

# 457 VISA WORKERS IN THE WESTERN AUSTRALIAN RESOURCES INDUSTRY

The benefits and costs for business, migrant families, and the community  
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## ACKNOWLEDGEMENTS

Industry Partners: Edith Cowan University (ECU) and the Australian Mines and Metals Association (AMMA) would like to thank the study reference group for their involvement and assistance in this research project. The members of the reference group have been extremely important for this study in that they provided access to workers on 457 visas as well as guided the study through their individual expertise.

Project development and funding:

The authors would also like to thank AMMA and specifically Lisa Matthews and Jules Pedrosa for their support and input along the way and ECU and AMMA for their financial commitment to the project.

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This work has been produced through a research study funded by the AMMA and ECU.

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### Published by Edith Cowan University

Centre for Innovative Practice  
Faculty of Business and Law  
Joondalup Drive, Joondalup  
Western Australia 6027  
Australia



## EXECUTIVE SUMMARY



In the past two decades alone the Australian economy has maintained an average growth of 3.3% requiring significant additional and differently skilled employees as it has structurally readjusted to an increasingly knowledge-based and service-orientated economy. This study investigated the costs and benefits of employing workers on temporary residence subclass 457 business (long stay) visas as one mechanism that is being utilised to address skilled labour shortages, particularly in Western Australia. The participants interviewed for this study emphasised that accessing skilled labour for resource projects is of paramount importance for the businesses involved in the resources industry. While the evidence from the study indicates the industry seeks to source labour within Australia, the participant responses also emphasise that it is the shortage of qualified and experienced professionals locally that has instigated the investment in initiatives to employ workers on 457 visas.

### Costs and benefits

This is the first investigative study into the costs and benefits associated with the employment of skilled labour on 457 visas in Australia. The data suggests the majority of the costs associated with employing workers on 457 visas are incurred by the industry with costs ranging between \$7,000 and \$65,000 for each individual worker. There was some evidence to suggest that workers with the skills the resource sector required resided on the East Coast. However, participants in this study indicated that in many cases they encountered reluctance from prospective Australian recruits about relocating to WA. The respondents indicated that in many cases such workers also appeared to have unrealistic expectations about prospective earnings they anticipated would be well above their previous rates. These expectations often made them an uncompetitive recruitment option. The interview data suggests that there are a number of reasons why workers from the Eastern States are reluctant to move for work reasons in WA. These include: moving away from family and friends, the fly-in/fly-out working arrangements, a lack of accommodation with reasonable rental rates and the high cost of living in WA. This apparent reluctance of Australian skilled workers to move to WA and work in remote areas where there are industry-skilled labour demands for major resources projects have consequently instigated industry initiatives to recruit skilled migrant workers on temporary 457 visas. The demand for skills and the domestic shortfall provided employment opportunities for significant numbers of workers from countries such as Ireland and the UK. These foreign nationals are generally skilled, accredited, ready and keen to take up the work being offered.

### Skills and training

The data suggested that not only were specific skills sought for resources projects but also relevant experience in the resources industry was equally as important. Potential employers sought employees who were familiar with the industry culture and the issues of working in remote areas. In this regard, employing experienced workers may have the effect of minimising the costs associated with training less experienced employees. There was evidence to suggest that graduates completing

degrees in engineering, for example, may not gain employment in the resources industry as their training within Australia does not provide sufficient hands-on experience for students to ensure that they are 'work ready' on graduation. Businesses appear to be somewhat reluctant to employ workers without industry-specific experience as the high risks involved in large infrastructure projects involving multi-million dollar machinery depend on employee workplace decision-making guided by experience. In addition, there was also evidence to suggest the decline of trade enrolments and completions may be exacerbated by local pools of unemployed graduates. The resources industry is challenged by sharp demands for experienced skilled workers, the limited pool of Australian skilled labour who are willing to relocate, the reducing numbers of workers taking up apprenticeships and traineeships, and the lack of experience of new graduates.

### Relocation and support

The decision to work in another country generates a major social dislocation for both the worker and their family. Migrant workers have historically found the transition to working in another country challenging as well as rewarding. Indeed, there was also evidence to suggest in this study that skilled workers from the East Coast who make the move to WA experience the same dilemmas and decision making processes, approaching it like a move to another country. One reason cited for the reluctance of both skilled migrants and East Coast Australian workers from making the move to WA is the distance from extended family. Other challenges of working in WA include a difference in cultural life and a lack of infrastructure both in the capital city of Perth and in particular in regional WA. The extreme climate and desert conditions where the majority of resources projects are located is considered to be a further obstacle to attracting workers to WA. In addition, the data revealed that the levels of taxation associated with high salaries and the high cost of living in WA are factors that inhibit the attraction of workers to the state. The cost benefit analysis performed for the study appearing in Section 5 of this report shows that despite workers in oil and gas extraction paying the highest amount of tax, the tax difference between temporary foreign and Australian workers was not significant (around 8.5% difference). However, the higher rate of taxation combined with insurance costs and child care costs (where applicable) does increase the cost of living for workers on 457 visas working in Australia. Similarly, Australian workers from the East Coast also cite the high cost of living in WA as a reason not to move interstate to work. However, the cost benefit analysis for the study also shows that although living costs are indeed higher in WA than other Australian states, the generous salaries paid for those working in the resources sector more than compensates for the additional financial expenditure. Even though the figures indicate that workers in the industry have about 31% of their income available to spend on discretionary items, those interviewed did not hold this perception. In addition, business representatives interviewed for the study emphasised the high cost for international companies conducting business in Australia, citing the high cost of wages as an example, and the sourcing of migrant labour. Workers on 457 visas indicated a difference in work ethic in comparison with Australian industry explaining that the hardships experienced in recent years in Ireland and several other countries has produced expectations of a stronger work ethic.

### Labour mobility

Fly-in/fly-out working arrangements associated with resources projects were cited by a number of workers on 457 visas and business representatives as a key reason for failing to attract workers to the sector. This prompted a number of businesses to encourage workers to live and work in the region where the projects were based. However, a lack of regional infrastructure limits the availability of housing in the regions for families. A lack of affordable rental accommodation in Perth and the regions was mentioned by almost all the participants interviewed for the study. These are issues experienced by both migrant workers and domestic workers. Workers on 457 visas explained how difficult it is for resources workers in regional WA to gain accommodation. Even for those families who would be happy to live and work in the region where the project was based, the high rental costs are often prohibitive. Others discussed the difficulties of renting in Perth when migrant workers are unable to provide a prior rental history. Finally, some migrant workers compared the differences in accommodation and costs in Houston in Texas with Perth, as both have a similar climate and a large resources sector, indicating that Perth offered a far poorer lifestyle for similar costs. Salt (2012) noted that affordable housing in Perth and the regions where the projects were based was crucial to support continued economic growth and growth in the resources sector.

### Value to the economy

Many Australian resource projects are supported by overseas investment. Cost blow-outs for projects that over-run budgets creates reluctance by investors to reinvest in future projects. The advantage to the Australian economy of using workers on 457 visas with the necessary skills is the security of completing project phases within budget and on time before moving into the subsequent production phases. The data revealed that an additional benefit to Australia is the exposure and subsequent knowledge transfer of skills that accompany the design, construction, operation and maintenance of specialised machinery. This places the resources sector in Australia at the forefront of global innovation and technology. When workers on 457 visas are employed within Australia they also transfer their knowledge, skills and cultural differences as well as contributing directly to the economy through spending money on general living expenses and by paying taxes. Workers in the resources sector pay a higher rate of tax than the average Australian due to their high salaries. Migrant workers are subject to this high rate of taxation without the offsets afforded to internal Australian taxpayers and appear to contribute an additional 8.5% to taxation. Finally, businesses not only benefit from the temporary growth of the Australian labour pool due to workers on 457 visas, but also benefit from a permanent growth to the overall pool of talent as some workers make the decision to take up opportunities of permanent residency (PR). This further supports sustained economic growth. The expanding Australian economy and specifically the current demand on the resources industry have highlighted the issue of the supply and demand for skills, in the present and for the future. The evidence from this study confirms the recognition that the labour market, and especially the highly-skilled labour market, is increasingly global. Migrant skills will play the role of 'shock absorber' during labour market readjustment periods and will continue to form an important pathway in future national skilling processes. Modern Australia has been built through skilled migration and it appears that this is a trend that is likely to continue with benefits for workers, employers and the nation.

# INTRODUCTION

Australia is currently positioned as the 13th largest economy according to Gross Domestic Product (GDP) in the world (IMF 2011) and has entered another resources 'boom', or as Premier Barnett said of Western Australia 'a period of sustained economic growth' (Gruen 2011). This is due to the global demand for resources, and this growth in turn is driving major infrastructure projects (BIS Shrapnel 2009). Such expansion requires adequate numbers of skilled workers, and presently Australia is experiencing a shortage, specifically mining and construction workers in professional roles for major resources projects, e.g. engineers and project managers (AWPA 2012). Overall, available workers in WA are scarce, because in July 2012 the state had an unemployment level of 3.6%, the lowest of all Australian states (DEEWR 2012). A further restriction to the supply of skilled workers is the ageing workforce within Australia, mirrored within many other developed countries (Khoo McDonald, Voigt-Graf & Hugo 2007), that is generating a labour market with more leavers than entrants. One mechanism to address the shortage of skilled workers in Australia has been to increase the number of workers on temporary 457 visas and indeed increase overall migration numbers. The idea of a 'big Australia' through increased migration was the vision of former Prime Minister Kevin Rudd (ABC News 2009). However, the use of workers on temporary 457 visas is a micro-economic issue that is strongly debated. On the one hand, supporters of skilled migration argue that in periods of rapid growth the Australian economy lacks the capability to train sufficient domestic workers within the time frame industry requires (OECD 2002; Roach Report 2005; Evans 2008). Supporters also argue that skills shortages increase the risk of extending the construction phase of projects which results in cost blow-outs and the subsequent nervousness of overseas investors (BCA 2012). Others use the counter argument that such actions place Australian jobs at risk, reduce domestic skills training (Toner & Woolley 2008) and that workers on 457 visas are at risk of exploitation through reduced wages, conditions and political and social rights<sup>2</sup> (Oke 2010; Jockel 2009; Deegan 2007; ILO 2003). This study investigated the benefits and costs of using temporary migrant workers through industry and worker semi-structured interviews and econometric techniques. It examined the costs and benefits of employing predominantly professional workers in the resources sector on 457 visas, for business, the migrant families and the WA and Australian economies.

<sup>2</sup> Exploitation has occurred in the past through reduced wages, conditions, and political and social rights due to the temporary nature of their stay in Australia. These workers have no voting rights or means to influence their working conditions (Jockel 2009). However, increased protection for these workers rights were included in the terms of employment in 2010 with a requirement to ensure these workers have parity of working hours and remuneration with Australian workers.



## Pressures to increase skilled workers in Australia

The Australian economy has led the developed world following the Global Financial Crisis (GFC). In the past two decades alone the Australian economy has maintained an average growth of 3.3% (ABS 2012) requiring significant additional and differently skilled employees as it structurally readjusted to an increasingly knowledge-based and service-orientated economy. While most of the developing nations are still struggling to bring their economies back to 2007 production levels, Australia escaped any enduring period of recession (Eslake 2011). The development of new mining projects and natural gas extraction and processing facilities in Western Australia are examples of rapid growth (Chevron Gorgon Gas Project - \$43B, Roy Hill Mine - \$10B, Solomon Mine - \$5.4B and the Sino Iron Project - \$6.1B (ABARE 2010;2011)). Similarly, Woodside announced in August 2009 an investment in a new natural gas operation, the Pluto venture in Western Australia, that has the potential to be 40% bigger than the Gorgon Gas Project (Klinger 2009). These projects require large numbers of qualified people to carry out the construction work and subsequent plant operations. Beyond the 5,500 construction workers required for the Gorgon Gas Project and the 8,000 for Roy Hill, it is estimated that a further 70,000 construction workers will be required by 2020 for other approved national projects (Probyn 2009). The value of construction projects to the Australian economy for the 4th quarter of 2011 was \$26.36 billion dollars, which is an annual growth of 3.9 per cent (ABS 2012). In terms of Australia's neighbours, China and India are growing rapidly industrially and already require large quantities of Australian minerals (BCA 2012), particularly iron ore (Gruen 2011). The growth and span of these projects has ensured Australia's resilience in the face of the economic crisis enveloping most other developed countries (BCA 2012).



To meet this increasing demand, the resources sector is under pressure to elevate production and needs a continuous and growing supply of skilled workers. In order to meet the resources sector labour needs and maintain economic growth, Australia must address the issue of skills shortages. Healy, Mavromaras & Sloane's (2012) study showed that complex skill shortages tend to be persistent over time and can be associated with firm decline. Deegan (2007) noted specific cases of skill shortages in engineering, where firms across Australia were either delaying or declining projects because of a lack of workers. Further, demographer, Bernard Salt (2012) noted that 2011 began what he termed a 'tilt point' where baby boomers begin to become eligible for an age pension exiting the workforce at a faster rate than entering Generation Ys (Jockel 2009). Added to this, Australia has been in the grip of an extreme shortage of trades' skills for several years (NCVER 2008). Employer investment in training began to slow in the 1990s in Australia. For example, in 2001/02 only 24% of employers provided training that led to recognised qualifications and only 13% employed apprentices or trainees (Watson, Buchanan, Campbell & Briggs 2003). In short, there are not enough qualified skilled people in Australia to meet the current and predicted demands of the resources sector (Probyn 2009). In addition, the increased skilled labour demand from resources sector growth means that an increasing percentage of future employment will be located in regional and remote areas.

## Response to the issue of skills shortages

To tackle this issue, the Australian Government has three main options:

1. to increase the number of apprenticeship training places and encourage completions,
2. to encourage skilled workers from the other Australian states to relocate to the resources states, such as WA, to take up the available work, and
3. to recruit skilled labour from overseas, and allow more workers on temporary 457 visas to enter the country.

The Federal Government has recognised these options and responded with increased traineeship and apprenticeship places in the 2011 Federal Budget that allocated a National Workforce Development Fund of more than \$100m for training development (Moodie 2011) in recognition that 'the days of unskilled jobs are over' (Ferrari 2011:5). Business has also responded as is evidenced by Chevron Australia's launch of the Powering Careers in Energy Course to specifically train secondary school students in training that leads to future resource jobs (Chevron Australia 2012).

However, currently the Australian labour market has a participation rate of just over 65% with 11.5m workers (ABS 2012) training in skill development and skill acquisition. This is short of the 69% target set by the Australian Workforce and Productivity Agency (AWPA) to meet future demands. The AWPA report (2012) questions how long such economic expansion will last and what future scenarios will require in terms of labour market needs and employee skills. They postulate that while a resources boom may continue for a decade there may be competitors who mediate Australia's role in that expansion. They also speculate that investment in skilling Australians in knowledge work will be an effective investment, and yet caution that a surrounding turbulent world may make patterns of trade and hence labour market skills difficult to predict and manage. They term these scenarios 'the long boom', 'the smart recovery', 'the terms of trade', and 'the ring of fire'. They forecast that the workforce will need to expand by no less than 1 million workers and will most probably require up to 3.5m additional workers.

The Australian Skills and Workforce Needs paper (AWPA 2012) confirms some significant labour market skills issues for the next decade. Under any future scenario they predict a continued demand for more skilled workers with between 4.3 million and 6.4 million new jobs created. This means that the labour market will both expand considerably and be subject to major structural readjustment as some industries recede and others expand. They indicate that the resources industries and managerial skills will be a specific focus for that demand. Perhaps most importantly, they predict potential skill shortages until 2025 indicating 'that under all scenarios' there will be at least a 250,000 deficit of higher-level qualification (AWPA 2012:5).

In addition, there is a recognition of the labour market tensions and social imbalance that will be generated by remotely-located resources projects (AWPA 2012). They note the significant impact of resources employment on society where resources employment accounts for just 3% of the total Australian labour market but can actually account for 50% of the total employment in specific areas. The report also recognises 'the social issues raised by' labour market flexibility when it includes fly in/fly out working patterns (AWPA 2012:80).

The picture of training commencements and completions in Australia is indicating a fall in recent years. The early trend estimates by National Council Vocational Education Research (NCVER) of apprenticeship and traineeship commencements indicate that although trade commencements grew steadily from the June quarter 2009 to the September quarter 2010, from that point in time there has been a steady decline (NCVER 2012). However, the AWPA (2012) note that the Council of Australian Governments (COAG) Reform Council reports that the proportion of Australians aged 20-64 years without Certificate III qualifications has slowly declined to 44.7% in 2011 from 47.1% in 2009. This figure would need to rise to 76.4% in 2020 to meet the COAG targets. Finally, in terms of specialised highly skilled professionals for example engineering, Engineers Australia (2009) argue that the major causes of engineering skill shortages include: that there are insufficient numbers of engineers trained domestically; there is a long lead time in training engineers (up to 5 years at the university level); the ageing engineering workforce; the demand for engineering skills during high levels of activity in resources projects; and international competition for highly skilled labour (Cameron & Joyce 2010).

Although interstate migration levels were at a 10-year high of 6,163 people in 2010/11, and this is double that of a decade ago (DIAC 2012), there remains reluctance for skilled workers to move to WA. To encourage skilled workers to move to WA from the East Coast, Government Relocation Incentives of up to \$6,000 per worker were established in 2012 by the Federal Government to assist unemployed Australians to relocate to regional areas to gain work. However, as at May 2012 only 37 people had taken up this opportunity (Tillett & Wright 2012). The Australian Skills and Workforce Needs paper (AWPA 2012) noted the limitation of schemes designed to support skilled workers moving interstate. The domestic migration patterns to WA indicate that often there has been negative net migration and total migration has rarely been above 5,000 a year. In contrast, overseas migration to WA has been

consistent over decades, usually topping the local birth rate and currently bringing 15 to 24 thousand additional residents and workers to WA (Sibma 2006).

Finally, in terms of general skilled migration, the Federal Government increased the cap on the skilled stream of Australia's Migration Program from 113,850 places in 2010-11 to 125,850 places in 2011-12 (DIAC 2012). In addition, the Federal Minister for Immigration & Citizenship, Chris Bowen, announced on the 19th July 2011 that Perth had been classified as a regional area (Bowen 2012) thereby increasing the numbers of eligible permanent residents that could be brought into WA. This was a separate initiative unrelated to the 457 visa program.

In deciding the critical balance of national skilling strategies for the next decade, the government, industry and broader society should engage in wide-ranging debates that include the interrelated issues of population growth, immigration policy and sustainable economic expansion. Governments faced with skilled labour shortages seek the flexibility of the international labour market which can act as a short-term shock absorber for labour and skill markets. Increasingly, trans-border multinational companies and scarcity of high-level skills are generating an international labour market. Internal labour flexibility is generated through occupational fluidity, contracting, performance-based pay and relocation (Standing 1999). This study investigated the mechanism of utilising skilled migrant labour in WA. Employing temporary skilled labour in times of rapid economic growth is an opportunity for government to increase the flexibility of labour supply and respond to economic changes, but this comes with the cost to developing nations who lose their most skilled workers and to the host nation who has to socially accommodate the workers and often their families. In many cases international labour flexibility is about organisations moving their production to areas where labour is cheap, non-unionised and where they can more easily manufacture consent. However, in this case labour flexibility is about the short-term employment of already skilled workers using work opportunities for life-changing experiences to enable organisations to continue rapid production. One issue that opponents to the use of workers on temporary 457 visas raise is the argument of parity of wages compared to Australian workers (Oke 2010; Jockel 2009). However, despite criticism about underpayment of workers on 457 visas in the past in some industries, the average wages under the current 457 visa programme have outpaced those of their Australian counterparts (Maley & Franklin 2008). This is most likely due to reform proposals put forward by the Deegan Review (2007), including minimum salary levels for migrants, English language requirements, an associated accreditation system for employers, and a designated skills lists (Consolidated Sponsored Occupation List 2012) setting out occupations for which temporary work visas can be granted.

### Attracting foreign labour

Within the literature there is evidence that the presence of economic and employment opportunities is a clear attractor of foreign professional and skilled labour. However, Slack, Bourne and Gertler (2003) stress that for workers within highly skilled occupations, work that attracts high salaries is

not enough to encourage relocation. To attract labour, they argue that a broad range of economic, social and cultural advantages at particular places are crucial. These include the richness of cultural amenities, recreational opportunities, and the 'buzz' of the local arts and music scene, the attractiveness and condition of the natural environment and buildings, the quality of schools, and a safe environment (Slack et al 2003:7). The importance of quality of life is echoed by Yigitcanlar, Baum and Horton (2007) who note key influencers including: diverse amenities, education and community facilities, housing affordability, levels of crime, access to transportation, urban diversity in terms of ethnicity, gender, nationality and sexual orientation, social equity in terms of reduced poverty and inequality and the quality of the area they live in (unique characteristics that define it and make it attractive and liveable). Finally, Hugo and Harris (2011) identified liveability and lifestyle dimensions, in addition to housing availability and affordability, determine migrants' choice of living in Australian capital cities.

### The introduction of the workers on temporary 457 visas to Australia

This study places a focus on the use and experiences of workers on temporary 457 visas. The Temporary Business Long Stay Visa subclass 457 was introduced as Australian policy in 1996 (Oke 2010). The Department of Immigration and Citizenship (DIAC) (2009) advise that the subclass 457 visa is designed to support the growing Australian economy by 'providing a mechanism to source temporary skilled labour as a top up for the domestic workforce'.

In 2007-08, 58,050 sponsored employees entered Australia on the subclass 457 visa. This was a 24% increase upon the previous year (DIAC 2009). Over 9,000 visa holders on temporary 457 visas were in trade occupations with 56% of those located in Western Australia (WA) and Queensland (Qld). In 2012, WA had the second highest number of skilled workers on 457 visas in Australia and had achieved a rise of 75% with a total of 19,430 workers entering WA in 2010/11 (DIAC 2012).

Toner and Woolley (2008) noted that there is no requirement upon Australian business to undertake any labour market-testing to see if Australian residents are available to do the work (Kinnaird 2006), or to invest in training home labour prior to sponsoring workers on temporary 457 visas. Once allocated a 457 visa the worker's spouse and children also may come to Australia, with spouses gaining full work rights, and with subsequent applications for permanent residency being unrestricted. In addition, access to sponsorship and visa application confirmation has become faster with the availability of online submissions since November 2003 (Khoo et al 2007). Skilled migrants entering Australia on temporary 457 visas are constrained by being permitted to work for a maximum of four years and must remain with an employer for that time. They can change employers while in Australia and are allowed a maximum of 28 days out of work before they must leave the country, however, within 2 years of their stay can apply for permanent residency for themselves and their family (DIAC 2009).

The Australian Bureau of Statistics (ABS 2009a) indicate that 'net overseas migration (NOM) can fluctuate considerably from year to year, and has been increasing in recent years'. At current levels (240th) NOM contributes about 60 per cent of Australia's population growth, outstripping the natural increase in the population since 2005 and underpinning the national growth from a nation of 10m in 1960 to 22m in 2010. Skilled migration under the subclass 457 visa currently accounts for about half of all migration to Australia (ABS 2009; Phillips & Spinks 2011). Indeed, a quarter of the current labour force was born overseas (DIAC 2011) with 0.4 per cent of the WA population made up of workers on temporary 457 visas (Huddleston, Huddleston & Tonts 2012). We present data later in this report that details recent numbers of workers on 457 visas entering Australia, the roles that they perform and the country in which they previously resided.

While several previous migration schemes were government sponsored, currently individual employers bear the costs of employing workers on temporary 457 visas (Khoo et al 2007; Millbank 2008). Employers act as 'sponsors' for workers on temporary 457 visas. As sponsors they have a number of specific responsibilities including: provision of work; assistance with ensuring that the worker has access to adequate housing during their time in Australia; providing equitable payment for the work performed; and ensuring there is adequate provision for the workers' children to attend school (Khoo et al 2007). Khoo et al (2007) conducted a study in 2003/04 and found that the main reason employers source overseas temporary workers is when they find difficulty in sourcing sufficiently skilled labour in Australia. The same study indicates that migrants seek work in Australia because it offers improved quality of life compared to that offered in their home country. This may be due to the opportunity to gain lucrative employment, the improved living standards, or a combination of these factors.



## Temporary skilled migrant needs

Skilled migrant workers coming to Australia for temporary work have needs beyond that of basic employment survival. Pertinent social issues identified in the literature include: proficiency in English (Toner & Woolley 2008), exploitation of workers with wages that don't have parity with the workers of the host country, although there are now strict laws preventing that in Australia (Deegan 2007; Oke 2010), the skills transfer from migrants to Australian workers (Brooks, Murphy & William 1994, Toner & Woolley 2008), the reciprocal impact on training for Australians (Hugo 2006, Toner & Woolley 2008), the employment levels of Australian residents (Richards 2006) and the impact of skilled migration on the countries of origin in that they may incur a knowledge drain (Khoo et al 2007, Wickramasekara 2003). There is also a vast international literature on the underutilisation of migrant skills by the host country, particularly when English is not the migrant worker's first language (for example, Misztal 1999; Mattoo, Neagu & Ozden 2008; Huber, Landesmann, Robinson & Stehrer 2010). Finally, Piper (2009) argues that much literature on temporary migration concentrates on economic development opportunities for the host country and that the significant social implications also require consideration.

Workers employed under the temporary 457 visa require a range of social support when working and living in Australia. Although they are expected to have vocational English proficiency (DIAC 2009), a significant number of these workers' families do not speak English. Toner and Woolley (2008) acknowledge migrants need time to become proficient in English, to familiarise themselves with work routines, requirements and safety standards; especially since the work environment in Australia may differ from that in their mother country. Strutt (2009) reported that the number of non-English



speaking children on temporary 457 visas in WA state schools had risen 30% between November 2008 and February 2009 to 2,053 children. Of that number 1,200 children were unable to access special English tuition due to their difficulty in funding the estimated \$10,000 cost per child. Deegan (2007) reported that there were also instances of exploitation of workers on temporary 457 visas including equity in wages and conditions. The Federal Government has gone some way in addressing this issue in that the current rules around engaging workers on temporary 457 visas must be paid the same as an Australian worker. Workers of temporary 457 visas are expected to work in employment that is reflective of the skills they were brought to Australia for. This requirement can result in the worker tied to an employer. Although they can change employers, they can only stay in Australia without employment for 28 days before they must leave the country. Oke (2010) noted that under this arrangement these workers have limited ability and may be reluctant to change employers. Oke (2010:72) states that 'temporary lower-skilled migration is often a way to access workers who will do work locals do not want to do'.

## Advancing knowledge

There is much debate in the academic literature regarding the issue of 'skills transfer', where the introduction of migrant workers subsequently generates increased opportunities for Australian workers. Brooks et al (1994) argued that skilled temporary workers actually increased employment opportunities for Australian residents. However, Toner and Woolley (2008) counter by noting that it is the absorptive capacity of the business that determines the extent of such skills transfer. It is questionable how much skills transfer occurs between workers on temporary 457 visas and the Australian residents given that much of this transnational workforce sources work in the countries that need them temporarily and don't remain in Australia (Wang & McLean 2007). Hugo (2006) identified the central training dilemma when he questioned the extent to which any increase in workers on temporary 457 visas substitutes and competes for investment in Australian education and training by government and employers. Toner and Woolley (2008:47) go further, asserting that in Australia 'if temporary migration, in effect, operates as a parallel system to supply skilled labour then there are likely to be consequences for the traditional apprenticeship training system'. This view is supported by Richards (2006) who argues that large increases in workers on temporary 457 visas numbers have been

matched by a fall in employment levels of Australian residents. Additionally, a significant proportion of workers on temporary 457 visas are employed by Australian labour hire companies. Hall and Bretherton (1999) maintain that while labour hire companies sponsor large numbers of workers on temporary 457 visas, they are not large providers of formalised training for their labour pool, and lack an incentive to invest in training for workers who are not their direct employees.

While this dynamic of employment of skilled migrants on a temporary basis may potentially exacerbate underinvestment in domestic training, it also has reciprocal implications for the countries of origin. Khoo et al (2007) offer a global consideration with regards to skilled emigration. They noted that highly skilled workers are disproportionately more likely to leave developing countries to meet the demand for human resources in knowledge economies. They warn that few developed country governments are concerned about the impact of skilled migration on the countries of origin. Wickramasekara (2003) stated that skilled migration from poor countries can be a major impediment to the country's future economic growth as they encounter a 'knowledge drain'.

## Economic benefits of using skilled migrants

Labour economic theory suggests that migration benefits the overall economy provided that the migrants' skills are complementary to those of the host country (Borjas 1995). However, Dustmann and Preston (2006) argued that, if migrants consume more public services than local residents, this may be perceived as a disadvantage as it may create tax burdens for the host country. Although Australian evidence indicates that even migrants with limited skills integrate into the local economy during their first three years (Mahuteau & Junankar 2007) there could be an effect on the countries social and economic stability due to the rapid economic growth and the transience of a workforce that includes workers on temporary 457 visas (Lawrie, Tonts & Plummer 2011).

In the labour economics literature, there is evidence suggesting that migration can improve the well-being of a host society because migrant workers contribute to the capacity and functional fluidity of the host's labour market. Additionally, migrants can increase the aggregate demand for goods and services which in itself leads to job creation and income for the host country (Nannestad 2007). In addition, there are mixed views about when migrants cease to be defined by their move and become part of the local community (Burnett 1998). Despite the perceived economic benefit of migration, evidence based on USA data suggests that there is only a small net gain from migration. Borjas (1995) reported that the estimation of migration attributable surplus was only 0.1% of the USA's gross domestic product. Furthermore, Nannestad (2007) argued that the economic contribution of the migration surplus in 1998 was about \$30 per person born in the USA. However, small contributions to economic growth may act as growth triggers and once embedded contribute a growing annual impact.

## Intended project outcomes

The intended outcomes of this project are to:

1. Produce an econometrically based cost benefit analysis that can **inform debate and policy decisions** about the relative impact of employing workers on 457 visas in the resources sectors on migrant families, business, and the community.
2. Provide **baseline data** for application across similar labour market issues.
3. Develop findings that **could be generalised to different** Australian states and related industries nationwide and the methodology replicated for diverse industries.
4. Provide the resources sector and the community with the **targeted strategies** with the greatest utility in reducing cultural dissonance and investment in skilled labour.
5. Inform community services with detailed **resource implications** accommodating 457 workers' families to inform public sector decisions.
6. Provide evidence that can support migrant families at work and in the community to increase **social stability** and assimilation.



# RESEARCH METHODOLOGY

This is a mixed methods study as the use of statistical data alone will be insufficient in powering a detailed narrative to inform the study because the study is looking at both economic and social paradigms. Creswell, Plano Clark, Gutman and Hanson (2003:210) support a mixed approach as a distinct research design which uses both qualitative and quantitative investigative methods. Creswell et al (2003:231) after Cherryholmes (1992) state that in using mixed methods 'researchers should be concerned with applications, with what works and with solutions to problems' as in the focus of this study concerned with the 'impact' of workers on 457 visas on business, migrant families and the community. This study builds on both the field research and the accumulated statistics of skilled migration.

The core of the qualitative field work was based upon a grounded theory approach to work with the interview data. Grounded theory aims to generate or discover a theory, or abstract the analytical schema of a phenomenon that relates to a particular situation grounded in the experience and perceptions of the participants (Glaser & Strauss 1968). The researcher, as the primary instrument, works closely with stakeholders in the business world, assuming an inductive stance to enable the results and findings to be grounded in the empirical data (Patton 1990). The data collected was conceptualised and reduced, 'elaborating categories in terms of their properties and dimensions, and relating through a series of prepositional statements' (Strauss & Corbin 1998:12) or coding. This process allowed for the emergence of key sensitising concepts from the data thus alerting the researcher to possible avenues for future investigation (Clarke 1997). Theory grows out of this data, but is also grounded in the data (Moustakas 1994). A grounded theory approach is important to this study as the researcher's worked closely with the skilled migrants and employers to identify the issues that migrants encounter during their time in Australia and the issues employers face when employing workers on 457 visas. Subsequently, the analysis of the study's qualitative data generalised and modelled the key relations between the various stakeholders.

The qualitative data consisted of 54 semi-structured interviews with migrant workers, business representatives and support agency representatives conducted between May and September 2012. Twelve interviews were conducted face-to-face and 42 were conducted by telephone (due to some participants working in remote areas of WA).

For the quantitative analysis, the project examined the impact of using workers on 457 visas on the migrant families, the local community, WA resources companies and the overall Australian economy. This analysis was divided into 3 parts:

1. The research explored the social benefits and implications for workers on 457 visas when they settle in Australia. Furthermore, the project examined how workers on 457 visas would affect the welfare of potential Australian workers who may have similar skills. The data collected

was analysed to determine the welfare gains or losses of the 457 workers who are currently working in the resources sector compared to Australians who have the potential to work or to be trained for resources sector jobs. Simon (1984) examined whether immigrants in the USA are a burden or a contribution to the country's economy. To do that, he compared the values of social security benefits received and the tax paid by the immigrants and the USA citizens. Based on Simon's study, this research measured the net effect of hiring workers on 457 visas on Australians, estimating the welfare gain or loss of hiring workers on 457 visas instead of hiring Australian workers.

2. Second, this project assessed the financial implications of employing workers on 457 visas instead of Australian workers. The procedures for doing this were, first, to calculate the internal rates of return of hiring workers on 457 visas and recruiting local employees, and then comparing the costs of both recruitment strategies. It is assumed that if the resources sector chooses to employ workers on 457 visas, they may need to evaluate which strategy would cost less and provide most benefit.
3. The last part of the quantitative research investigated the impact of workers on 457 visas on the overall Australian economy. Quispe-Agnoli and Zavodny (2002) investigated the effect of immigration on productivity in the USA, using an econometric technique. They argued that each sector's production level is strongly influenced by the number of USA citizens and migrant workers and the available capitals in a nation. Econometrics techniques have been used to determine how the changes in number of workers on 457 visas in Australia affects the nation's output and growth. To achieve this, the study drew on secondary data obtained from government departments such as the Australian Bureau of Statistics and the Department of Immigration and Citizenship.



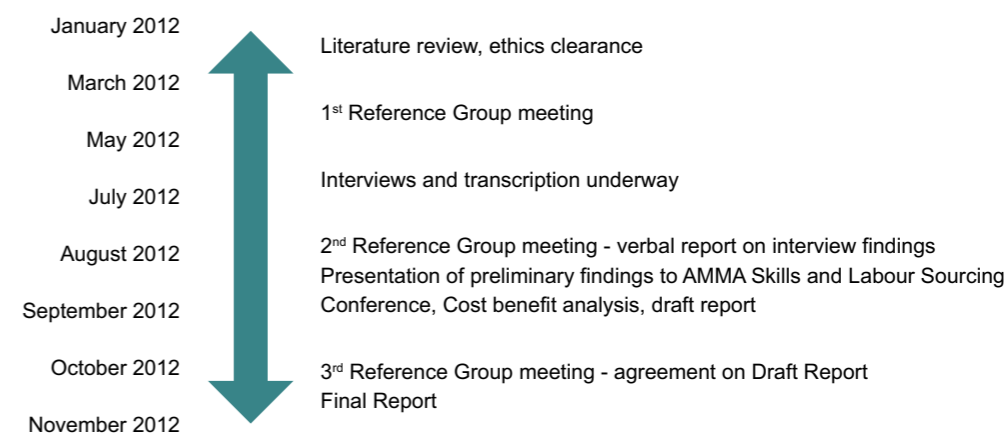
## Research Questions

The research questions that drove the investigation are:

1. What are the **benefits** to business, communities and migrant families employing 457 workers?
2. What are the **costs** to business, communities and migrant families employing 457 workers?
3. What are the **issues** encountered by business, migrant families and communities when employing 457 workers?
4. What support do business, migrant families and communities need when 457 workers are employed?
5. What are the **implications** of the study findings for policy and practice?

## Timeline

The timeline indicates the progress of the research project:



## Sample and sampling frame

The study sample and sources of data are shown in Table 1.

**Table 1: Study Sample (purposive)**

Instrument	Sample (purposive)
Semi-Structured Interviews	30 semi-structured interviews with workers on temporary 457 visas employed in the resources sector in WA predominantly in professional roles.  17 semi-structured interviews with employers from 15 firms employing workers on temporary 457 visas in the resources sector in WA.  7 semi-structured interviews with support agencies: Migration Agents, Relocation Agents and support groups (ex-pat groups).
Cost Benefit Analysis	A Cost Benefit Analysis was conducted to provide the benefits and costs associated with employing workers on 457 visas for WA businesses, migrant families and the community.
Secondary demographic data	Statistics collected by the DIAC between 2007-2012 of the number migrant workers and their families entering Australia on 457 visas, what businesses they were employed in, and the work they did, the numbers that were employed by the WA resources sector and how they spent the money they earned.

Table 2 has a breakdown of the demographics of the workers on 457 visas interviewed for the study.

## ANALYSIS OF SECONDARY DATA

**Table 2: Demographic breakdown of workers sampled**

Occupation	Managers/Directors	20%
	Engineers, Technicians and related professionals	53%
	Clerical and Administrative Workers	23%
	Trades (e.g. Chefs, Boiler Makers)	3%
Length of time in Australia	Less than one year	47%
	1-2 years	30%
	Two years or more	23%
Marital Status	Single/Separated	30%
	Married/de Facto	67%
Number of Children	None	43%
	1	23%
	2	17%
	3	17%
Family in Australia	Yes	53%
	No	47%
Country of origin	UK	30%
	Philippines	20%
	Scotland	13%
	Ireland	7%
	South Africa	7%
	Other	23%
	Age range	20-24 years
25-30 years		20%
31-40 years		33%
41-50 years		30%
50+ years		13%

Table 3 details the number of workers on 457 visas that the resource sector businesses interviewed for the study have employed. Just over 25% of our sample had employed numbers of temporary migrant workers in excess of 50 people.

**Table 3: Number of workers on 457 temporary visas employed by businesses sampled**

Number of 457 Workers	Number of Businesses
>10	4
10-20	3
20-50	4
<50	4

Salary packages vary across industries and locations for workers on temporary 457 visas. In addition, the number of applications granted varies from one state to another. For example, as shown in Table 4, sponsors from the construction industry in Northern Territory offered the highest remuneration (\$144,500 per annum), whereas the healthcare and social assistance industry in New South Wales offered the lowest (\$83,900 per annum).

**Table 4: Number of primary 457 visa applications<sup>2</sup> granted and average total remuneration for those who work in the highest sponsoring industry for each Australia State and Territory, from July 2011 to January 2012**

State	Top sponsor industry	Number of primary applications granted in the top sponsor industry	Average total remuneration for the primary applications who work in the sponsor industry
Australian Capital Territory	Health Care and Social Assistance	210	\$77,700
New South Wales	Information Media and Telecommunications	2610	\$83,900
Northern Territory	Construction	150	\$144,500
Queensland	Construction and Mining	2200*	\$124,200 (For Construction); \$133,400 (For Mining)
South Australia	Health Care and Social Assistance	320	\$84,100
Tasmania	Health Care and Social Assistance	70	\$105,300
Victoria	Other Services	1230	\$89,200
Western Australia	Construction and Mining	4400+	\$110,400 (For Construction); \$138,600 (For Mining)

Note: \*The numbers of primary applications granted in construction and mining industries in Queensland are 1170 and 1030, respectively. +The numbers of primary applications granted in construction and mining industries in Western Australia are 2380 and 2020, respectively. Source: Subclass 457 State/Territory Summary Report 2011-12 to 31 January 2-12, Department of Immigration and Citizenship (<http://www.immi.gov.au/media/statistics/statistical-info/temp-entrants/subclass-457.htm>)

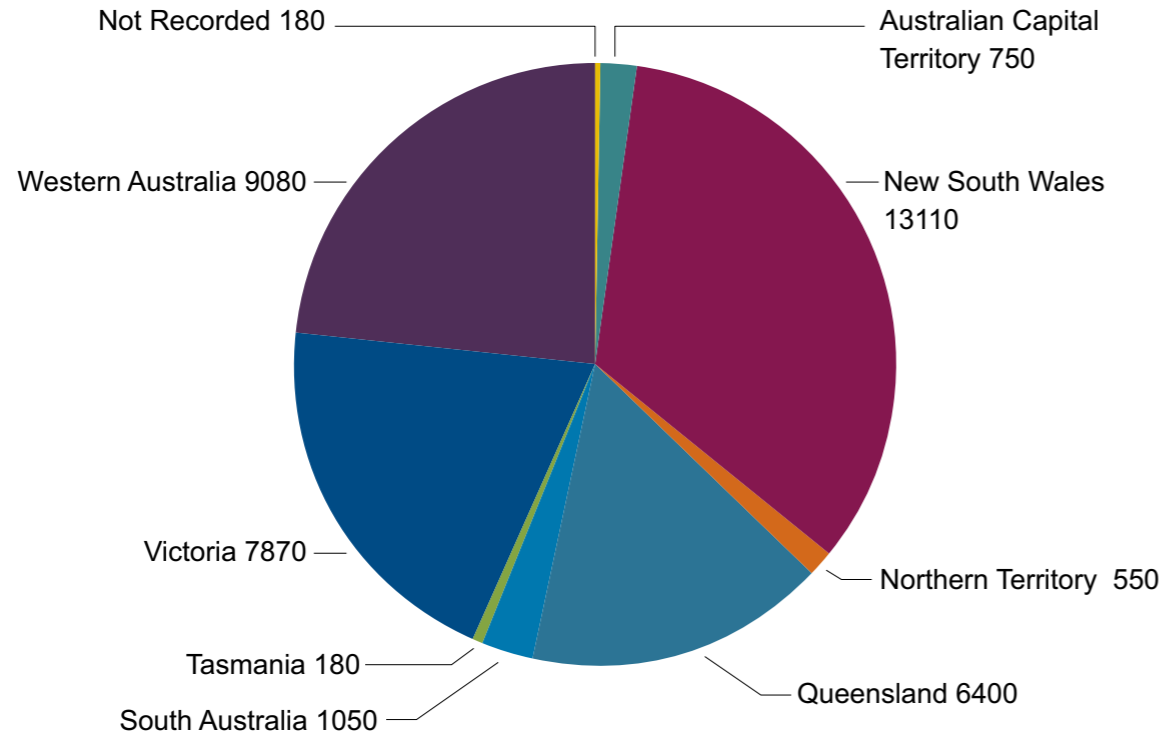
Moreover, Figure 1 shows that 550 applications were granted to work in Northern Territory compared to 13110 approved applications in New South Wales. Based on these figures, there seems to be a disproportionate location of workers on temporary 457 visas in Australia.

<sup>2</sup> According to the Department of Immigration and Citizenship in Australia, primary application is an application lodged by a primary applicant who must satisfy the primary criteria for the grant of a visa under the Migration Regulations.



Figure 1: Total number of primary applications granted in each Australian State and Territory, from July 2011 to January 2012.

Source: Subclass 457 State/Territory Summary Report 2011-12 to 31 January 2-12, Department of Immigration and Citizenship (<http://www.immi.gov.au/media/statistics/statistical-info/temp-entrants/subclass-457.htm>)



In terms of where most temporary (457 visa) migrants to WA originate from, Figure 3 highlights the top ten citizenship countries for this visa program. The United Kingdom, Philippines, and South Africa make up the top three, accounting for a combined 61% of the total intake.

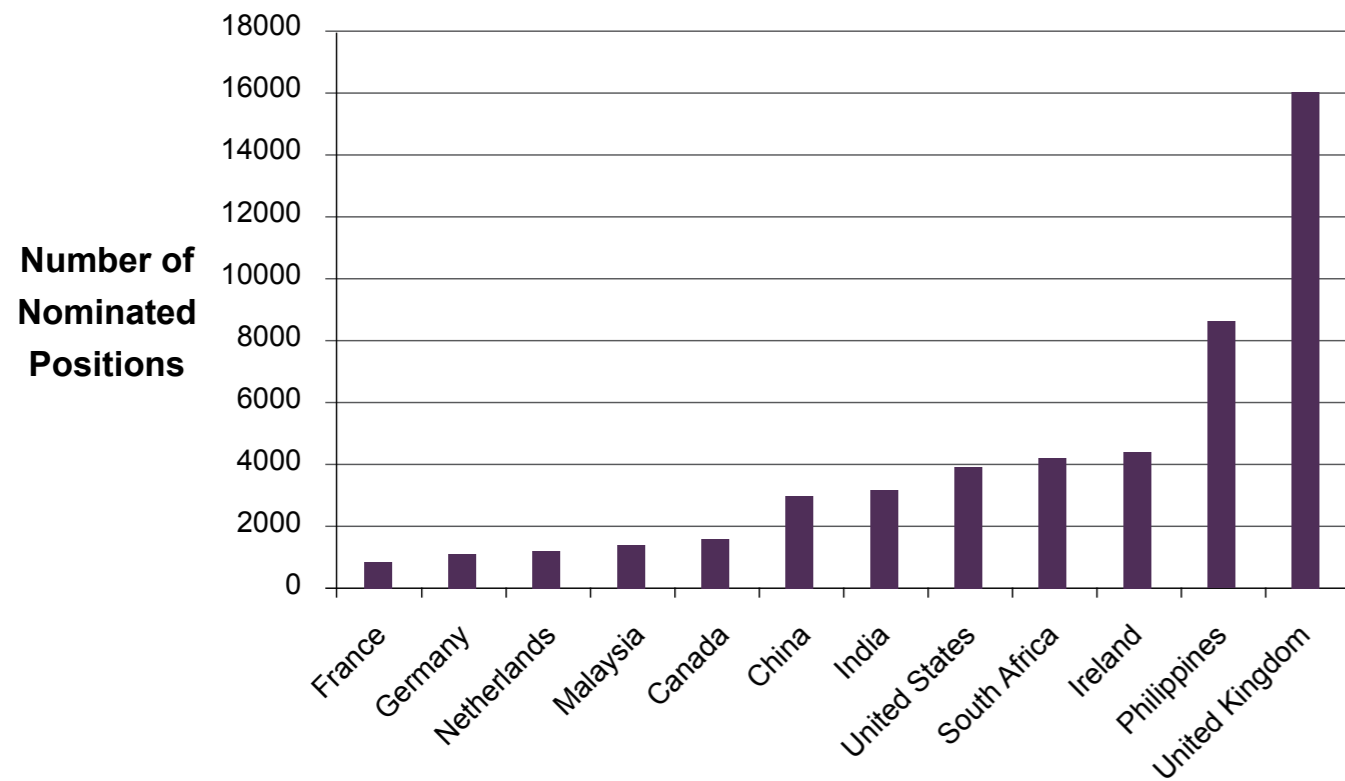


Figure 2: Top Citizenship Countries for Visa Category 457 Entering Western Australia, 2006/07 to 2011/12

## COST BENEFIT ANALYSIS

This section of the report discusses the tax contribution of foreign workers in Australia and the effects of skilled migration on Australia's economic growth. Based on the findings, this study suggests that skilled migrants contribute higher income tax than Australian workers. Furthermore, it is projected that by 2050, an annual intake of 300,000 skilled workers will increase the country's national income per capita by 87%.

In addition, this section of the report presents the cost of living in WA to explore whether WA can be an attractive place to live for skilled migrants and for Australians from other states. The study found that, among the Australia states, WA has the highest income level and the lowest ratio of household expenditure to income. Therefore, WA is a comfortable place to work and live. However, the population statistics reveals that migration of both workers on 457 visas and interstate residents to WA declined between 2007-08 and 2009-10.

### Taxation

In general, workers on 457 visas in Australia are subject to paying higher taxes compared to Australian domestic workers. Table 5 shows the weekly average cash earnings by selected industries in 2010, and the weekly tax withheld for temporary working foreign and domestic residents. The selected industries are closely related to the mining and construction sectors. From the table, the industry that offers the highest earnings was oil and gas extraction (\$2,799 per week), while employees in the road transport industry were paid the least (\$1,297 per week). In terms of the tax withheld, temporary

workers contributed more taxes than domestic employees. For instance, in the professional, scientific and technical services industry, foreign workers paid 27% more tax than Australian workers. Similarly, those skilled foreign workers who were employed in the construction industry contributed nearly 24% more tax than those Australian employees working in the same sector. However, despite workers in oil and gas extraction paying the highest amount of tax, the tax difference between temporary foreign and Australian workers was not significant (around 8.5%).

Table 5: Average weekly cash earnings for full-time non-managerial adult employees in Western Australia, by selected industries in 2010

Industry category	Weekly average cash earnings (\$)	Weekly tax withheld - For temporary working foreign residents+(\$)	Weekly tax withheld - For Australian workers* (\$)	Tax difference between temporary working foreign residents and Australian workers (%)
Coal mining	2,167.10	687.0	605.55	13.45
Oil and gas extraction	2,799.00	920.8	848.83	8.48
Metal ore mining	2,146.10	679.2	597.46	13.69
Non-metallic mineral mining and quarrying	1,846.40	568.4	482.08	17.90
Exploration and other mining support and services	1,997.70	624.3	540.33	15.55
Building construction	1,582.30	470.6	380.40	23.72
Heavy and civil engineering construction	2,208.50	702.3	621.49	13.01
Construction services	1,696.50	512.9	424.37	20.86
Road transport	1,297.00	382.0	287.03	33.08
Rail transport	1,647.70	494.8	405.58	22.01
Air and space transport	1,925.80	597.7	512.65	16.60

**Table 5: Average weekly cash earnings for full-time non-managerial adult employees in Western Australia, by selected industries in 2010**

Industry category	Weekly average cash earnings (\$)	Weekly tax withheld - For temporary working foreign residents+(\$)	Weekly tax withheld - For Australian workers* (\$)	Tax difference between temporary working foreign residents and Australian workers (%)
Transport support services	1,341.30	395.3	300.99	31.33
Professional, scientific and technical services (except computer system design and related services)	1,455.30	429.5	336.90	27.48
Computer system design and related services	1,805.50	553.2	466.33	18.63

Note: The weekly average cash earnings are extracted from the ABS websites of Employee Earnings and Hours, Australia, May 2010 (Catalogue number: 6306DO006-201005). The calculation of weekly tax payments follows the ATO's Schedule 1 Pay as you go (PAYG) withholding: Statement of formulas for calculating amounts to be withheld (For payments made on or after 1st July 2010). + For weekly earnings (x) less than \$1538, the formula for tax withheld (y) is  $y = 0.3x - 7.1154$ ; while for weekly earnings is less than \$3461, the formula used for the tax withheld is  $y = 0.37x - 114.8077$ . \*The weekly tax payments are based on the tax rate where payee is eligible to receive leave loading and has claimed tax-free threshold. For weekly earnings less than \$1532, the equation for the tax withheld is  $y = 0.315x - 121.5240$ ; while the tax withheld formula will be  $y = 0.385x - 228.7856$  if the weekly earning less than \$3455.

## Cost of living

This section explores the average income and cost of living in each Australian state to compare household income and expenditure. This study has highlighted that household income and cost of living have important influences on Australians' decisions to relocate to WA. Figure 3 shows that WA is the highest earning state and the most expensive place to live in Australia. In 2009-10, the mean gross household income

per week in WA was \$1,842, compared to \$1,474 per week in NSW. Furthermore, the weekly average household earning in WA was 1.3 times the overall Australian's weekly income. This shows that the resources sector in WA provides lucrative salaries to its workers. Although WA has the highest household income of all states in Australia, the state's household expenditure was the highest as well (\$1,285 per week in WA compared to around \$1,000 per week in SA).

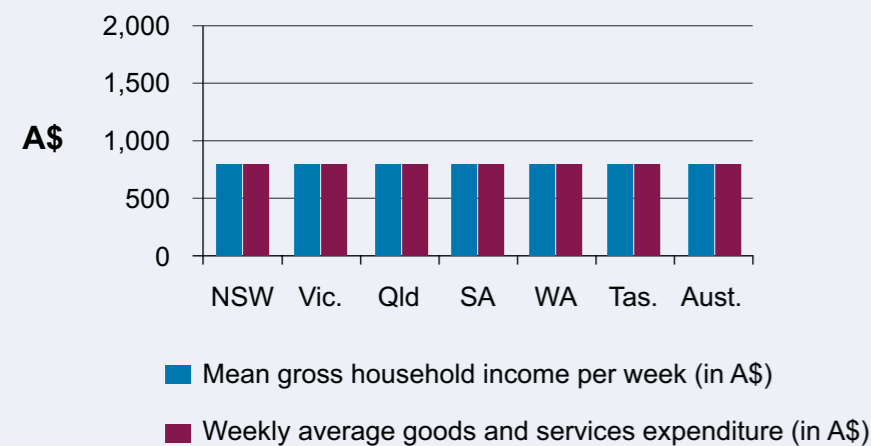


Figure 3: Weekly average gross household income and household goods and services expenditure in 2009-10.

Source: Household Expenditure Survey, Australia: Summary of Results, 2009-10, Table 27 (ABS 2011)

However, Table 6 shows that the state has the lowest ratio of expenditure to income. Only 69% of the income earned in WA was spent on the household goods and services, while the average Victoria resident consumed 97% of their income on goods and services in that state. This means that WA's cost of living is relatively low given the high level of income earned. Furthermore, the figure shows that living costs in WA can be easily compensated by the high household income of resource workers, and hence, could attract more Australians from other states relocating to WA. However, the reality is rather different as evidenced by the failure of the Federal Government Relocation Incentives to attract unemployed Australians to relocate to WA to gain work (Tillett & Wright 2012).

**Table 6: Ratio of expenditure to income in 2009-10 in Australia**

Australian State	Ratio of expenditure to income (%)
NSW	85.82
VIC	97.45
QLD	86.84
SA	93.97
WA	69.76
TAS	90.09
Australian average	87.60

Note: The ratio explores how much proportion of income was spent on household expenditure per week. The higher (lower) the ratio indicates more (less) income was used to spend on household expenses. The data are calculated based on the weekly average gross household income and total goods and services expenditure in 2009-10, which are extracted from the Household Expenditure Survey, Australia: Summary of Results, 2009-10, Table 27 (ABS 2011a).

Table 7 presents the net gain or loss of 457 visa migration and interstate migration for each Australian state between 2007-08 and 2009-10. On average, 457 business migration to WA decreased by 22.1% annually and the interstate migration to WA fell by 11.6% per annum.

**Table 7: Annual average growth rates of net migration by 457 visa workers and net interstate migration, 2007-08 to 2009-10**

Australian State	Net migration by 457 visa workers (%)	Net interstate migration (%)
NSW	-25.47	-15.80
VIC	51.23	-14.29
QLD	-27.64	-18.09
SA	-3.23	-13.77
WA	-22.10	-11.60
TAS	-31.29	-6.68
NT	40.86	-1.77

Note: Net migration by 457 visa workers is the net gain or loss of population through temporary business immigration to Australia and emigration from Australia. Net interstate migration is the net gain or loss of population through the movement of people from one state or territory of residence to another. Source: Migration Australia, various issues, catalogue number 3412.0, ABS.

## Skilled migration effects on economic growth

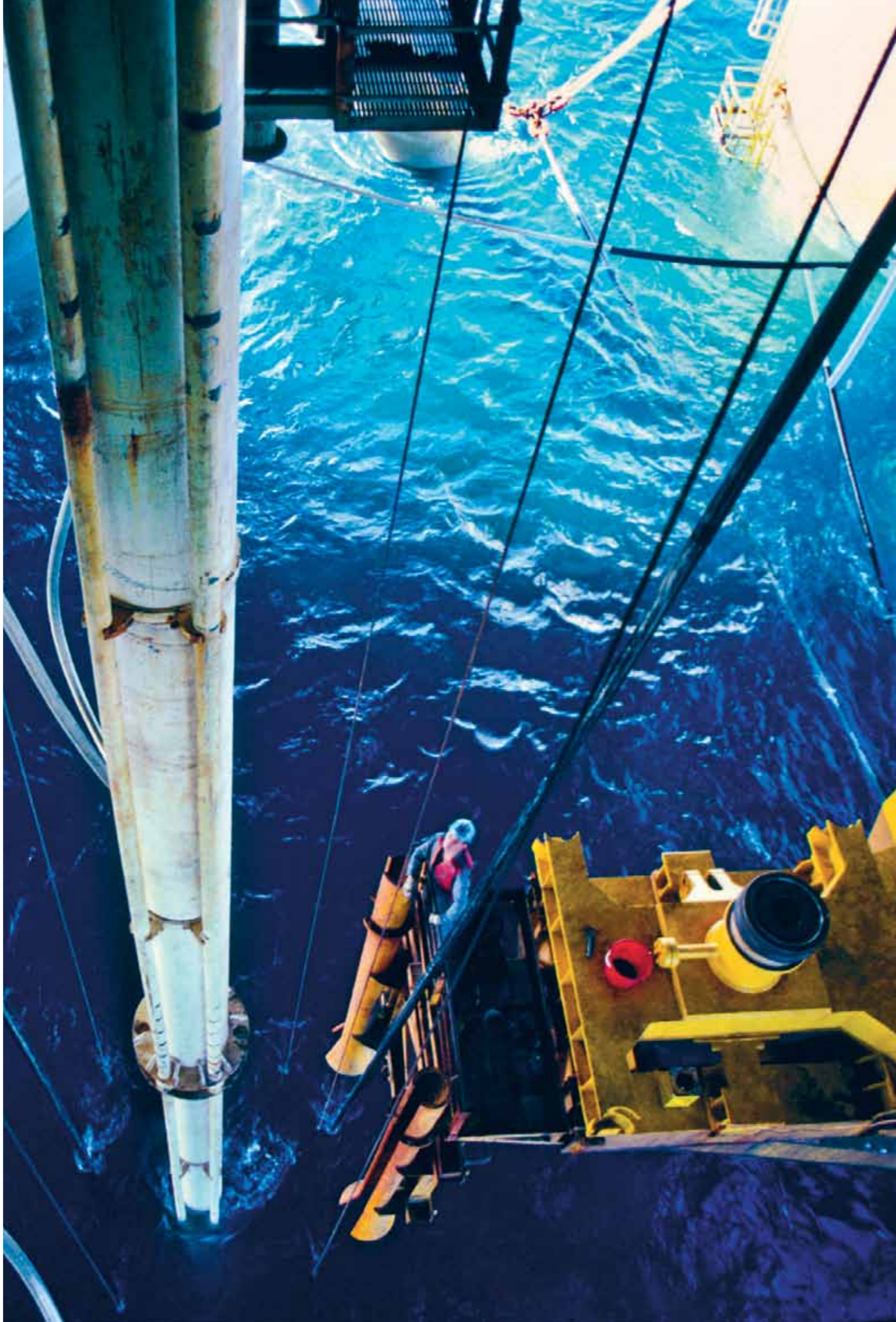
Since the introduction of skilled migration programmes, recent studies suggest that the outlook for Australia's economy is positive. McDonald and Temple (2010) predicted that by the year 2050, a rise in the number of migrants in Australia would have a positive effect on the Australian economy. Table 8 shows that Australia's GDP growth is predicted to surge by 263% if the number of skilled migrants increases by 300,000 by 2050. This is almost 2.4 times the GDP growth rate compared to that of no additional migrants in each year. With these estimated increases in skilled migration by 2050 the GDP per capita would grow from 73% to 87% (14% increase).

**Table 8: Projection of migration effects on Australia's economic growth in 2050**

Number of additional migrant intakes per annum in 2050	Annual gross domestic product (GDP) growth rate (%)	Annual GDP per capita growth rate (%)
0	108	72.6
100,000	160	79
180,000	202	83
300,000	263	87

Note: The figures above are extracted from McDonald & Temple's (2010) study. The forecast is based on the 2009 statistical data. The authors did not take account of the measure of Australians' wellbeing. The majority of migrants in Australia are skilled workers and they have a higher job participation rate than Australian-born workers. According to the ABS (2011a), 74.1% of skilled migrants participated in the workforce in 2010, in which the rate was higher than the Australian-born labour participation rate (69%). Among the skilled migrants, 27.4% worked in the professional occupations, 13% in managerial roles and 14% as technicians and in the trades. Nearly 52% of these skilled migrants worked full-time in 2010 which was higher than the Australian-born workers (46.2%).

Furthermore, the ABS (2011b) reported that 19.7% of Australian born workers were in part-time roles compared to 16.2%. The unemployment rate of Australian born persons in 2010 was only 3.2%, which is lower than the unemployment rate of the migrants (6.3%). The use of skilled migration programmes reduces the overall unemployment rate of Australian workers, thereby adding to the economy.



## INTERVIEW DATA

The purpose of the semi-structured interviews with workers on 457 visas, business representatives who employ these workers and support agencies who assist these workers was to determine the benefits and issues of working in Australia. This section of the report presents a thematic analysis of the interview data with supporting verbatim quotes from those interviewed. The quotes are identified as three types: worker, business and agency to indicate the source of the comments. Only those themes that emerged strongly in the data were included in the analysis.

### Difficulties of accessing skilled labour

The issue of accessing skilled labour for resource projects emerged as a strong theme from the interview data. The business representatives interviewed indicated that workers with the specialised skills they required, e.g. engineers and project managers were in very short supply in Australia. However, it was evident from the interviews with the resource sector business representatives that they attempted to source labour in Australia before seeking workers on 457 visas.

*We got quite a few applicants from the Tasmanian people but it was the attitude of the Australian workers. People from over east are not coming over for less than \$60 an hour. So, they have an attitude about them where they're not willing to work for less than what they think they should work for (Business)*

*There's a shortage for us here with the contract specialists within the sector like process engineers, geophysicists, geologists etc. We don't really have a choice because we can't find anybody in Australia. So, it's not as if we're choosing them above Australians (Business)*

For some businesses who construct machinery in countries other than Australia for use on resources projects, the training and skills required to operate and maintain them resides with their current workforce situated within their home countries. These workers are employed on a 457 visa in order to work in Australia. There was evidence in the study to indicate that while conducting business in Australia (although for these companies their workforce is predominantly from within their current labour ranks), they also employ additional Australian workers to provide training and for them to join their labour pools. These workers are also often expected to move to other countries for work as the Australian construction phase decreases and new contracts begin.

*We're obviously looking to source those specialised skills in the equipment that we purchase or that we're constructing, which isn't necessarily available here in Australia or we have experience within the business that we want to tap into to utilise (Business)*

The issue of limited skilled labour in Australia was exacerbated in that even when firms sourced a worker with the skills they needed on the East Coast the potential workers were reluctant

to make the move to WA. Added to this were unrealistic expectations of some workers from the East Coast to earn well above their award rates, making them an uncompetitive option. There are a number of reasons why workers from the Eastern States are reluctant to move to work in WA including: moving away from family and friends, fly-in/fly-out working arrangements, a lack of accommodation with reasonable rental rates, working in regional WA and the high cost of living in WA. Salt (2012) noted that Australians recognise the value of our resources to the economy; but are reluctant to live and work in the regions. Others state that the high cost of living in Perth is a key reason for not moving interstate (Hugo & Harris 2011), however as our cost of living analysis in section 5.2 of this report indicated, the high cost of living is compensated by elevated wages in the resource sector.

*[The company] isn't in the business of just bringing 457 visa holders. It's because there is a specific skills shortage. We would have done everything we can to try and recruit Australians but we only go out when we can't find roles. We've had roles that have been opened for months on end because we've not found the people in Australia or even overseas. We can't even get people to leave Tasmania to go to Melbourne! (Business)*

*The people that I find most difficult at the moment to sort of settle into Perth are people coming from interstate! That probably surprises you but because our living in Perth is so high, people have a very high expectation of Perth, especially people from Queensland (Support)*

*I think it's more the challenges of relocating. If you start to research moving from the east to the west and find out that you're going to be paying \$400 per week on rent and you can't find a rental property anyway. All of those things I think are the challenges of getting people to move, not that they won't (Business)*

The reluctance of Australian skilled workers to move to WA is cause for concern particularly when there are significant numbers of workers in countries such as Ireland and the UK keen to take up the work that is on offer. There is a danger that Australian workers will miss out on these work opportunities.

*If you take for instance the job expo in Dublin, I would have thought of a turnout of maybe 5000 but the turnout was maybe 20 to 25 thousand people turning up to these expos just trying to get work. It's a situation of desperation and I'm lucky because it's quite serious, people back home trying to pay their bills. Ireland is a great country don't get me wrong, but unfortunately it doesn't pay the bills (Worker)*

The data showed that not only were specific skills sought for resources projects but experience in the industry was just as important. There appears to be a gap in the training offered in Australia that it doesn't provide enough hands-on experience for students who are required to graduate 'work ready' (Watson et al 2003). Business appears to be somewhat reluctant to employ workers without industry experience which may be in part due to the high risks involved for large construction projects involving multi-million dollar machinery. In addition graduates are completing their training to find they remain unemployed and there is evidence that trade enrolments and completions are in decline (NCVER 2012).

*The challenge for us in WA or the challenge for WA is that kids aren't going to do apprenticeships to be paid \$30,000 a year when they can go and drive a dump truck for \$120,000 a year with no skills, no training, go and do a couple of days course and you've got a higher paid job than what you're going to get when you finish your apprenticeship (Business)*

*The Australian Apprentice System needs a boost and a kick up the backside, not in terms of the quality but numbers and the attitudes. We've got an apprentice at all of our sites and we put a lot of time and effort into developing our apprentices and I know other companies do as well. But generally there seems to be a bit of a malaise (Business)*

*If enough apprentices were coming through, that would have a big effect on the need to recruit from abroad because I don't think the apprentices are being looked after. There will be another skills gap and there won't be enough Australian tradesmen coming through in the next 5 to 6 years because there aren't enough kids doing apprenticeships (Business)*

Business indicated they enjoyed the flexibility of workers on 457 visas in that their contracts can be on a short term basis. This allowed them to complete construction projects at an increased rate over a shorter period of time and therefore made them highly competitive in the sector.

*People don't understand that the beauty of those migration agreements is they might just need 3 or 4 months of scaffolders and we don't have jobs for scaffolders (or at least permanently!). This way all these people that live overseas and they can leave their families back home for 4 months, come over here, make some really good money because they have to pay them at Australian rates, and then go home again (Support)*

However, when sourcing skilled migrant labour they indicated two key issues: an uneven skills testing requirement between countries and a steep increase in wages for skilled workers in Australia.

*The skills test is really difficult because they only apply it to some countries for some occupations. So, if you're bringing an Irish refrigeration mechanic then knock yourself out, just bring him in, whereas if you're trying to bring a refrigeration mechanic from the Philippines then the skills test in the English language will be required (Business)*

*The market rate is now 20% higher than it was last year for the same mechanic, that doesn't make any sense. So, there's some real issues with the way that we're regulating it at the moment and in order for us to have a competitive and free-flowing labour market, whether if it's for domestic workers or foreign workers, I think they better start talking about level playing fields and ensuring that we've got some sort of labour market efficiency happening as well (Business)*

The ability for business to source skilled labour remains difficult due to a lack of specific skills in Australia, reducing numbers of workers taking up apprenticeships and traineeships and graduates completing training with limited 'work ready' skills at the university level. Buchanan (2009) noted that there is limited occupation knowledge and skills in Vocational Education &

Training (VET) and higher education graduates that need more coherent structures of competence linked to industry. He argues that there should be incentive structures developed for industry to encourage training.

## Countries of origin

The data indicated that workers on 457 visas are currently being sourced by business in the resources sector from the UK, Ireland, PNG, US, Philippines, South Africa, Spain, Israel, China, Singapore, South Africa, South America, Malaysia, India, Dubai and Indonesia.

## Global workforce

International companies that are working on resource projects in Australia often use their internal workforce to complete project phases such as construction. It is very often the case that these workers have had specialised training to construct, operate and maintain intricate machinery. These workers enter Australia on the temporary 457 visa with the view that very few of these workers will settle permanently in Australia. In addition, there was evidence in the study that these companies will train some Australian workers who will join their global workforce and move between projects anywhere in the world.

*Because globally we're a company of 12,000 people, we very rarely actually go out and recruit 457 visa holders externally. I would say that probably 98% of the people that we have on 457 visas were actually already working somewhere else in our organisation particularly relevant, and then we just transfer them to the Australian office. We are not really using 457 to recruit external foreign labour (Business)*

*Some of the senior people coming from the US that's just the nature of what they've done all their lives. They will always have their home, condominium in the US and they will always go back. They will work around the world, get the big dollars and then go back and they'll invest that but they're career people (Business)*

*This is how we work all over the world. We are project contractors so we come into a country and have a few months to do the job. We don't have much time, we are very much prepared to do the job and solve the problem. Sometimes it is a bit blunt for other cultures because we are just moving on and nothing is going to stop us. But that's the way we have to make money (Worker)*

Many of these transient workers enrol their children in the International Schools around the world because these schools are based on the USA curriculum and are consistent in their education across all countries.

## Recognition of training qualifications of migrant workers

Several business representatives sampled for the study indicated issues with recognising the training qualifications of migrant workers and aligning these to the Australian Quality Training Framework and requested a more streamlined process to facilitate quicker and easier access to skilled migrant workers.

*The TRA [Trade Recognition Australia] it's just such a pain in the backside. Surely, the whole process could be aligned? If they get their visa then obviously they've met the skills requirement. I'd rather a slightly longer visa process, which encompasses that skill checking rather than a separate TRA. We will bring blokes over and we had guys fail a TRA (Business)*

*We did have someone from Ireland and he was a lighting and something technician, but we couldn't find anything equivalent over here and it was just crazy! There's got to be something because some of his skills were relevant in this area, but we just couldn't make it work (Business)*

## Advantages of hiring workers on 457 visas

A key research question for this study was to determine the benefits of employing workers on 457 visas for business, as a migrant worker and for the Australian community.

### Advantages to business

The construction phase of the resource projects currently underway in WA relies on a steady supply of skilled labour to complete the projects on time and budget. The data showed that the business representatives interviewed stated that they found a shortage of skilled workers in Australia and have therefore sourced workers on 457 visas to top up their labour force. They were supportive of these workers' work ethic describing them as loyal, hardworking and committed to the work they do.

*They've got a great work ethic and they're pro-active (Business)*

*We tend to get great loyalty, particularly from our Filipino chefs. They commit to what they signed up for and they sign up for 4 years (Business)*

*The thing is with an Australian worker they tend to just get up and leave whenever, whereas these guys are very loyal (Business)*

Furthermore, business representatives recognised as an advantage the extended knowledge and diversity that migrant workers on 457 visas offer to enable them to be leaders in their industry sector.

*The advantage for us is that we are able to tap into knowledge of skills within our company (Business)*

*I would say diversity in the workplace. It's an advantage and an important part of the business as well. There are people from all around in this business and I think you're seen for what you do, not where you come from (Business)*

*You're never going to have all "Australians" in a role and I think seeing those teams working together and all having different strengths is definitely a positive for the business (Business)*

The business participants interviewed also noted that problems in the UK and a lack of work opportunities have those workers from England and Ireland keen to work hard in Australia. They noted that compared to Australians, workers on

457 visas were less likely to seek increased remuneration and move between employers. For those businesses that outlay funding for training the ability to retain staff ensures better competitiveness.

*I also think there's a little bit of complacency in the Australian workforce, whereas in England and Ireland everyone is scrambling around for the same job and proving themselves all the time. And they're bringing that work ethic with them. We're getting jobs done very very safely and very very well, and a lot quicker than what would normally be the case. So, we're getting a lot of feedback from clients reiterating that (Business)*

*A lot of fitters nowadays they're just jumping ship just for an extra 50 cents an hour or a dollar an hour. I mean we'll train them up then they'll stay just for a month or two, and then go, "no I'm leaving because a mate across the road has offered me an extra dollar an hour". So, it's the loyalty (Business)*

Overall, the business representatives interviewed for the study reported a positive experience of employing workers on 457 visas and valued this much needed source of labour.

### Advantages for the Australian economy

The large number of resources projects underway in WA requires a continual supply of skilled labour. Without such labour the construction phase of these projects is at risk of extending and thereby creating costs over-runs. Many resources projects are supported from overseas investment and such cost blow-outs create nervousness with a further risk of reluctance to reinvest in future projects. The advantage to the Australian economy of using workers on 457 visas with the necessary skills at this time is the security of completing project phases within budget as they are completed on time.

*I think there's a lot of work to be done on the regulation side but we really need to have a free debate about the value that guest workers provide to the economy (Business)*

The data revealed that an additional benefit to Australia is the exposure and subsequent knowledge transfer of skills that accompany the design, construction, operation and maintenance of specialised machinery. This places the resources sector in Australia at the forefront of innovation and technology.

*We have machinery that has just never been seen in Australia and it takes some of the highest skills of people that we have who were there in the making of the machine. They will train Australians to use it but we're talking machinery worth millions of dollars. It's so technical that they really do have to have these people come out to work on them (Business)*

When workers on 457 visas work in Australia they also transfer their knowledge, skills and cultural differences as well as contribute directly to the economy through spending money on living expenses and by paying taxes. Workers in the resources sector pay a higher rate of tax than the average Australian due to their high salaries. Migrant workers are subject to this high rate of taxation without the offsets afforded

to internal Australian taxpayers at a rate of about 8.5% more, as presented in section 5.1 of this report.

*Immigration studies that say there's probably [only] a small positive economic benefit and I just find that that's insane. It seems to be based on the premise that these people come here and they need a lot of government support and help. They don't need it, they're working, they're brought to a job, they've brought skills, they're adding value right away and in fact they need a house, they're spending money already, they're contributing to taxes already (Business)*

Finally, the growth of the Australian labour pool due to increased numbers of migrant workers contributes to the overall pool of talent that business can source from, thereby supporting sustained economic growth.

*We're actually growing the labour market in Australia as well with those skilled resources that we need... we are contributing towards building the talent pool (Business)*

The expanding Australian economy and specifically the current demand on the resources industry have highlighted the issue of the supply and demand for skills, now and in the future. Human capital has increasingly been viewed as a critical component of business success with direct effects on national economies (Handy 2005). There is recognition that the labour market, and especially the highly-skilled labour market, is increasingly global and that migrant skills will continue to form an important pathway in future national skilling processes, and play the role of 'shock absorber' during labour market readjustment periods (AWPA 2012:59).

### Advantages to workers on 457 visas

Workers on 457 visas interviewed for the study indicated several benefits of working even for a short time in Western Australia including: choice, improved career prospects, equality in that they are valued for their skills, financial reward, a safe environment, the weather and a slower pace to life.

*Most of all equality. I've heard this commonly by the Filipino guys that I've dealt with; they don't have the self esteem because they think that everyone else is above them and they're just out here in a lower level, so they've never had that confidence. Now I tell them in Australia whether you're wealthy or poor, educated or not, we can eat the same food it doesn't really matter; we are all equal. And actually, they have more choice in Australia (Support)*

*I think my career prospects are a lot better. There's a lot more room to grow and I can earn a lot more here than I can back in South Africa. The basic services that the government provides here is a lot better as well - public transport, the medical system (Worker)*

*The differences are socially and people's approach to cultures, so I found the UK to be almost aggressive. I lived in America as well and I found America to be naive whereas it's not the case with Australia. Australia is very relaxed, there is a lot of space, people are happier and it's just the little things that make this place a better place to be (Worker)*

Workers from the Philippines found the higher financial rewards available beneficial to improving the lives of their children back home.

*For my kids it's a very big advantage because I send my money to the Philippines and the money is big value in the Philippines, the salary is much better than compared to the Philippines (Worker)*

Others observed the exposure to new projects, ways of working and operations that allow them to achieve and extend their skills and knowledge.

*The advantage for them is, if for example they're working here on an international assignment, say they're working for a company in Australian operations that actually gives them a scope for international exposure to the Australian workplace; it gives them exposure to the company's Australian operations projects, especially if they're coming from the northern hemisphere (Support)*

*The advantages are that you can learn more and you can learn the technology. It's like an exchange of ideas. For me the learning is the thing that matters the most (Worker)*

Many of the workers interviewed for the study were actively encouraging their extended family and friends to seek work in Australia.

### Costs of hiring workers on 457 visas

The second key research question for this study was to determine the costs of hiring workers on 457 visas from the perspective of resources sector business, the migrant worker and in terms of the Australian community.

### Business relocation costs

The data showed that much of the costs associated with employing workers on 457 visas are incurred by the business sector. The up-front relocation costs to employ a migrant worker range between \$7,000 and \$65,000. Those at the lower end of the cost scale are generally single and reside with family or friends; those at the higher end generally bring their spouse and children with them. Business costs can include: visa processing costs, flights, car hire, 1 month's temporary accommodation, pre-site medical checks, higher rates of pay and containers to ship personal household goods. For some workers, health insurance costs are covered (as the applicant must provide their own insurance as they are not covered under the Australian Medicare system). For others remuneration for workers can include private school fees for the workers' children and education for their spouse. However, depending on the level of skills for each worker, remuneration and additional benefits vary. Those with lower skills have less financial assistance than those with higher, keenly-sought skills and experience.

*It's \$46 an hour for a boilermaker or fitter so they're going to be earning a six-figure salary in their first year. Whereas, over East they might be getting \$28 to \$32 an hour (Business)*

To counter the high costs of relocating skilled migrant workers to Australia business may have developed policy clauses

within their workers' contracts to encourage retention. This is particularly important for smaller firms as their resources are limited and their competitiveness to attract skilled labour may not be equal to that of larger resource sector firms. The ABS (2012) reported that 40% of workers on 457 visas in the resources sector are employed by small firms.

*We have a clause in there that if they leave within the first 12 months they pay back 100%, the second 12 months 50%, after that it's fine (Business)*

*We do have in our contract a payback policy that they need to reimburse us for certain costs, like costs of flights, within a certain amount of time. So, if they leave within 12 months, like they find alternative employment or whatever reason then they need to repay, so it's pro-rata (Business)*

*You just don't leave it to be an anonymous administration task, these are real people who've got their own stories and backgrounds, and it needs to be managed professionally. Otherwise, you think of some of these outlays of \$40,000-50,000, if you don't make that transition as smooth as possible that's money coming off your bottom line, and you can't afford to lose these people (Business)*

Business recognises to successfully integrate workers on 457 visas into their workforce and into the Australian community requires dedicated management and a large amount of time.

*If you're dealing with half a dozen 457s that can be a full-time job at certain times. You deal with 24 x 457s you need a full-time welfare officer to handle that literally because you've got to live it every day (Business)*

*We do have somebody in our business who looks after 457 legislation for that but for a small business that would be very difficult to keep on top of. It's not as easy as it seems; it's easy to go through the process but for a small business that may cause you some problems and you could end up finding yourself breaching legislation without even knowing about it (Business)*

Finally, a new cost that has the potential to add to the burden on business to employ workers on 457 visas is the removal of the Living Away from Home Allowance (LAFHA) on 1st October 2012. The allowance was attractive to workers on fly-in/fly-out contracts who were also maintaining a home in the city as this increased their remuneration package. The removal of this allowance may make working in Australia less attractive and some businesses are responding by topping up salaries to compensate and retain staff.

*The LAFHA reform that's been discussed in the budget that's going to be interesting to see the impact on whether people choose to come and work in Australia or not (Business)*

*It means that we can't pay them the tax free allowance, which means that it's going to cost the employer more. Most employers are just opting to fill in the gap because they want to keep the workers (Business)*

Business compensates workers on 457 visas to relocate to Australia at varying degrees depending on the workers skills and experience. However, all workers receive at least some financial support.

## Knowledge of visa process

The business representatives interviewed for the study indicated that it is essential to be abreast of the current legislative requirements and changes when sourcing migrant labour on 457 visas. They reported that processing times for applications varied between 5 days and 6 weeks; however in 2012 DIAC committed to a two week approval time (DIAC 2012).

*You really need someone within your business to be on the ball in terms of legislation changes so that when we are aware that that is no longer on the list, we then have a look and see what else we can match that employee to. These are the pitfalls I think, keeping up with legislative changes (Business)*

*It's been a bit of a battle with government to do with 457 visas. We've done one ourselves. We had a guy working and his visa was going to run out. We did him ourselves, we found a recruitment agency and the paperwork they asked for we submit[ted] and they said, no you need these forms and these forms. It was just a big circle; they don't seem to tell you at the start. It took us nearly 9 months to get a guy approved (Business)*

*When the Department of Immigration decides to change things that causes concern. To give an example of that, and this happened to us. We sponsored a manager on a particular definition under the skilled list; I think it was something like restaurant manager. By the time this gentleman went to apply for his permanent residency that classification no longer existed (Business)*

## Migration and relocation agents role

Many of the businesses we sampled for this study outsource the application process to Migration Agents because they lack the personnel to manage the task within the firm. Sometimes the migration agency will be located in the home country and is often linked with VETAssess personnel to ensure that the workers' skills meet Australian training requirements.

*It's a lot of work and without having a dedicated person based in the Philippines it's quite difficult to manage from here. So we did decide to outsource that (Business)*

In addition, an emerging level of support has occurred with the use of relocation agencies at a direct cost to business that assist newly arrived workers to settle in Australia. The data showed that workers who were assisted by relocation agents were better assimilated in that there were fewer issues in the first month of arrival and the worker was able to begin work very quickly. The workers on 457 visas were generally appreciative of this additional support.

*I pick them up from the airport, help with the housing, I would settle them, do orientation for the local area and then I would introduce them to the local Filipino community. I'd become a mum to them 24 hours a day and I basically acted as next of kin for them. So, that's basically what I do for a lot of companies here (Support)*

*We were helped to find a place by getting shown by some company who took us around and showed us some rental areas. We were wanting to go and look at the city because*

*we didn't know anything about that so really it was what you learned the night before you came out that you had to rely on (Worker)*

*The majority of companies now recognise the value of it because there's a hidden cost. If you don't give relocation assistance what often happens is that the relocatee will often spend so much time chasing around trying to do the things they need to do to get settled that they will actually cost the company money in lost time (Support)*

Relocation agents appear to provide the very valuable connection to community for newly arrived migrants in that they facilitate introductions for people to establish new friendships.

*We might put them in touch with community groups depending on what their hobbies are. We also provide to each assignee a community profile and that is a document of about 40 pages long that lists local doctors, local shopping and local bookstores (Support)*

*What we offer is connection with other people and the building of grass roots community connection. So, we actually get quite a few people that will make contact with us before they move to Australia to ask us questions about what's a good place to live, what's the standard of living like, how much will it cost us, what's a good place to send our children to school. We can also let them know that as soon as they arrive in Australia, particularly if they're coming to WA or anywhere in the country that we can put them in contact with other FIFO families for them (Support)*

*Our relocation agent is quite good; she'll unofficially get people together and introduce the partners of different people. I know there is quite a strong expat wives community, but I heard that it's quite clicky (Business)*

However, for some businesses outsourcing to relocation agencies there was a tendency to leave the assimilation of their workers solely to them. Workers indicated that they required support from their firm as well as intensive help in the first few weeks of arrival in Australia.

## Workers moving between Australian firms

There is no requirement for workers on 457 visas to remain with their original sponsoring employer, except that they cannot be out of work for more than 30 days before they are required to return home. One cost that cannot be recovered for business is movement of their workers on 457 visas to other firms. Although the participants indicated that this was a rare occurrence, some noted the risk to company profits of staff defections, which is especially difficult for smaller firms with limited resources. In addition, not all workers on 457 visas were aware that they had the right under their visa to move between sponsoring employers.

*We had a 457 [visa holder] come in, didn't like the job, left and went to work for the opposition, and the opposition transferred the 457. The opposing company is laughing because they've only had to fork out a couple of hundred bucks to transfer the visa and not go through that whole process, the guy's already come into Australia and we've done all the hard work (Business)*

*With 457 visa holders, in the last 18 months we've had two 457 visa holders who have gone to another company and got that employer to take over their sponsorship (Business)*

Firms understood that by facilitating a move for workers on 457 visas to become permanent residents (for those that wished to remain in Australia) that they had a better chance of keeping valuable staff.

*There's this myth about, oh we've got to keep them hungry and keep them on that 457 and not give them PR [Permanent Residency] because otherwise they'll go somewhere else. It doesn't work that way! (Support)*

## Workers returning home

The data indicated that in general workers on 457 visas worked for the whole term of their visa with few returning home early. Business representatives cited personal health issues, problems with partners left in the home country and distance from extended family as reasons for workers returning home before their visa had reached full term.

*We lost two people unfortunately already. One was because the partner, difficult pregnancy and they realised they got free medical treatment back home in England rather than paying for it in Australia, so they flew home (Business)*

*We had one gentleman who lasted 2 weeks because his partner couldn't live without him and he just packed up and went home (Business)*

*We have had probably in the last 3 years 3 or 4 expats who have gone home after that first year for various different reasons, but basically all related to family and partner support. That's quite costly for the business, but unfortunately you have no way of knowing that it's not going to work out before you bring them over here (Business)*

In summary, costs to business to employ workers on 457 visas are large and have associated risks of workers moving to other Australian firms or returning home before the end of their visa term. However, without such workers the cost of not employing them is far higher in that projects would slow, cease or fail to begin.

## Costs to the Australian economy

The costs to the Australian economy that emerged from the interview data included the gaps in training for specific skills that enable Australia to remain competitive in terms of internal labour supply (AWPA 2012). In particular is the desire of business for graduates who are 'work ready' and there is evidence of an experience gap. However, business may need to do more to engage with graduates to bridge this divide in order to ensure work for Australians into the future.

Added to the pressure for an adequate supply of skilled workers is the increasing retirement of the 'Baby Boomer' contingent from 2011 (Salt 2012). Business will need to look for strategies to retain these workers longer, as well as look further afield to unskilled workers they train in-house, those on disabilities and better use of Aboriginal workers in Australia.

Due to the lack of workers with specialised skills currently available in Australia the failure to increase skilled migration

to address the shortage has significant cost impacts on business in the resource sector (AWPA 2012). When labour is in short supply there is a danger that projects will be extended in the construction phase. Foreign investors in resource projects become nervous when construction times extend as the project is at risk of a cost blow out. This nervousness in turn creates reluctance for further investment in Australia and has a direct influence on Australia's economic growth.

## Costs for workers

Financial costs for workers on 457 visas included medical insurance, child care costs and the high costs of loans. However, the social and family costs of working in Australia and particularly in the regions were the most significant. This section of the report details some of the costs for workers on 457 visas and explores issues with family and working arrangements that create emotional and social costs.

## Personal costs

Workers on 457 visas, as part of their visa requirement, must have in place their own private health insurance as they are not covered by Medicare. However, some workers have their health insurance premiums paid for by their employer. In addition, workers on 457 visas are not eligible for the Child Care Rebate and hence need to cover the full cost of child care if the spouse wishes to work while here in Australia.

*We have to provide our own private cover on our visa. I think I'm exempt from having to pay the Medicare levy (Worker)*

*The cost of childcare I've heard is quite expensive here, so it's almost beneficial for the mother to stay at home (Worker)*

Workers that were interviewed for the study explained their difficulties as non-Australian residents in obtaining finance to purchase cars, in accessing credit cards and acquiring an Australian drivers' licence.

*We had to buy a car and when we had to buy a car we had to do it on our funds and get set up for financing. We are paying something like 15 or 16% interest for a loan to buy a car (Worker)*

*With credit cards, you've got your limits to the ones you can apply for because one of the criteria is that you're an Australian resident (Worker)*

*As soon as you apply for permanent residency, then that license is no longer valid and you need to apply for an Australian driver's license. I've been here in Australia driving for all the 3 years now. In order for me to get an Australian license, I'll need to go through that theory test and then the practical driver's test as well (Worker)*

Navigating visa applications and the skills qualifications recognition process in Australia can incur additional costs for the migrant worker wishing to enter Australia on a 457 visa. There were cases of workers paying up front sums to overseas migration agents according to their expected income in Australia and others who had their immediate costs met by their employer with a requirement to pay back in instalments once they commenced work.

The agency [Migration] where I applied for they charged me like one month's salary. My original contract was \$48,000 a year before and they computed it on a monthly basis, so I payed them more than \$3,000 just to come here (Worker)

Apparently it's [recognition of training qualifications] going to cost about \$2,500 through VETAssess to get it all completed. In order for them to afford it what we might have to do is pay for it from the company but then it will be reimbursed out of their account or they will pay it back in instalments (Business)

Finally, there were cases of migration agents located outside of Australia who were charging potential migrant workers to prepare their 457 visa and at the same time charging the business in Australia to supply the worker. There was evidence in some cases of double-dipping.

I found out as well that the employer paid the agency for me to get over here, so obviously the agency was charging on both sides, like the applicant and the employer (Worker)

### Acceptance by Australian workers

There was some evidence that workers on 457 visas may not always be accepted in the workplace by Australians; however this was generally not the case. Cultural difference, English language capability and communication seemed to be the main areas that required additional attention to better assimilate migrant workers in WA.

There's been a bit of an issue lately with a few Irish guys asking us about anti-Irish feelings because there was a bit of report about the Gaelic association teams coming over and getting drunk in Northbridge (Business)

When they first got here [Filipinos], we had quite a lot of dramas with our guys accepting them. That was something we weren't actually expecting, it was something out of the blue we didn't expect. It would take a while for the guys to actually accept them and get used to their culture and all that (Business)

Sometimes communication can be a factor. Just with accents, there is the Australian slang that I won't be able to understand especially when I just came here I didn't know some of the words that they used here. Sometimes there is a bit of discrimination, especially if you are not from here (Worker)

In general, discrimination of workers on 457 visas in WA resource sector businesses occurred infrequently; however, it is an issue of which employers should be mindful.

### Difficulties of working in Western Australia

The decision to work in a country other than the worker's home is difficult. Migrant workers have historically found the transition to working in another country not only rewarding but also challenging.

Going to a new country and setting up from scratch is actually a bit of a challenge (Worker)

There was also evidence that skilled workers from the East Coast making the move to WA are problematic.

People are happy to go from the East Coast up to Queensland but they don't want to come to Perth (Business)

One reason cited for the nervousness of both skilled migrants and East Coast Australian workers from making the move to WA is the distance from extended family.

I suppose the distance, if anything happened, when you've got your parents and family back home it's hard, and if you're going through other things, I suppose it's the pain of not being with your kids (Worker)

You have those that just don't want to come over, you know they're happy with their families and they're doing well over there [Eastern States]. I just think there's a bit of a dichotomy of attitudes towards the mining industry (Business)

Other challenges of working in WA include a difference in cultural life and a lack of infrastructure both in the capital city of Perth and in regional WA.

I found one of the most difficult things for me for transition between London and Perth has been perhaps the massive difference in cultural life (Worker)

The infrastructure I think is a big disadvantage for the place [Perth], it just doesn't have much infrastructure (Worker)

When we were first out in Leonora it was a bit of a shock I suppose, I got used to it but she found it hard. I was working but she wasn't working at the time, so she was on her own and we were out in the middle of the bush and I was away maybe for a day or two in the mine site (Worker)

The extreme climate and desert conditions where numerous resources projects are underway is a further obstacle to attracting workers to the sector in WA.

I think the Australian market it's a case of those who want to come over they've either stayed or they just bounced off the place and gone back because they didn't like the heat, humidity or the 12 hour shift (Business)

Not a lot of people want to go out and lay a railway track in 50 degrees everyday in the middle of the desert (Business)

The data revealed that the levels of taxation and high cost of living in WA are factors that are prohibitive of attracting workers to the state. The cost benefit analysis performed for the study and appearing in Section 5 of this report shows that despite workers in oil and gas extraction paying the highest amount of tax, the tax difference between temporary foreign and Australian workers was not significant (around 8.5% difference). However, the higher rate of taxation combined with insurance costs and child costs (where applicable) does increase the cost of living for workers on 457 visas working in Australia.

I think what some of our expats have realised is the cost of living in WA is getting more expensive. Our tax system depending on what country they've come from! (Business)

We are overly-taxed and people can complain about that. The fact that the LAFHA is disappearing people are starting to complain about that (Support)

Australian workers from the East Coast also cite the high cost of living in WA as a reason not to move to the state to work. Once again as the cost benefit analysis for the study shows although living costs are indeed higher than other Australian states, the generous salaries paid for those working in the resources sector more than compensate. For these workers 31% of their income is available to spend on discretionary items; however those interviewed did not hold this perception and quoted some extreme examples.

I mean I'm up in Darwin at the moment and you pay \$6 or \$7 for a pint of beer and in Perth you pay \$14, and you get handed a dirty rag to wipe down your own table before you sit down and have that beer (Worker)

In addition, business representatives interviewed for the study explained the high cost for international companies conducting business in Australia, citing the high cost of wages as an example.

The one comment that they had is that Australia is an expensive place to do business. Absolutely, for them the price of labour in Australia is nuts. So, if they're deciding in Houston or somewhere else in the world about where they're going to spend their capital, sure there might be an oil and gas project that looks promising in north-west WA, but if the cost will prohibit it they will take their capital and put it in Egypt or somewhere else (Business)

Workers on 457 visas noted the differences in work ethic in Australian business explaining that the hardships experienced in Ireland in recent years have produced a strong work ethic.

I have to say that I find the work ethic very different here. It's not that we live to work but we certainly are very committed when we are in the office. They [Australian workers] seem to think that they have 10 extra days annual leave a year just because they have sick leave (Worker)

### Fly-in/fly-out working arrangements

Fly-in/fly-out working arrangements associated with resources projects was cited by a number of workers on 457 visas and business representatives as a key reason for a failure to attract workers to the sector.

Accommodation is going to be one of the major issues I think. The best idea I've heard is, the fly-in/fly-out work might work out better and cheaper if they actually send them back to their home country on their R and R [rest and recuperation] (Support)

I'm away from my family for 4 weeks. I find it a bit hard and we only get that one week of R and R [rest and recuperation]. It's really short and it's a little bit hard, especially if you've got a young family (Worker)

Why would they want to come to Perth? You can't get rental accommodation; fly-in/fly-out is not the greatest for everybody. Everyone thinks fly-in/fly-out is everyone's cup of tea but it's not (Business)

This has prompted a number of businesses to encourage workers to live and work in the regions. However, a lack of regional infrastructure limits the availability of housing in the regions for families.

We're looking for residential people and that was part of our campaign. We want people that will bring their families and contribute to the local economy. That hasn't always happened because we get a lot of single blokes apply. But we've got some families out already and we've got other ones due to come out this winter. So, we're keen to avoid the FIFO (Business)

### Housing shortages

A lack of affordable rental accommodation in Perth and the regions was mentioned by almost all the participants interviewed for the study. Workers on 457 visas explained how difficult this is in regional WA accommodating the resources work. For those families who would be happy to live and work in the regions the high rental costs are prohibitive. Others discussed the difficulties of renting in Perth without a prior rental history. Finally, some compared the differences in accommodation and costs in Houston which has a similar climate and a large resources sector. Salt (2012) noted that affordable housing in Perth and the regions was crucial to support continued economic growth and growth in the resources sector.

We were sharing a house and renting a room [in Karratha] but it's ridiculously expensive. We were paying \$250 a week just for a room, so that's \$1,000 a month and you share a house with somebody else (Worker)

It's difficult when you are on a 457 to come and get rental accommodation because you never rented a house before in Australia. So, it becomes very difficult for the agents to trust you to rent a house. You need some sort of track account as well so it becomes very difficult when you just arrive and you try to rent (Worker)

In Houston for example, which is comparable to Perth with the oil and gas there, you can buy a 5000 square metre home, in a gated community, with a pool, 8 bedrooms, 5 bathrooms for \$650,000 (Support)

### Money sent back home

A number of workers on 457 visas interviewed for the study recounted that they sent money back to their home countries to support family residing there. There was evidence that workers sent between \$1,000 and \$3,000 per month home, with others citing 30% to 90% of their salary was saved and used to support families in their home country. This was particularly the case for workers from the Philippines. However, workers on 457 visas still contribute to the Australian economy as they at least spend money for living expenses.

They're sending money home but they're still spending money here and having a good life (Business)

### The first month

The first month after arrival in Australia for workers on 457 visas is the crucial period of time that determines whether they remain working or return home. Many workers on 457 visas cited little knowledge of life in Australia prior to their arrival, including transport issues, insurance and where to live.

When we arrived here we had a week and a bit to find rental accommodation, which as you can appreciate isn't really

*long enough. So, we managed to eventually get some but it would have been nice to have more of an insight to the place before we came here (Worker)*

*In a new country sometimes you don't quite understand how things work and part of it is a good understanding of how insurances work in this country (Worker)*

*Getting into work from the areas that you don't really know, you don't know how to get there, you're not sure about the traffic and transportation system, you don't know how long you'll be away for. You multiply that by how many times you've got to do it it's actually quite a big deal (Worker)*

The business representatives who employed workers on 457 visas from the USA noted how difficult they were to settle in Australia.

*[Workers from the] USA, you've really got to spend a lot of time to get them settled and sorted. I don't know whether it's a reluctance from them to want to do that themselves given how senior they were, but extremely time consuming (Business)*

Employing workers on 457 visas is expensive for business, especially smaller firms, so that after outlaying funding on average of \$30,000 it is important to support them to ensure that these workers remain for the term of their visa contract.

### Permanent residency

The data indicated that not all workers on 457 visas seek permanent residency as some are global workers moving from project to project internationally.

*The percentage of people that we sponsor for residency is quite small compared to how many people we have on 457. Some people may go back, some people may find a renewal, some people may just continue working with us so we would have to renew their 457 for another 4 years or so. So, it depends from case to case (Business)*

However, workers from the Philippines are very often keen to seek permanent residency with many living and working in Australia for the first year of their visa before bringing the family to WA and thereafter applying.

*That's top of the list and money is secondary to them [Filipinos] (Business)*

*75% of them [Filipinos] have an intention to stay here long-term (Business)*

*Some of them [Filipinos] are very keen to get their families out, others want to make sure it's going to work before they bring their families, and others want to make sure they're going to stay in Australia if they bring their families (Business)*

The changes to the LAFHA allowance due to come into effect in October 2012 had a number of those interviewed suggesting permanent residency will become more attractive to temporary migrant workers.

*With the changes to the living away from home allowance, we'll see a lot more people wanting PR straight away (Support)*

In general, the business representatives indicated that they are willing to support workers on 457 visas applying for permanent residency. Some businesses even cover the costs of the application for their workers.

*For blokes that are good and have proved themselves, yes we would be very happy to help them out [with permanent residency] and provide all the support they need (Business)*

However, some workers are concerned that in order to succeed with a permanent residency application they will be required to have proficiency in the English language.

*A few of us are a little anxious and hope to get PR status without too much hassle. Previous to this my experience was that you had to go through the IELTS [International English Language Testing System] test and that's quite difficult (Worker)*

### Recommended changes to visa process

There were several recommendations from both business and workers on 457 visas to improve the visa process including developing databases of available labour, improved pathways to permanent migration and overcoming issues with recognising informal partnerships when workers are in de-facto relationships.

### Business recommendations

Easy accessibility to skilled labour was an overarching theme when business was asked what they would do to improve the 457 visa process.

*It would be better if the Immigration Department or the government can encourage approval of job availability from all over Australia on a particular website, where anyone from overseas or anyone within Australia who is not on a 457 (for example if they're on a tourist visa), if they can just view all those recruiters and their position and then liaise directly with the employers (Business)*

*In terms of 457 holders I think it would be beneficial if they can create some kind of employment database where they can contact employers directly and they can see if they have any positions. And if they qualify for that position then it's just between the employer and employee, and in that case the employer won't be made to spend as much time on actually sourcing someone (Business)*

A few business representatives interviewed for the study suggested a more streamlined approach to permanent residency in that the temporary 457 visa could be by-passed for some specialised skilled workers.

*I do think that the employer sponsored pathway direct permanent residency should be a little bit more accessible because we have to bring people in on a 457 and then convert them to permanent residency. There's no mechanism to bring people in as permanent residents, which would obviously save quite a lot of administration and it would mean that we'd have people coming to the country committing to Australia for a longer term (Business)*

Others suggested that the 457 visa needed more flexibility to accommodate short-term projects that have time in between but require the same labour. These businesses would support the development of a project-based 457 visa.

*I'm currently trying to develop a strategy here through a Migration Agent of advising the Department of Immigration how that's happening. They require this once a person terminates with us, so you could technically say when the project demobilises they terminate employment and we have only 10 days to cancel their visa and we don't want to cancel their visa. So we are trying to develop a way whereby they take leave without pay. You're looking for a project 457 visa as opposed to 457 visa (Business)*

### Workers recommendations

Workers on 457 visas supported the bid for permanent residency in the first instance preceded by a work-try short stay.

*The 457 is a bit of an issue as far as visas are concerned, it would have been better to come out on a permanent visa. I think if you stayed for 2 years and you're still in the same job then your visa should automatically go to permanent I think (Worker)*

*I think it would be good to have maybe a 'work try' or maybe for them to come over and spend a month here on a temporary visa to get a feel for the place (Worker)*

There was evidence in the data that couples living in de-facto relationships were having difficulties in proving their relationship status and that this requirement became problematic when applying for a 457 visa. Numerous documents and letters from their parents were required to prove a 'solid' relationship.

*We did choose to wait on [wife's name] visa until we were actually married. We lived together for almost a year but just having the whole process of having to prove that you've lived together, I felt was a lot of work for something that in our case was going to be negligible once we got married. I would just say that for people who aren't planning to get married it's one of those processes that to try and get all the documentation, are you really actually proving that you've lived together by some of these documentations? (Worker)*

*Where it's difficult sometimes is that my partner and I aren't married, we don't own a house and we don't have shared insurances. So, when it comes to the point of can you prove that you have a genuine relationship - that is a very hard one. You have to prove that for the dependant 457, whereas I am the main applicant. It's a very tough process to prove that you actually have a genuine or de-facto relationship (Worker)*

For those workers new to Australia it was suggested some further guidelines be developed and distributed upon or just prior to arrival.

*Maybe a pack could come with the 457 visa application that will tell you or give you guidelines as to what you need to sort out once you are here in Australia like bank accounts, vehicle finance (Worker)*

A strategy suggested to overcome the difficulties of applying for rental accommodation was to develop some alternative that would increase the priority to workers on 457 visas as without a previous rental history there was evidence that they were unsuccessful in their applications.

*Maybe if there is any way that a 457 can get a preference in rental accommodation because there's not going to be any chance of you not paying the rent because you are guaranteed employment. So that would be a big help, even if it's first preference for accommodation in whichever area they choose (Worker)*

One worker expressed concern at the precarious interim arrangements from the 457 visa to permanent residency status for those moving on and off-shore in Australia on temporary work assignments. Further flexibility to protect workers under these working arrangements could be considered.

*I've just taken a helicopter from Australia and we went away for 2 weeks from Australia and possibly next month I'll be doing the same. So, if I applied for PR now the 457 gets cancelled until a decision is made on this. So, if you go out your visa is cancelled and if you come back you can't get back in, it's just stupid! This is how it seems to me that when you apply for PR your 457 is cancelled and you go into this limbo period (Worker)*

### Support needed by workers

A key research question for the study was to investigate the support that workers on 457 visas needed to settle into work within Australia. Key issues emerged such as loneliness and isolation, the process of settling into Australia and spousal and family issues that need to be overcome. The emotional and social welfare of these workers emerged as key components of successful assimilation of workers on 457 visas in Australia. Failure to acknowledge these problems resulted in threats to emotional wellbeing of the workers and their families and in some cases led to workers returning home early. The next section of this report presents these three important themes along with evidence of the support that business provides.

### Loneliness and isolation

Workers on 457 visas interviewed for the study overwhelmingly expressed a feeling of loneliness upon arrival and in the first 12-18 months of living in Australia.

*When they come out here by themselves the feeling of being homesick and loneliness, you find that the family gets very very lonely and wants to go back. That's when you have that feeling of oh I don't want to live in Australia I want to go back home! (Support)*

*It's difficult in that we really feel alone; we don't really know anyone here. So, getting to know people is difficult in the beginning and we miss our family back home (Worker)*

*Friends! We needed some friends; that's the most difficult part of living here. It's a period of 18 to 24 months to settle in and find a network of friends. You may meet people but you don't always connect with people so it takes a bit of time and that can be quite a tough period, especially when you have kids and my wife was pregnant at the time. So, it was quite tough for the first year and a half (Worker)*



There was evidence that particular groups such as women with small children and empty nesters as well as those from countries such as the US, UK and Ireland were most likely to experience loneliness and have trouble settling into Australia socially.

*My wife really struggled. She found her friends from taking my daughter to certain activities and met other mothers that way who had things in common. There were a number of times where we did think it wasn't really for us and that we should go home (Worker)*

*If you've got a wife with 2 kids and they're school aged, a lot of the time they're okay because the wife gets to network straightaway at the school. But if you've got a wife that has 1 or 2 kids that aren't at school or day-care it's really important (Support)*

*If their children are older it's more difficult, if their children are younger and they go to playgroups, and lower primary school where you are picking kids up from school and meet other parents it's better. But when people are coming with more teenage children that is when they have more trouble (Business)*

*The main thing is that real loneliness and I see our major risk areas being your empty nesters, like the older ladies whose husbands are FIFO and they've got older kids that they've left back at home in the UK at university, for example. Then they get here, they're extremely isolated and have no way of meeting friends. Even with high school kids, the high school kids don't want you going to the school and chatting to their mums, it's seriously embarrassing. They're the wives that I feel tend to get a lot more lonely (Support)*

Although we share a common language with these countries, Australia's culture is somewhat different and there is assumptions that because these workers and their families speak English they are able to fit in easily. Interestingly the issue of loneliness and a lack of cultural connectivity were also cited as a reason for skilled workers from the East Coast reluctant to move to WA.

*I just feel that people think that those coming from the USA are more capable than everybody else and in actual fact they are the hardest work because they're so disassociated with how things are done and operate here. There's no network of people from the United States and socially in Perth (Business)*

*85% of our expats leave within 2 years because things aren't working out with their partner. The partner is very unhappy and having an unhappy partner at home particularly when they're not working they feel very isolated. It can be really challenging and so I think it's more the community support and community engagement. You know how they have FIFO families for fly-in/fly-out workers, there almost needs to be something similar for expat communities (Business)*

Businesses that employ workers on 457 visas go some way to ease new workers into Australia through social events at work.

*I don't think there's much of helping you with that [referring to social networks] other than through work. We were kind*

*of lucky, we knew a couple of people here from having visited before, so that got us started. But I don't think there's much in that respect (Worker)*

*In the office environment like this where you have a lot of people from all over the world not just Australians, you get a lot more office interaction (Worker)*

Even for single workers on 457 visas, loneliness and a lack of community and cultural involvement was an issue. However, there was evidence that these workers developed friendships and meetings with other people from their home country through internet sites and social pages.

*I went out myself and looked up an expat blog and there was a girl on that who I decided to meet, an Irish girl. At the time, I was meeting Aussies and Brits and although I liked them I wasn't having the same crack [meaning laugh] that I would have with my friends at home, the sense of humour was kind of missing (Worker)*

*I just googled Brits living in Perth and then it comes up with all these websites and I went onto this one called 'Poms in Perth' to meet people online and that's how I've met most the people that hang around me (Worker)*

Finally, support groups such as FIFO Families are recommended to workers who are assisted by relocation agents. These groups arrange outings and social opportunities for newly arrived and families with partners working away for long periods; this is a valuable service. However, there was some evidence that due to the worker on a 457 visa's temporary stay in Australia acceptance by these groups was intermittent.

*When the families come out and the wives stay at home with the kids she's going to be completely isolated. So, we recommend things like FIFO Families who take them out and introduce them to the other wives just for a support network because they'll be on their own missing their mum, friends, not knowing anything. It must be dreadful for them (Support)*

*A lot of those organisations [referring to playgroups] feel that the new people moving to Perth are a burden on them and maybe they won't be here for that long (Support)*

The wellbeing of workers on 457 visas and their families is important. There is not only the personal impact but there is the possibility of a financial impact on the businesses that employ them as they may return home early with the costs of migrating to Australia unrecoverable and the investment wasted.

### Settling in Australia

There was evidence in the study data that workers on 457 visas have varying needs when settling in Australia. Some workers settle easily and quickly, others require individual attention and intensive resources.

*I just think everybody needs to be managed, these people don't just rock up and everything is perfect for them. Every person coming here, their story is individual and what they go through is very individual. You can't put them all in the same basket (Business)*

Understanding the culture is a key requirement for newly arrived migrant workers settling into Australia.

*There's always that opportunity in terms of inducting them into the Australian culture. For example, the tolerance of smoking in different places, building and offices it's not tolerated in Australia (Business)*

*I think that the difficulties really are the cultural differences and it's that adjustment (Business)*

There was evidence that those workers on 457 visas coming into Australia from countries such as the Philippines are generally well supported within their community and their churches. This link with community has helped them to settle into Australia more easily than others from English speaking countries even though for them their lack of language skills can be a barrier.

*The Filipino community now is very well established, the Filipino church and the Filipino Association; they lock into those networks very quickly. You do see them jumping on their bikes and then dropping into each other's houses. They all generally live within bike riding distance of where they work, particularly if they're in the metropolitan area. The Filipinos can be quite intense in terms of pastoral care (Business)*

*I think some of the Filipino women, the networking that they need is with family and friends in the Philippines. The women in particular sometimes find it very hard to build a life in Australia (Business)*

Half of the study sample of workers on 457 visas with family came to work in Australia leaving their spouse and children in their home country. In some cases, such as the Filipino workers they wait for a year or two before arranging for their family to join them in Australia.

*It's the worker that comes over on a 457 but sometimes the family will come as well. The Filipinos tend to only come themselves; they have worked a lot on cruise ships and done this sort of work before. They tend to not bring their families initially and wait until they're settled and they're happy to bring them over, some never bring them over (Business)*

One suggestion to address the difficulties of assimilating into the Australian culture for workers on 457 visas from non-English speaking backgrounds, is to establish specialised awareness training programs. While most of the businesses interviewed for the study acknowledged that they could do more to assist in cultural awareness there was evidence that some firms did provide support in this area.

*If someone from Kenya Nairobi comes in and for one reason or another, they're not familiar with Australian culture, mannerisms, even the way Australians talk and speak, then I think some Saturday or Sunday school or programs to assist them to understand how to best fit in Australia would be very helpful (Support)*

*We haven't done a lot with cultural integration or giving them access to a program (Business)*

*They also provided a cultural awareness training course prior to us moving over, which mainly went through the*

*cultural differences between Houston, the general USA and Australia particularly (Worker)*

To better assimilate workers on 457 visas into the Australian community, support that explains the Australian culture and way of life is important. This is particularly so for workers coming from English speaking countries such as the USA, UK and Ireland in that the language is the only commonality between them and Australian workers. In contrast, workers

## SUMMARY AND CONCLUSIONS

The study had a number of research questions that drove the investigation that are addressed in this section of the report.

### 1. What are the **benefits** to business, communities and migrant families employing 457 workers?

The data showed that the business representatives interviewed stated that they found a shortage of skilled workers in Australia and have therefore sourced workers on 457 visas to top up their labour force. This steady supply of skilled workers allowed them to complete the intensive construction phase of resource projects on time and on budget. Business noted that workers on 457 visas needed very little government support in that when they come to Australia they have full employment. They were supportive of these workers on 457 visas and their work ethic, describing them as loyal, hardworking and committed to the work they do. Furthermore, business representatives recognised as an advantage the extended knowledge and diversity that workers on 457 visas offer, enabling them to be leaders in their industry sector. Overall, the business representatives interviewed for the study reported a positive experience of employing workers on 457 visas and valued this much needed source of labour.

Many resource projects are supported from overseas investment and cost blow-outs for projects that over-run create nervousness with a further risk of reluctance to reinvest in future projects. The advantage to the Australian economy of using workers on 457 visas with the necessary skills at this time is the security of completing project phases within budget as they are completed on time. Business representatives explained that workers on 457 visas were contributing to the economy from the moment they are employed in Australia through spending money to live, paying for housing and contributing by paying taxes. In addition the cost benefit analysis completed for this study showed that the use of skilled migration programmes reduces the overall unemployment rate of Australian workers, thereby adding to the economy.

The data revealed that an additional benefit to Australia is the exposure and subsequent knowledge transfer of skills that accompany the design, construction, operation and maintenance of specialised machinery. This places the resources sector in Australia at the forefront of innovation and technology. When workers on 457 visas work in Australia they also transfer their knowledge, skills and cultural differences as well as contribute directly to the economy through spending money on living expenses and by paying taxes. Workers in the resources sector pay a higher rate of tax than the average Australian due to their high salaries. Migrant workers are subject to this high rate of taxation without the offsets afforded to internal Australian taxpayers at a rate of about 8.5% more. Finally, the growth of the Australian labour pool due to increased numbers of migrant workers contributes to the overall pool of talent that business can source from, thereby supporting sustained economic growth. The expanding Australian economy and specifically the current demand on the resources industry have highlighted the issue of the supply and

demand for skills, now and in the future. There is recognition that the labour market, and especially the highly skilled labour market, is increasingly global and that skilled migrants will continue to form an important pathway in future national skilling processes, not just playing the role of 'shock absorber' during labour market readjustment periods, but enabling Australia to access highly prized global project construction and management capabilities.

Workers on 457 visas interviewed for the study indicated several benefits of working even for a short time in Western Australia including: choice, improved career prospects, equality in that they are valued for their skills, financial reward, a safe environment, the weather and a slower pace to life. Workers from the Philippines found the higher financial rewards available beneficial to improving the lives of their children back home. Others observed the exposure to new projects, ways of working and operations that allow them to achieve and extend better skills and knowledge. Many of the workers interviewed for the study were actively encouraging their extended family and friends to seek work in Australia, potentially multiplying the benefits from the original investment made in their recruitment.

### 2. What are the **costs** to business, communities and migrant families employing 457 workers?

The data showed that much of the costs associated with employing workers on 457 visas are incurred by the business sector with costs to employ a worker on a 457 visa ranging between \$7,000 and \$65,000. Business costs can include: visa processing costs, flights, car hire, 1 month's temporary accommodation, pre-site medical checks and containers to ship personal household goods. For some workers, health insurance costs are covered (as the applicant must provide their own insurance as they are not covered under the Australian Medicare system). For others, remuneration for workers can include private school fees for the workers' children and education for their spouse. However, depending on the level of skills for each worker, remuneration and additional benefits vary. To counter the high costs of relocating skilled migrant workers to Australia, many businesses have developed policy clauses within their workers' contracts to encourage retention. This is particularly important for smaller firms as their resources are limited and their competitiveness to attract skilled labour may not be equal to that of larger resource sector firms. Business also recognised to successfully integrate workers on 457 visas into their workforce and into the Australian community requires dedicated management and a large amount of time. Finally, a new cost that has the potential to add to the burden on business to employ workers on 457 visas is the removal for many workers from overseas of the Living Away from Home Allowance (LAFHA) on 1st October 2012. The removal of this allowance for many workers may make working in Australia less attractive and some businesses are responding by topping up salaries to compensate and retain staff. Many of the businesses we sampled for this study

outsource the visa application process to migration agents because they lack the personnel to manage the task within the firm. In addition, an emerging support industry has developed with the use of relocation agencies at a direct cost to business that assisted newly-arrived workers to settle in Australia. In some cases the same services are marketed directly to higher paid executives on 457 visas. Firms have increasingly understood that by facilitating support for workers on 457 visas who wish to become permanent residents they have a better chance of keeping valuable staff.

The costs to the Australian economy that emerged from the interview data include potentially less emphasis on eradicating the gaps in training for specific skills that enable Australia to remain competitive in terms of internal labour supply. In particular, where employers desire graduates who are 'work ready' opportunities to gain relevant work experience at a lower level may be reduced. However, business may need to do more to engage with graduates to bridge this divide in order to invest in building Australian graduate recruits in the future. Adding to the pressure for an adequate supply of skilled workers for industry is the increased withdrawal to retirement of the Baby Boomer generation. Business will need to look for strategies to retain these workers longer, as well as look further afield to unskilled workers they train in-house, those on disabilities, better use of Aboriginal workers in Australia and women to increase work participation rates and maximise the skilled labour pool. Conversely, due to the lack of sufficient workers with specialised skills currently available in Australia any reduction in the ability to source skilled migrant workers to address the shortage could have significant short-term cost impacts on business in the resources sector. When labour is in short supply for the resources sector, there is a danger that projects will be extended in the construction phase. Foreign investors in resource projects become nervous when construction times extend as the project is at risk of a cost blow-out. This nervousness in turn creates reluctance for further investment in Australia and has a direct influence on Australia's economic growth.

Financial costs for workers on 457 visas included medical insurance and child care costs. However, the social and family costs of working in Australia and particularly in the regions were the most significant. Workers on 457 visas are not eligible for the Child Care Rebate and hence need to cover the full cost of child care if the spouse wishes to work while here in Australia. Navigating visa applications and skills qualifications recognition processes in Australia can incur additional costs for the migrant worker wishing to enter Australia on a 457 visa. Contrasting schemes of resettlement responsibility exist with cases of workers paying up front sums to overseas migration agents according to their expected income in Australia and others having their immediate costs met by their employer and in some cases a requirement to pay back in instalments once they commence work. Finally, there were cases of migration agents located outside of Australia who were charging potential migrant workers to prepare their 457 visa and at the same time charging the business in Australia to supply the worker. There was evidence in some cases of double dipping with both parties making overlapping contributions.

### 3. What are the **issues** encountered by business, migrant families and communities when employing 457 workers?

The complexity of navigating through the 457 visa application process was cited as a key issue for business and prospective workers. There were several recommendations from both business and workers on 457 visas to improve the visa process including developing databases of available labour, improved pathways to permanent migration and overcoming issues with recognising informal partnerships when workers are in de-facto relationships. A few business representatives interviewed for the study suggested a more streamlined approach towards permanent residency with the temporary 457 visa replaced for some specialised skilled workers. Others suggested that the 457 visa needed more flexibility to accommodate short-term projects that have time in between but require the same labour. These businesses would support the development of a project-based 457 visa with a bridging capability.

Workers on 457 visas supported the bid for permanent residency in the first instance supported by a work-try short stay. There was evidence in the data that couples living in de-facto relationships were having difficulties in proving their relationship status and that this requirement became problematic when applying for a 457 visa. Numerous documents and letters from their parents were required to prove a 'solid' relationship. For those workers new to Australia it was suggested some further guidelines be developed and distributed upon or just prior to arrival. A strategy to overcome the difficulties of applying for rental accommodation was to establish a system that would give priority to workers on 457 visas as without a previous rental history there was evidence that they may be unsuccessful in their applications. One worker expressed concern at the precarious interim arrangements when trying to transfer from the 457 visa to permanent residency status for those who might be moving on and off-shore in Australia on temporary work assignments. Further flexibility to protect workers under these working arrangements could be considered. However, the data also indicated that not all workers on 457 visas seek permanent residency as some are global workers moving from project to project internationally. The changes to the LAFHA allowance due to come into effect in October 2012 had a number of those interviewed suggesting permanent residency will become more attractive to temporary migrant workers.

The first month after arrival in Australia for workers on 457 visas is the crucial period of time that determines whether they will remain working or return home. Many workers on 457 visas cited little knowledge of life in Australia prior to their arrival, including transport issues, insurance and where to live. The business representatives who employed workers on 457 visas from the USA noted how difficult they were to settle in Australia due to their high expectations. Employing workers on 457 visas is expensive for business, especially smaller firms, so that after outlaying funding with an average of \$30,000 it is important to continually support them to ensure that these workers remain for the term of their visa contract and the investment is re-paid to the business.

Workers on 457 visas interviewed for the study overwhelmingly expressed a feeling of loneliness upon arrival and in the first

12-18 months of living in Australia. There was evidence that particular groups such as women with small children and empty nesters, as well as those from countries such as the USA, UK and Ireland were most likely to experience loneliness and have trouble settling into Australia socially. Although sharing a common language, Australia's culture is somewhat different, and there is often an erroneous assumption that because these workers and their families speak English they will be able to fit in easily. Interestingly, the issue of loneliness and a lack of cultural connectivity were also cited as a reason for skilled workers from the East Coast being reluctant to move to WA. However, many businesses that employ workers on 457 visas go some way to ease new workers into Australia through social events at the workplace. Even for single workers on 457 visas, loneliness and a lack of community and cultural involvement was an issue. However, there was evidence that these workers developed friendships and meetings with other people from their home country through internet sites and social pages. Finally, support groups such as FIFO Families are recommended to workers who are assisted by relocation agents. These groups arrange outings and social opportunities for newly arrived and families with partners working away for long periods; this is a valuable service. However, there was some evidence that due to the worker on a 457 visa's temporary stay in Australia acceptance by these groups was intermittent. The wellbeing of workers on 457 visas and their families is important. There is not only the personal impact but there is the possibility of a financial impact on the businesses that employ them as they may return home early with the costs of migrating to Australia unrecoverable.

There was evidence in the study data that workers on 457 visas have varying needs when settling in Australia. Some workers settle easily and quickly, others require individual attention and intensive resources. Understanding the culture is a key requirement for newly arrived migrant workers settling into Australia. There was evidence that those workers on 457 visas coming into Australia from countries such as the Philippines are generally well supported within their community and their churches. This link with community has helped them to settle into Australia more easily than others from English speaking countries even though for them the language skills can be a barrier. Half of the study sample of workers on 457 visas with family came to work in Australia leaving their spouse and children in their home country. In some cases, such as the Filipino workers they wait for a year or two before arranging for their family to join them in Australia. One suggestion to address the difficulties of assimilating into the Australian culture for workers on 457 visas from non-English speaking backgrounds is to establish specialised awareness-training programs. Some relocation agencies take significant extended pastoral care responsibilities for their clients on 457 visas, building relations over months and years.

#### 4. What support do business, migrant families and communities need when 457 workers are employed?

A theme that emerged strongly from the interview data was the need to adequately support workers on 457 visas when they came to live and work in Australia. Key issues emerged such as loneliness and isolation, the process of settling into Australia and spousal and family issues that need to be overcome. The

emotional and social welfare of these workers emerged as key components of successful assimilation of workers on 457 visas in Australia. Failure to acknowledge these problems resulted in threats to emotional well being of the workers and their families and in some cases led to workers returning home early. While most of the businesses interviewed for the study acknowledge that they could do more to assist in cultural awareness, there was evidence that a number of firms did provide support in this area.

The data showed that workers who were assisted by relocation agents were better assimilated in that there were fewer issues in the first month of arrival and the worker was able to begin work very quickly. The workers on 457 visas were generally appreciative of this additional support. Relocation agents appear to provide the very valuable connection to community for newly arrived migrants in that they facilitate introductions for people to establish new friendships. However, for some businesses outsourcing to relocation agencies there was a tendency to leave the assimilation of their workers solely to them. Workers indicated that they required support from their firm as well as intensive help in the first few weeks of arrival in Australia.

#### 5. What are the implications of the study findings for policy and practice?

This study focused mainly on data from WA as it offers a purposeful and revelatory case study of the immediate tensions between industry needs, the available pool of domestic skilled labour, and the opportunities provided by temporary skilled migration. The Australian Skills and Workforce Needs paper indicates the significant role of the resources industry and Western Australia in economic expansion, and also the limitation of schemes designed to support skilled workers moving interstate.

The resources sector in WA requires significant labour, often upfront for infrastructure building for new initiatives. The resources industry often requires immediate skills, highly specialised skills, remote or rural working, and the willingness to accept fly-in/fly-out working regimes. The domestic migration patterns to WA indicate that often there has been negative net migration and total migration has rarely been above 5,000 people a year. In contrast, overseas migration to WA has been consistent over decades, usually topping the local birth rate and currently bringing 15 to 24 thousand additional residents and workers to WA annually.

No agency indicates that there are, or can be, the appropriate numbers of skilled Australians to meet Australian labour needs in the short term. Workers on 457 visas provide at least a temporary buffer, but little is known about their longer term impact on the labour market as global employment patterns have shifted so radically in the past five years. The 457 visa labour stream is not intended as a displacement for local skilling, but to meet the needs of an immediate shortfall. A shortfall caused by peak demands for specific skills in remote locations. Skilling adequate Australian workers requires considerable lead time and also the willingness on the part of workers to commit to a very different base location and often life/work balance. Employers would be likely to favour this lower cost option for recruitment. However, it is unlikely

given the current evidence of the current Australian Skills and Productivity Agency that there would be sufficient workers willing to retrain, relocate, and accept radical changes to their life/work balance. In contrast, workers on 457 visas offer immediate skills, labour flexibility, and often specialist skills honed with the same employer in another global location. Indeed the scheme provides one national pathway for increasing the pool of skilled labour with highly valued skill sets. This study explored what such liaisons mean for employers, the workers on 457 visas and their families, and the surrounding local communities. Workers on 457 visas enable employers to deliver infrastructure projects on time that will contribute to significant future national economic prosperity and place the Australian resources industry as world leaders. The workers on 457 visas, and their families, gain desired employment and often a change of life, although sometimes at the expense of their home country. The community gains additional economic wealth and social growth, especially in rural and remote areas. In terms of costs, the investment in recruitment is borne by employers who seek to recoup the investment through timely project completion. The workers on 457 visas inevitably find some cultural connections are displaced and experience the dilemmas of cultural dissonance in the short term. Communities have to adjust to greater diversity and invest in expanding the appropriate infrastructure.

After analysing the three sets of data for this study and exploring the costs and benefits of 457 visa workers for industry, the workers and the community, we suggest three strategies to respond to skill shortages in the WA sector of the economy:

1. Training and retraining of Australian workers with better inclusion of diverse work groups (ageing workers, the disabled, indigenous Australians and women) to ensure long-term talent pools within Australia raising the participation rate,
2. Continued temporary migration of overseas skilled workers as a short-term solution to assist the intensive construction phase of resources projects, ensuring they are completed on time and on budget leading into the longer term production roles for Australian workers and additional skilled permanent migrants,
3. Encouraging and supporting skilled Australian workers to move interstate with incentives and support to improve assimilation for working and living in WA, both in Perth and the regions.

#### Limitations of the study and future research agenda

This study is limited in that it investigated the costs, benefits and issues of using workers on 457 visas within one industry sector in one specific location and there may be different issues associated with such a study if it was replicated in other industry sectors such as manufacturing, retail and the food industry, or in different locations. The workers we sampled for the study were predominantly professionals earning in excess of \$100,000 a year and therefore may have had less life/work pressures compared with the lower income earning potential experienced by workers in other sectors. However, they may have also had greater personal and domestic aspirations than workers who work in sectors that employ the semi-skilled or unskilled. Further research to study these working arrangements in other sectors would be beneficial to gather a holistic picture of employing workers on 457 visas. In addition, longitudinal studies that track the long-term effect on the Australian economy would be beneficial, specifically focusing on the relations to investment in, and displacement of, skills training, social and family challenges and labour economics.

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