



## GES NewsFlash

# Federal Budget 2011-12: Immigration Update

May 24, 2011

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The federal budget was announced on 10 May 2011, and contained a number of immigration-related announcements of relevance to employers who intend to sponsor foreign nationals to work in Australia. Some of the initiatives announced attempt to address systemic problems around attracting and retaining skilled staff in regional locations in Australia.

### Enterprise Migration Agreement

As part of the government's strategy to address Australia's burgeoning skills shortage, this year's budget contained details of an Enterprise Migration Agreement (EMA) designed to assist Australian companies in sourcing skilled foreign labour to meet the workforce demands of major infrastructure projects.

The EMA initiative is project-specific and would allow project owners, and subcontractors designated by the project owner, to identify skilled foreign staff required to work on the designated project throughout its life cycle where the capital investment is \$2 billion or greater or where the peak workforce exceeds 1,500.

Given that the negotiation of the EMA will be focused on the project owner, it should become easier for them to plan their workforce management needs at the outset of the project. The Department of Immigration and Citizenship is aiming to negotiate EMAs within three months from the time the project owner submits a complete request for an EMA. Any visa applications lodged under an approved EMA are expected to receive expedited processing.

#### Deloitte's view

Companies need certainty when planning to invest in major infrastructure projects, particularly in relation to their workforce. In the current environment, the skills shortage is becoming the key factor in determining the feasibility of projects.

The EMA will provide one avenue for companies to access some of the skilled workforce they need in the short-to-medium term. However, as Australia's infrastructure needs to grow, government and industry need to look at long-term solutions that allow for both attraction and retention of people with the right skills.

Companies should not take the decision to source skilled labour from overseas lightly because it's often more expensive and complex than sourcing that labour from the local market.

The level of expense and complexity involved in bringing in foreign skilled workers means companies need to consider whether the EMA will deliver the best outcome for their project. Businesses need to undertake a sophisticated analysis of a number of issues including immigration, taxation planning, workforce sourcing, and retention strategies if they are to gain the maximum benefits from this or any other skill-building initiative.

## Introduction of the Regional Migration Agreement

The government announced the introduction of a Regional Migration Agreement (RMA) as part of this year's federal budget. The agreements are designed to identify and address the skills shortages currently facing many parts regions in Australia.

The RMAs will see a range of stakeholders provide input into developing strategies specific to their region by identifying where the shortages exist in terms of skills, industry, and jobs. Local authorities will then negotiate with the government and local employers will be able to directly sponsor workers under the agreed RMA.

Visas issued under an approved RMA will be available for both temporary and permanent residence in Australia and are aimed at attracting skilled foreign labour to regional Australia, as well as retaining that labour in areas of need.

### **Deloitte's view**

While the agreements are primarily concerned with attracting foreign labour to work in regional locations experiencing skill shortages, the collaborative framework is intended to address local labour market requirements from within the Australian workforce. Those employers seeking to employ foreign workers under the scheme will have to demonstrate a commitment to training local workers to address future needs.

If properly executed, this initiative will help address the current problems with encouraging and sustaining participation in the regional workforce. However, this

issue requires a complex and sophisticated response to the numerous challenges confronting regional employers who are struggling to source and retain appropriately skilled workers.

Government needs to understand that, for many workers, the decision to migrate to the regions comes down to a variety of factors beyond the employment opportunity itself. Lifestyle factors like proximity to services, quality of schools, homes and community activities, and the availability of public transport also play a substantial role in attracting workers to a region and keeping them there.

Local authorities and employers need to consider these broader issues in developing RMAs and understand that they aren't a quick-fix solution to the problem of workforce sourcing. A long-term solution requires a considered approach to addressing the factors that not only attract workers to a region, but also those which keep them there.

### **Additional Funding for 457 Visa Processing**

The budget contained details of additional funding to assist in the processing of 457 visas in Australia. Currently the median processing time frame according to the federal government for a 457 visa is 22 calendar days. The initiative announced in the budget would see funding to open a new business centre in Brisbane which is expected to reduce the median processing time frame to approximately 10 calendar days from the date of lodgment of the 457 application.

#### **Deloitte's view**

Deloitte welcomes the government's commitment to additional funding for Temporary Business 457 visa processing. The heavy emphasis on the use of foreign labour for major project-related activities in Australia demands certainty around workforce planning and management. This must translate to efficiency in processing work permit applications and consistency in the delivery of those services.

By opening a processing centre at the Department of Immigration and Citizenship in Brisbane, the government is recognizing the important role that Queensland plays in addressing the skill shortages experienced in that state arising from the resources boom.

### **Proposed Skilled Migrant Selection Model**

The government intends to develop a new skilled migrant selection model. The

proposal is in an early stage of development and consultation and the new model is not expected to be introduced until July 2012. The proposed model would affect predominantly those temporary and permanent visa subclasses that are not sponsored by an employer, such as the skilled independent visa categories.

The model will be an electronic system based upon a two-stage process. Prospective applicants first submit claims for skilled migration through an online expression of interest and subsequently may be invited to make a visa application. This is a significant change from the current situation, as applicants for independent or state/territory sponsored migration would be required to receive an invitation in order to lodge a visa application.

It is proposed that the model will allocate all places in the independent skilled migrant program to the prospective migrants who score highest on the points test in each eligible occupational group. The model proposed is expected to allow prospective migrants to nominate their willingness to live and work in regional Australia and is therefore expected to be of particular benefit to employers experiencing regional skills shortages and state and territory governments attempting to settle migrants in regional Australia.

#### **Deloitte's view**

This initiative, in theory, should be a step closer to allowing the Australian government to match labour force needs with immigration demand. Rather than migration being the driver for skill intake, the model proposes that the government manage who is able to apply for skilled migration, when they are able to apply, and in what numbers, on the basis of Australia's economic need.

An additional benefit of the proposed model is that it should assist with speedier resolution of skill shortages through easier identification of prospective workers with the skills and attributes required in the right locations.

#### **People to contact**

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals at our Deloitte offices as follows:

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