels of migrants but face more issues related to congestion and elevated property prices
- While South Australia's international student numbers are now at record levels which is very positive for our economy, we are still attracting less than our per capita share of university students, and only half our per capita share of VET students. With more work to be done on that front, the State Government also needs to bear in mind that remaining attractive for international students includes ensuring the transition to work and potential permanent residence here is more attractive, which again has reduced under recent RSMS and TSS changes, impacting employers otherwise keen to hire international students
- All the academic research undertaken in both the South Australian and Australian context points to positive economic impacts from migration and negligible impacts on the wages of local workers with the most comprehensive work being the 2016 Productivity Commission inquiry, which predicted an increase of \$7,000 per person increase in GDP should existing levels of net overseas migration continue
- Business SA has welcomed the pilot visa secured by the State Government which will allow budding entrepreneurs to have more flexibility under the entrepreneurial stream of the existing Business and Investment Visa, particularly in relation to venture capital funding requirements; provided they have an innovative idea supported by a business plan. From our perspective, these types of arrangements are more important and suited to a state like South Australia which cannot afford to throw monetary incentives at existing companies to relocate, particularly when larger states have much deeper pockets
- Business SA is mindful of the impact of the previous South Australian Government change to charge temporary visa holders with school aged children additional fees up to \$6,200 per child, particularly when these are not universally applied, for example in Victoria, and are reducing the attractiveness of South Australia as a preferred destination for temporary migrants who are needed to fill skills shortages
- The business community and the State Government need to work together to consider all aspects of how to help skilled migrants arriving here on state sponsored visas to secure employment related to their skills and experience

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Introduction

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has approximately 3,200 members across a wide range of industry sectors, from micro businesses right through to listed companies. We are a not-for-profit business membership organisation which not only works on behalf of members, but for the broader business community and in pursuit of economic prosperity for both South Australia and the nation. Business SA is also a founding member of the Australian Chamber of Commerce and Industry (ACCI) and on national issues such as migration, we work through ACCI to advance the interests of businesses across the nation.

For many years South Australia has faced well documented population growth challenges, but typically the reverse of those facing the eastern states, particularly Sydney and Melbourne.

South Australia's population and migration statistics paint a bleak picture. Between the March Quarter 2008 and March Quarter 2018 South Australia had the lowest population growth rate of all mainland states.¹ Over the same period South Australia's net interstate migration was -41,527; more people left South Australia for another State/Territory than arrived.² People aged 25-44 years old made up the largest proportion of this cohort leaving South Australia for another jurisdiction.³ While South Australia, slowly, grew during this period, this was predominantly fuelled by international migration.⁴ This situation is compounded by South Australia's median age, 40, two years above the mainland median.⁵

Major changes to Australia's skilled migration policy announced by the Federal Government in early 2017 and implemented in March 2018 have posed further challenges to attracting migrants to South Australia, particularly as they relate to lessening the advantage of South Australia being a designated regional area. The changes have removed or restricted much of the visa flexibility for applicants seeking to migrate to a regional area, although we welcome recent Federal Government statements regarding policy to direct migrants outside Sydney and Melbourne.

Migration has always been a strong driver of economic growth in South Australia and drawing a line to delineate the economic contribution of migrants seems a somewhat arbitrary exercise in a state and nation whose modern economy is founded upon migration. Notwithstanding, many South Australian businesses today still rely on being able to access migrant labour where local skills shortages exist, even if that might only be through backpacker labour. While there are additional complexities associated with sourcing migrant labour, our members speak highly of the contribution of migrants to their businesses and communities, particularly in regional areas.

While acknowledging that migration issues are typically managed through national legislation and policy, the State Government still has a role to play in promoting an adequate level of migration to South Australia to allay skill shortages and population growth concerns related to an ageing population and negative net interstate migration. The Government also needs to recognise that unlike some eastern states, the attitude towards population growth here is somewhat more accommodative, particularly in regional South Australia where Business SA's 2018 Regional Voice survey found 68 per cent of businesses were in favour of a regional population growth policy.

¹ ABS, '3101.0 Australian Demographic Statistics'.

² Ibid.

³ ABS, '3412.0 Migration, Australia'.

⁴ ABS, '3101.0 Australian Demographic Statistics'.

⁵ ABS, 'Census 2016'.

1. South Australian businesses' reliance on migrant labour

Business SA has long operated its own migration service which provides us with direct experience on the workings of the South Australian market for migrant labour. Business SA's 'Move Work Stay' provides services including general skills migration, business investor visas, family visas, student and temporary graduate visas, guardian visas, resident return and bridging visas.

In compiling this submission, Business SA has also sourced direct feedback from a range of members as to why migrant labour is important to their business, from which we have produced the following case studies:

a) Balco Australia

Balco Australia is a leading oaten hay exporter, founded by four local farmers and businessmen and situated at Balaklava and Bowmans. The business is now in the top 2 to 3 hay exporters in Australia in any given year, predominantly supplying Japan and China. The business began as a diversification play back in 1990, and as a means to retain young people in the area. Like many other regional industrial businesses, Balco was finding it hard to attract enough local staff to support its growth back in the 2000s and successfully applied to bring 6 skilled Filipino workers out on 457 visas. All of those first batch of migrant workers remained with the business for at least 7 years, with some still there today. Many of the migrants' friends and family members have also since joined Balco. The management at Balco firmly believe the additional support provided by these migrants, and their enthusiasm, has been a critical part of maintaining and growing their business, particularly during peak operational times. Balco has also helped to get the pre-existing trade skills of their migrant workers recognised in Australia and believe they have been a very welcome addition to the local community.

b) Adelaide based freight services provider

One Business SA member providing freight services, predominately to importers and exporters, has long been an active employer of migrant workers, including international students seeking work beyond their initial student visa periods. The reality for this business is that they just cannot attract enough local staff to their operational jobs, be they clerical or manual. In one recent job advertisement for an operational position, 80% of the applicants were either on temporary visas or based outside of Australia, and of the remaining 20%, the vast majority were recent migrants. While many other businesses in the same sector have begun offshoring where possible, this business wants to keep the work local but has to rely on migrants to stay in business. Out of a current workforce of approximately 40, nearly half are either temporary visa holders, or recent migrants who have either received permanent residency or citizenship. They come from a wide range of countries including India, the Philippines, Columbia, Ukraine South Africa and Nepal. The owner speaks very positively of their migrant workforce and has found that those with families in particular are more likely to stay longer in the job. However, this business struggles with the high costs of employing migrants, particularly if they want to sponsor them, and recent changes to Federal legislation mean for four international students they would like to sponsor, the fees for the Skilling Australians Fund alone are \$5,000 each which is a significant barrier.

c) Parilla Premium Potatoes

Established in 1990, Parilla Premium Potatoes is a Murray Mallee based farming business with associated processing facilities based in Virginia, producing approximately 140,000 tonnes of fresh produce each year including potatoes, onions and carrots. Across both sites, the businesses' migrant workforce is approximately 50% of all workers. While the business also employs locals on its farm, and many have worked their way up in the business, there is much more demand for workers than can be met locally, which has to be filled by migrants. Many of the migrant workforce are also backpackers, who are often working on the farm for around 6 months, before going on to spend the next 6 months travelling. However, while backpackers fill the unskilled jobs sufficiently, it is hard for the business when they have to rely on them for skilled jobs such as operators, and the cost of time in lost production while training, when inevitably these workers have to move on.

Most of the migrants sponsored to stay with the business have remained long term, and there are already children of early migrants now working on the farm. Coming from a wide range of countries including South Africa, Ukraine, India, Pakistan, UK, Ireland and Asia, the migrants have been a fantastic boost to the local community and often marry locals. In recent years however, it has become much harder for Parilla Premium Potatoes to employ migrant farm workers due to increasingly stringent visa conditions, plus additional costs associated with rising training levies and additional educational costs being imposed on temporary visa holders with school aged children.

d) Rising Sun Pictures

Established in Adelaide in 1995 and employing on average 200 staff, Rising Sun Pictures is a now one of the leading independent visual effects companies in the world whose work has featured in an array of feature films and TV series including 'X-Men', 'Harry Potter' and 'Game of Thrones' to name just a few. As the global film visual effects business is subject to significant growth and contraction in line with international film release cycles, the labour force is highly mobile and moves between facilities and countries as projects become available. Rising Sun adopts long and short-term strategies to address staffing shortfalls; training new artists from entry to production level and importing artists from the global market. On average, foreign workers make up 30% of Rising Sun's workforce and it is these non-resident workers who provide their business with the opportunity to meet peak periods of activity by filling short-term skill requirements.

While Rising Sun has an educational partnership with Uni SA to develop future local visual effects professionals, the industry is relatively young and constantly evolving, and it is just not that simple to rely on local graduates to have a sufficient skill set to hit the ground running. It typically takes seven years of on the job training to become a visual effects professional and there are not enough skilled locals available to fill temporary skills gaps. Consequently, skilled migration is an essential component to sustain Rising Sun's business model.

Rising Sun's migrant staff bring innovative work practices and methodologies from their former workplaces that compliment and add value to existing business processes, improving productivity. Many of these employees are also active supporters of local festivals, sporting events, shows, cafes/restaurants and often travel together to experience significant South Australian destinations such as McLaren Vale, Barossa Valley and Flinders Ranges. Many of these workers are also active in the businesses' outreach programs to schools, providing support, advice and sharing their wisdom with aspiring local visual effects artists and technicians.

Unfortunately recent changes in migration policy, including the increase in visa processing fees and hefty Skilling Australians Fund levy, are combining to make urgent short-term hires financially unviable. This has not been helped by the South Australian government move to impose school fees of approximately \$5,000 per child on temporary visa holders. Fringe benefits tax payable on temporary accommodation also adds further to high costs. With Rising Sun's future growth being intrinsically tied to the ability to quickly and cost effectively secure foreign workers, current immigration policy remains one of their greatest impediments to success and has already led them to recently reject some work due to an inability to recruit enough skilled staff in a timely manner.

e) Adelaide based manufacturer

With a workforce in excess of 150 staff comprising over 20% recent migrants and rising, one leading Adelaide based manufacturing member is heavily reliant on foreign workers, including for both factory and technical work. While the business does not directly employ temporary visa holders, it relies heavily on recent migrants for two primary reasons; it cannot source enough local people for factory work and secondly, the businesses' technical requirements are quite niche and they often find these skills are more in abundance in larger markets overseas. As a local exporter and paying above award wages for clean factory work, the business struggles to understand why it is so hard to get young people to work at their factory, particularly with well documented concerns about unemployment in the outer suburbs of Adelaide.

f) Sunpork Farms

Operating piggeries across 18 regional South Australian sites from Snowtown in the north, Meningie in the south and Lameroo in the east, Sunpork's 200 strong workforces typically comprises approximately 25-35 temporary visa holders. Sunpork relies on migrants for their willingness to live in rural areas, their sound animal husbandry skills which are often complimented through tertiary study, and a positive attitude towards working with pigs. Given pigs have to be looked after 7 days a week, they need a workforce willing to work weekends and public holidays and while Sunpork pays above the award and penalty rates, it is still very difficult to find enough local workers willing to work with pigs every day in remote locations. Sunpork have also found it much easier to find foreign workers who have already invested the time to learn about working with pigs and see the industry as one they want to commit to and equally prosper from.

Without the ability to attract foreign visa holders, Sunpork would be much less productive as the migrant workers also bring an understanding, skill and work ethic which enhances their local workforce. They would also be constantly short of staff and would have to close some of their more remote sites. Furthermore, the business would not be in a position to support the supply chain including abattoirs and processing operations in Murray Bridge and Port Wakefield, and other food related operations in Adelaide.

In recent years the process of attracting migrant workers has become increasingly more difficult, with extra hoops to jump through and fees which have become a significant burden, adding somewhere between a 20 and 40% premium cost on an individual visa holder. Many of these fees are also paid up front and in advance, and are generally not refundable with no regard for whether the worker actually stays 6 months or 4 years.

Sunpork's migrant staff are committed to rural communities where they spend money, bring families to events and give their own time to improve the area. They are also happy to stay in those communities, and do not typically want to move to cities. Sunpork believes these migrants should be treated as a separate immigrant category rather than the present 'one size fits all' approach. They are not fly-in-fly-out workers and the Government should recognise rural workers and residents as a critical part of the State's agricultural future. While the Pork Industry is experiencing its challenges, with access to the necessary workforce, including migrants, Sunpork has potential for another 25 to 30% growth over the next five years.

2. Studies of the economic impact of migration in the South Australian context

While it may be somewhat ironic to specifically delineate the economic impact of migration in a state and nation of migrants, nonetheless current and future migration policy still needs to be evidence based and recent studies researching the impact of more recent and discernible groups of migrants should be understood. As the Secretaries of the Federal Treasury and Department of Home Affairs recently stated in a report on Australia's migration over time, 'Population growth has undoubtedly contributed to the extraordinary period of economic growth that Australia has experienced since the early 1990s. Migration has also played a role in our prosperity, with migrants delivering economic, social and fiscal benefits for Australia.'⁶

In a 2016 study by the Productivity Commission on Australia's migrant intake, economic modelling undertaken through Victoria University projected an increase in GDP per person of an equivalent \$7,000 per person (in 2013/14 dollars), or approximately 10% of GDP per capita⁷, should Australia continue with historical rates of net overseas migration (NOM), relative to zero NOM. The modelling also highlighted that in the long run, selecting migrants with higher rates of workforce participation and in industries with skilled and high demand occupations is likely to deliver improved economic outcomes.⁸

In a 2017 study by the South Australian Centre for Economic Studies (SACES) on the potential benefits of reforming migration policies to address South Australia's needs, SACES found that despite above average unemployment in South Australia, there was still a substantial number of unfilled vacancies, particularly in regional South Australia and across various skills levels. Importantly the study also concluded that migration has a neutral or slightly positive affect on per capita GDP, no impact on employment rates of the non-migrant population (including at lower skill levels), a very small but positive impact on average wages, and a very small but ambiguous impact on the wages of skilled occupations.⁹

In another recent study, Deloitte Access Economics assessed the economic benefit of Karen refugees to Bendigo over the past ten years which it quantified at approximately \$67 million, as well as flow-on job creation of an additional 177 full-time jobs from the community which now totals nearly 1,000 refugees¹⁰. This immigration was primarily to support the Hazeldenes Chicken Farm and follows on from a similar experience in another regional

⁶ Federal Government – Treasury and Department of Home Affairs, 'Shaping a Nation – Population growth and immigration over time', 2018

⁷ ABS, Australian National Accounts, June 2018 (using 13/14 result)

⁸ Productivity Commission, Migrant Intake into Australia Inquiry Report, 2016

⁹ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 1: Key Challenges' (South Australian Centre for Economic Studies, 18 April 2017) p ii

¹⁰ Deloitte Access Economics and AMES, 'Regional Futures: Economic and social impact of the Karen resettlement in Bendigo', 2018

Victorian town, Nhill. In that particular instance, Deloitte quantified the economic benefits of 160 Karen refugees brought to work at the Luv-a-Duck processing facility to be approximately \$41.5 million over five years, including an additional 71 flow-on jobs across the region.¹¹

The impact of international students on South Australia's economy was the subject of a 2016 study by Deloitte Access Economics. The study found the state's international education and training sector contributed \$954 million in total value added, approximately 1.0 percent of Gross State Product including indirect economic contributions via supplier links, as well as providing an estimated 7,500 full-time equivalent jobs. On a disaggregated basis, for each enrolment in a vocational education and training (VET) course, Deloitte quantified approximately \$16,800 in total value added is contributed and 0.13 FTE jobs are created, for each enrolment in higher education some \$43,700 added and 0.33 FTE jobs created and for each enrolment in schools, \$43,700 added and 0.33 FTE jobs created.¹²

3. Need to reassess how South Australia benefits from regional migration status

The entire state of South Australia is designated a regional and low-population growth metropolitan area. This designation previously afforded South Australian employers access to a broader range of skilled migration visas with inbuilt flexibility allowing visa requirements to adapt to local market conditions. This was a significant advantage for local businesses which would otherwise have to compete with high-wage areas such as Sydney and Melbourne. Unfortunately, this flexibility has been reduced through migration policy changes announced by the Federal Government in early 2017 and implemented in March 2018. For example, Regional Sponsored Migration Scheme (RSMS) visa applicants must now have at least three years relevant work experience, be no older than 45 and be remunerated at no lower than the Temporary Skilled Migration Income Threshold (TSMIT), \$53,900 per annum excluding superannuation.

As a basis of comparison, the TSMIT is currently:

- 44 percent higher than the national minimum wage;
- 24 percent higher than the level 5 worker rate under the Horticulture Award;
- 20 percent higher than the level 6 worker rate under than Food, Beverage & Tobacco Manufacturing Award;
- 16 percent higher than the level 5 worker rate under the Wine Industry Award;
- 13 percent higher than the grade 5 (trade qualified cook) rate under the Restaurant and Catering Award; and
- 6 percent higher than the level C5 worker rate under the Manufacturing Award.

Requiring regional employers to pay the TSMIT instead of simply a market salary, sets a wage floor which is above market salary for many skilled occupations required in South Australia.

¹¹ Deloitte Access Economics and AMES, 'Small towns Big Returns – Economic and social impact of the Karen resettlement in Nhill', March 2015

¹² Deloitte Access Economics, International education in South Australia – commissioned by State Government, July 2016

Application of TSMIT to RSMS visas is likely to significantly reduce the number of skilled workers coming to regional areas. If RSMS visas had been required to pay at least TSMIT since 2013/14, it is estimated that more than 1,000 less skilled workers would have migrated to South Australia during that period.¹³

The requirement for three years relevant work experience has also mostly ruled out recent graduating international students from being able to access the RSMS visa.

Furthermore, sponsoring employers now have to pay a contribution towards the Skilling Australians Fund, which while indirectly replacing previous training requirements, is now more direct and set at a much higher rate being \$3,000 per employee for businesses turning over less than \$10 million, and \$5,000 per employee for businesses with turnover greater than \$10 million. This is in addition to all other visa costs associated with employing a migrant worker and is a significant disincentive for local businesses hiring migrants.

South Australia has historically underperformed in attracting Temporary Work (Skilled) Visa (subclass 457) visa holders. The 457 visa, recently replaced with the Temporary Skilled Shortages (TSS) visa in March 2018, was seen as the primary skilled migration visa. Despite our national population share of 7.1 percent, in 2014/15 South Australia only attracted 3 percent of national 457 visas. In contrast South Australia attracted 8.4 percent of Regional Sponsored Migration Scheme (subclass 187) (RSMS) visas during that same period.¹⁴ In fact, recent data obtained by the Migration Institute of Australia (MIOA) shows a sharp decline in 187 visa applications in recent years. In the 2017-18 financial year there were 1,444 applications lodged, in comparison to the low number of 40 applications lodged from the 1 July to 24 September 2018. Business SA is quite concerned about this declining lodgment rate which MIOA predicts will see South Australia receive 160 applicants for the year, 11 percent of the total applications lodged last year.¹⁵

Recent changes to introduce school fees in South Australia for the children of temporary visa holders is also working against the attractiveness of South Australia as a preferred location for migrants, particularly when Victoria does not have equivalent fees. While Business SA is not arguing against migrants paying their fair share, we need to bear in mind that these people are on temporary visas filling skills shortages in South Australia and they already pay an equivalent level of income tax.

If South Australia is no longer going to be genuinely advantaged by having regional migration status, the State Government needs to consider how to reposition the state from a visa perspective. While one avenue is through a Designated Area Migration Agreement (DAMA) such as exists in the Northern Territory, Business SA is mindful that this would still come with the administrative burden of employers having to access a labour agreement under a DAMA, as well as needing to be agreed to by Regional Development Australia boards. There are also more costs for employers to establish a labour agreement, at approximately \$15,000 in the current market for these services.

For the best long-term outcome for South Australia, future changes to both the TSS and RSMS visa are still preferable and while perhaps taking longer to achieve, certainty of visa arrangements is important to the business

¹³ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 2: Areas Where the Migration System Does Not Meet South Australia's Needs' (South Australian Centre for Economic Studies, 7 June 2017) p 11.

¹⁴ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 1: Key Challenges' (South Australian Centre for Economic Studies, 18 April 2017) p 3.

¹⁵ Migration Institute of Australia, 'Submission to the Inquiry into the Economic Contribution of Migration to South Australia', page 8.

community and constantly changing rules are not. Subsequently, Business SA supports the MIOA's recommendation to reintroduce a bona fide regional sponsored visa, which should provide material incentives for regional employers to attract required migrant workers.

4. Keeping our International Students in South Australia

International education is a key pillar of South Australia's economy, particularly as an export revenue driver. However, the opportunities provided by education of international students are not being fully realised. The State Government needs to lobby the Federal Government to improve post-study work rights and entrepreneurial opportunities for international students - migrants already living in our communities.

The economic contribution and job creation outcomes of the international education and training sector in South Australia is well documented, but relative to our population share, South Australia can still improve its performance in the international education sector. In 2017 South Australia attracted 5.5 percent of higher education sector overseas arrivals and only 2.7 percent of VET sector overseas arrivals. In comparison, Victoria attracted 35.2 percent of higher education arrivals and 30.45 percent of vet sector arrivals.¹⁶ Despite international enrolments recently reaching record levels of approximately 28,000¹⁷, South Australia still attracts a relatively lower proportion of international education arrivals compared with other mainland states, a situation which needs to be addressed and in particular, in the VET sector.¹⁸

Recent changes introduced by the Federal Government in March 2018 have reduced South Australia's ability to leverage from its sizable international student cohort. Under the previous arrangements, students used two pathways to local employment, through the RSMS or more often a transition from a 457 visa, with neither imposing work experience requirements. Under the new regime, the Federal Government has imposed a minimum three years of relevant work experience requirement on applicants for the RSMS visa, and two years work experience for TSS visa applicants, making it more difficult for graduates to fill skilled and semi-skilled vacancies in South Australia.¹⁹ This change has limited local business' ability to harness graduates with new knowledge to fill positions unwanted by local workers. While international students may still be able to access a Temporary Graduate Visa (485), this is quite limited for VET students and only allows them to stay for 18 months. Even students with a Bachelor degree including Honours can only stay on this visa for two years and students must have a Master of Research degree to stay for at least three years, while a PHD offers four years.

South Australia needs to be a destination of choice for international students. The direct and indirect economic benefits of international education are clear and the State Government needs to work with the Federal Government to improve international student and graduate access to local jobs, particularly in industries with skill shortages.

¹⁶ Australian Government, Department of Education and Training, 'International Student Data 2018'

¹⁷ South Australian Government, Budget Statement, 2018/19

¹⁸ ABS, '3412.0 Migration, Australia'

¹⁹ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 2: Areas Where the Migration System Does Not Meet South Australia's Needs' (South Australian Centre for Economic Studies, 7 June 2017) p 17.

For a start, Business SA supports the MIOA recommendation to increase the points allocated to graduates of regional universities in the Skilled Migration Points calculator, and any further incentives to increase the access to working visas for graduates of regional universities.

5. Broad considerations for new rules governing temporary skilled visas

As outlined above, there are now much more stringent requirements applying on businesses needing to employ migrants under temporary skilled visas, and these extend beyond just those which impact South Australia alone in its capacity as a designated regional area.

One of these changes is that businesses are having to go to greater lengths to demonstrate that a position or positions could not be filled locally before applying to sponsor a migrant through a temporary visa. This includes proving that the business could not find an applicant in the entire country. While Business SA is not arguing that employers should not have to justify why they need to employ a migrant worker, Governments still need to be mindful of how all the additional requirements and associated paperwork impact upon businesses, particularly small to medium employers.

Aside from new training levy arrangements, visa fees under new temporary visa arrangements have also risen quite substantially for TSS visas, increasing from \$1,080 to two new tranches: \$1,175 for skills in the short-term skilled occupation list (STSOL) and \$2,455 for skills in both the medium and long-term strategic skills list (MLTSSL) and regional occupation list (ROL).

While South Australia may be relatively more disadvantaged by changes to the RSMS visa, it is equally important to consider how South Australian employers are also impacted by changes to the old 457, now TSS visa. All these changes combined are generally making it much harder for South Australian employers to employ migrants on temporary visas to fill skills shortages, whether that relates to the rate at which they should be paid being above market, the required work experience which is difficult for a graduate, the visa fees or the reduced age limit.

6. Attracting business visa applicants to South Australia

A recent report prepared by CGU highlighted that one third of all small businesses are owned by migrants and interestingly, that 83 percent started their first business after moving to Australia. This clearly demonstrates why attracting migrants is so important to the ongoing fortunes of South Australia's economy. Migrants see the opportunities to grow businesses in Australia with a different set of eyes and with experiences of what can work elsewhere.²⁰

²⁰ CGU, Migrant Small Business Report, 2017

While filling skills shortages of existing employers should be the number one priority for visa reform, we cannot overlook the opportunities to strategically target existing business owners or budding entrepreneurs. At present, South Australia is not attracting its share of visa outcomes for the Business Innovation and Investment Program, receiving only 4.2 percent²¹ versus our 7.1 percent population share.²²

Business SA has welcomed the recent pilot program secured by the State Government, through the Federal Government, to increase the granting of business visas by providing applicants for South Australia more flexibility in the entrepreneurial stream of the 188 visa. Considering applicants must have an innovative idea and supporting business plan, it is ideally suited to what is required in South Australia where the economy is still in transition following the closure of auto-manufacturing, despite the fall out to date being less pronounced amid broader economic strength. It will also help budding start-ups given the \$200,000 venture capital funding requirement for this visa is waived in the South Australian pilot. This should further assist South Australia compete with other leading OECD countries such as France which recently introduced a similar concept via its tech visa for founders. Business SA would hope that a similar program here could also assist with attracting venture capital more broadly, noting the success of France's tech sector over the past five years in attracting funds.²³ Canada has had a similar program in place since 2013, albeit in their case visa applicants still need to access venture capital of at least \$200,000, or \$75,000 from an angel investor.

For South Australia, it is more sensible to effectively use the visa system to attract entrepreneurial people rather than just looking to compete with larger states and their deeper pockets to throw cash or tax incentives that we cannot afford. In some sectors such as the adoption of renewable energy, South Australia is viewed as being at the frontier of industry development and with strong interest from businesses around the world in opportunities here, we need to capitalise on that interest and not just let our state be defined by high electricity prices and the state-wide blackout.

7. A population growth policy for South Australia

It is clear that South Australia is not growing at a sustainable rate. As Business SA recommended in our pre-election [*2018 Charter for a More Prosperous South Australia*](#), the State Government should set a 1.5 percent population growth target and implement practical and creative policies to reach it, including how to provide better opportunities for young adults to remain in South Australia.

South Australia has the lowest population growth rate of all mainland states, sitting at 0.6 percent for the year to June 2017 compared to the 1.6 percent national average.²⁴ Long-term growth figures are also concerning. Between March 1998 and March 2018 South Australia's population grew by only 16.95 percent, Victoria grew by 40 percent and average growth for mainland states during this same period was 34.5 percent.²⁵

²¹ Steve Whetton and Andreas Cebulla, 'The Potential Benefits of Reforming Migration Policies to Address South Australia's Needs, Report 2: Areas Where the Migration System Does Not Meet South Australia's Needs' (South Australian Centre for Economic Studies, 7 June 2017)

²² ABS, '3101.0 Australian Demographic Statistics', Sep 18

²³ CB Insights, Tech Funding Trends in France 2017, <https://www.cbinsights.com/research/report/french-tech-q4-2017/>

²⁴ ABS, '3101.0 Australian Demographic Statistics'.

²⁵ Ibid.

Our population is also ageing, our median age of 40 is two years older than the national average.²⁶ South Australia's workforce, the number of people between 15-64 years old, is growing at half the national rate.²⁷ This has significant implications for future consumption and investment, as well as the support burden facing those remaining in the labour force.

Our increasing age dependency ratio, which measures those outside versus inside the labour force, reflects this change. The ratio was 16.5 in 1981/82⁵ compared with Victoria at 15.4 and Australia at 15.1, and by 2013/14 had increased to 26.1, compared to 22.2 in both Victoria and Australia.²⁸

South Australia's concerning loss of our young adult population interstate is a significant factor in this shift. Too many young adults are leaving the state, taking fresh perspectives and new knowledge with them. Many of these young people do not return to South Australia, instead starting a family interstate and further contributing to population and growth in other jurisdictions.

Business SA is not advocating for South Australia to become Australia's most populous jurisdiction, however a critical population mass must be maintained. Even if we just consider the political relevance and power of South Australia alone, the Australian Electoral Commission has already ruled that South Australia will have an entitlement to 10 seats at the next Federal election, down from an 11-seat entitlement in the 45th Parliament.

Business SA recently conducted our second biennial Regional Voice survey where we had received over 450 responses from businesses across regional South Australia. This survey was conducted in partnership with regional Chambers of Commerce and Regional Development Australia boards. Close to 65 per cent employed fewer than 10 people, with most operating in the four most dominant industries of agriculture, wine, forestry and fishing; retail trade; accommodation and food retail; and tourism. For businesses of this size, it was not surprising that 69 per cent turned over less than \$2 million per annum, and 96 per cent turned over less than \$50 million per annum. One key finding of the survey was that 68% of business respondents supported government policy to specifically promote population growth in the regions.

The most recent immigration data available suggests that South Australia's population is only showing any growth at all due to immigration, which accounted for 0.3 percent of the small 0.7 percent population growth increase in the year to March 2018. In fact, overseas migration as a share of South Australia's population growth is the highest of any state.²⁹ Accordingly, the importance of both maintaining and increasing existing migration levels should be of the highest order priority for the State Government.

The State Government also needs to consider what is being done to retain all migrants arriving here on specific skilled visas based on State Nominated Occupation Lists. While Business SA is not necessarily arguing all those skills shortages do not exist, there is not enough proactive support for these migrants to get them into jobs associated with their skills sets. This has resulted in many skilled migrants moving interstate for opportunities related

²⁶ Andrew Cully and Aaron Hill, 'Make it big Adelaide' (Deloitte Access Economics, 2017) p 15.

²⁷ Michael O'Neil and Lauren Kaye, 'The Aged Structure of the Population and Economic Growth – Does It Matter?' (Economic Issues Paper No 47, South Australian Centre for Economic Studies, February 2016) p 4.

²⁸ Michael O'Neil and Lauren Kaye, 'The Aged Structure of the Population and Economic Growth – Does It Matter?' (Economic Issues Paper No 47, South Australian Centre for Economic Studies, February 2016) p 11.

²⁹ Federal Government – Treasury and Department of Home Affairs, 'Shaping a Nation – Population growth and immigration over time', 201

to their qualifications and experience, and from a population growth perspective, South Australia cannot afford this to occur.

While Immigration SA does offer some support services to help skilled migrants find work, and this is valuable, Business SA also recognises that more employers need to be open to employing skilled migrants and looking beyond a lack of local experience. While internships are being facilitated through South Australian universities, including for international students, there are not necessarily equivalent opportunities for migrants who arrive here on skilled visas.

Conclusion

South Australia is in a unique position compared to other mainland states in that we have long suffered from net-interstate migration and immigration is primarily the reason we have any population growth at all. Immigrants have always been part of South Australia's economic fabric and we only have to look at our food and wine offering as just one example of the benefits that brings to the state more broadly, or how international students add to the vibrancy of Adelaide.

Unfortunately, there are many skill shortages in South Australia, particularly in the regions, that cannot be filled by local workers, and businesses have been forced to bring in workers on temporary visas who often convert to permanent staff. While on one hand it is disappointing for those business owners not to be able to find staff locally, they generally speak quite highly of their migrant staff and the value they not only bring their own business, but to the broader community, which is more pronounced in Regional South Australia where small towns often struggle to remain viable.

Changes to Federal legislation over the past year has made it much more difficult for South Australian employers to attract and employ migrant workers, particularly on temporary visas, and the South Australia Government has a role to play in ensuring that some of these limitations can be mitigated against. For one, as a state we should be making it easier for local businesses to employ international students who have completed their studies here, not at the detriment of local students, but to ensure skills shortages can be met.

All the evidence points towards positive economic impacts from immigration, including through migrants starting their own businesses. Consequently, Business SA has welcomed the Federal Government's decision to pilot a new entrepreneurial visa stream in South Australia in order to attract people with innovative business ideas. We are also buoyed by their recent statements related to a redirection of skilled migrants away from Melbourne and Sydney. However, there is also a need for adequate measures to help skilled migrants coming here on state sponsored visas to actually find work in their field, and business recognises it has a role to play here too.

South Australia is more reliant on immigration and should be able to have preferential benefits in the visa system to reflect the reality that that we have an older population, and also suffer more from net interstate migration. Recent changes to the RSMS visa have diminished its effectiveness in making South Australia a preferred regional location and this new reality needs to be addressed by the parliamentary inquiry.