

ISAS Insights

No. 429 – 3 July 2017

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The Abolition of Australia's 457 Visa: Impact on India's Skilled Labour Mobility

The state visit by Australian Prime Minister Malcolm Turnbull to India in early April 2017 concluded with the signing of a number of economically significant agreements. While it would usually be considered an important development in bilateral relations, terse statements released by the Australian prime minister in the wake of the visit showed that not all was well between the two nations. This was compounded by the abolishment of the 457 visa, popular with many skilled Indians seeking economic opportunities in Australia. The restructuring of the visa appears to be in line with the anti-globalisation sentiments in developed countries, where the issue of freer movement of skilled labour from relatively less developed economies such as India continues to be one of the key hurdles faced at the negotiating table.

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India's slate of high-level bilateral meetings continued with the state visit by Australia's Prime Minister Malcolm Turnbull to New Delhi in early April 2017, at the invitation of the Prime

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Minister of India, Narendra Modi. There were signs that the relationship between the two countries was not progressing as well as could have been hoped.

Upon the conclusion of his visit to India, the Australian prime minister released terse statements to the government-funded Australian Broadcasting Corporation, stating, “[T]he fact is that the Indian offers have not been adequate to date.” He concluded that, “[Any free trade agreement between the two nations] has got to be a deal worth doing...and it may be that the conclusion will be that the parties are too far apart to enable a deal to be reached at this time.”²

This appeared to dent the hopes that the discussions held during the state visit would act as a fillip to negotiations between the two countries, particularly those regarding the stalled progress on the Australia-India Comprehensive Economic Cooperation Agreement.³ Nonetheless, the state visit resulted in the signing of six memoranda of understanding relating to anti-terrorism, security and technology.⁴

India and Australia have had longstanding relations dating back to 1941, when the Consulate General of India was first opened as a Trade Office in Sydney, Australia.⁵ The people-to-people links between the two countries have also been growing stronger, with India being one of the largest target markets of Australia’s education services exports. Australia has been keen to invest in the vast potential shown by India, with the state visit designed to strengthen and reaffirm the two nations’ commitments in various areas of cooperation.

² Australian Broadcasting Corporation. (13 April 2017). After talks with India, Turnbull concedes that free trade deal may never eventuate. Retrieved from Australian Broadcasting Corporation: <http://www.abc.net.au/am/content/2016/s4653086.htm>.

³ Government of Australia, Department of Foreign Affairs and Trade. (19 April 2017). Australia-India Comprehensive Economic Cooperation Agreement. Retrieved from Government of Australia, Department of Foreign Affairs and Trade: <http://dfat.gov.au/trade/>.

⁴ Ministry of External Affairs, Government of India. (10 April 2017). India-Australia Joint Statement during the State visit of Prime Minister of Australia to India. Retrieved from Ministry of External Affairs, Government of India: <http://www.mea.gov.in/bilateral-documents.htm?dtl/28367/IndiaAustralia+Join>

⁵ Government of Australia, Department of Foreign Affairs and Trade. (24 April 2017). India country brief. Retrieved from Government of Australia, Department of Foreign Affairs and Trade: <http://dfat.gov.au/geo/india/pages/ndia-country-brief.aspx>.

As such, it was an unexpected development when, a week after the conclusion of the bilateral meeting, on 18 April 2017, Australia announced the abolishment of 457 visa.⁶

Indian Professionals' Movement to Australia and the 457 Visa

Popular with many skilled Indian professionals looking to venture outside India, the 457 visa allows employers the ability to sponsor foreign applicants to engage in skilled work and to stay in Australia for a period of up to four years. It has been one of the more popular choices allowing for the entry and temporary stay of foreign workers into Australia, with the options of business- or self-sponsorship. A 2012 update by the Australian government allowed the possibility for visa holders to transition to permanent residency in Australia after a full-time position and two years of work under the employer sponsoring their visa.

According to the Department of Foreign Affairs and Trade, India is the largest source of skilled labour mobility to Australia. In the 2015-16 period, more than 51,000 visa holders were granted permanent residence in Australia, an increase of 2.1 per cent from the previous year, a significant majority (96.5 per cent) of whom were in the economic migration stream. This allowed for foreign workers to move freely within the Australian labour market, contributing to increased population, productivity and innovation.⁷

⁶ Government of Australia, Department of Immigration and Border Protection. (20 April 2017). Abolition and replacement of the 457 visa – Government reforms to employer sponsored skilled migration visas. Retrieved from Government of Australia, Department of Immigration and Border Protection: <https://www.border.gov.au/Trav/Work/457-abolition-replacement>. Also refer to The Hon Peter Dutton MP, Minister for Immigration and Border Protection. (20 April 2017). Joint Media Release with the Hon. Malcolm Turnbull MP, Prime Minister – Strengthening the integrity of Australian citizenship. Retrieved from The Hon Peter Dutton MP, Minister for Immigration and Border Protection: <http://www.minister.border.gov.au/peterdutton/Pages/Strengthening-the-integrity-of-Australian-citizenship.aspx>.

⁷ Wright, C F, Clibborn, S, Piper, N, & Cini, N. (2016). Economic Migration And Australia In The 21st Century. Lowy Institute for International Policy.

Table 1: Share of 457 Visas Granted in the 2015-16 Period, by Country

Citizenship Country	% of total Primary Applicants	% of Total Secondary Applicants	% of Total Applicants
India	24.8	29.1	26.8
China	6.3	6.9	6.6
Philippines	5.2	6.1	5.6
Japan	1.9	2.5	2.2
Republic of Korea	2.0	2.2	2.1
Malaysia	1.6	1.3	1.4
Singapore	0.8	0.4	0.6
Other countries	57.4	51.5	54.7
Total	100.0	100.0	100.0

Source: Author's calculations using data from the Government of Australia, Department of Immigration and Border Protection.

There were nearly 95,000 primary 457 visa holders in Australia as at June 2016. More than 45,000 of these visas were granted in the 2015-16 period, with India topping the list of countries at 24.8 per cent of all primary visas granted during this period. Within the Asia-Pacific region, China and the Philippines followed with 6.3 per cent and 5.2 per cent respectively (Table 1). One of the key benefits of the visa features is the ability of visa holders to bring the members of their families from their home country to Australia, with unrestricted work and study rights in the country. Family members of the primary visa holders were granted more than 85,000 secondary visas in the 2015-16 period. India again accounted for the highest share of all secondary visa holders, with 29.1 per cent granted to those of Indian citizenship.⁸

In each of the Australian states noted in the report, visa holders from India were amongst the top five foreigners in the states, where it was often the single-origin country granted the highest number of visas. Most notably, more than 15,000 of the Indian visa holders were in the New South Wales and Victoria states – they were likely to be concentrated in the cities of Sydney and Melbourne within these states.

⁸ Government of Australia, Department of Immigration and Border Protection. (2017). Subclass 457 quarterly report, quarter ending at 30 June 2016. Government of Australia, Department of Immigration and Border Protection.

Restructuring the 457 Visa

As with the arguments against international labour mobility inflows, there have been allegations of misuse of the visa by employers – they relate particularly to the exploitation of foreign workers in Australia. The major concerns included “evidence” that the visa holders were not working for the employer who nominated them or were not being paid the promised rate.⁹ There were also controversies relating to the modification of requirements needed for visa applicants, including the recommendation for the relaxation of the English-language competency requirement in 2014, with the need to broaden the talent pool cited as the reason behind the change.¹⁰

The English language is one of the world’s most commonly-used languages, and also the working language in most developed countries which the Indian migrants focus on. The increased stringency of the English language proficiency test is one which could hinder employment opportunities to those not meeting the higher standard – such opportunities are available mostly to those in the upper socioeconomic bracket who have the means to learn both Hindi and English.

A leaked monitoring report, conducted by the Office of the Fair Work Ombudsman in October 2014, found that over 40.0 per cent of the 457 visa holders were in violation of the conditions of the visa, either voluntarily or involuntarily. In particular, the report raised questions on the employers increasingly using the visa to employ relatively inexpensive, less skilled workers, mostly those from the Asia-Pacific region, including India, compared to their domestic counterparts, thus not meeting their sponsorship obligations. This results not only in shrinking overall wages, but also in a shortage of suitable, qualified Australian applicants being employed for the skilled jobs.

⁹ Aston, H. (19 October 2014). Leaked report raises concerns over 457 visa. Retrieved from The Sydney Morning Herald: <http://www.smh.com.au/federal-politics/political-news/leaked-report-raises-concerns-over-457-visa-20141018-117wfc.html>.

¹⁰ Government of Australia, Department of Immigration and Border Protection. Robust New Foundations: A Streamlined, Transparent and Responsive System for the 457 Programme. Retrieved from Government of Australia, Department of Immigration and Border Protection: <https://www.border.gov.au/ReportsandPublications/Documents/reviews-and-inquiries/streamlined-responsive-457-programme.pdf>.

Unemployment in Australia has been slowly creeping up, with latest figure at 5.7 per cent as at May 2017.¹¹ While the current visa holders are not affected, and “[although Australia is] an immigration nation ...the fact remains: Australian workers must have priority for Australian jobs”, according to a statement by the Australian prime minister.¹²

The abolishment of the 457 visa, and the subsequent projected replacement with two new streams of the Temporary Skill Shortage (TSS) visa in March 2018, seeks to address the above criticisms in regard to “genuine” skills shortages in the workplace and the growing Australian unemployment, by putting “Australians first” and by recruiting only the “best and the brightest in the national interest” from overseas.

The reforms aim to address the issue of hiring genuinely skilled applicants from overseas, with the additional safeguards intended to prioritise Australian workers. In addition, employers are faced with a “non-discriminatory workforce test” to ensure that Australians are not genuinely being discriminated against. Increased training and skills development for Australian workers are also required as part of the new visa requirements.

The new occupations list, the Medium and Long-term Strategic Skills List, was compiled to align with the Australian government’s longer-term skills development strategy and considered to be of high value to the Australian economy. There are currently 435 occupations eligible for the visa, a decrease of 216 occupations from the list of occupations eligible for the 457 visa. India has traditionally been strong in the services sector, particularly in the field of information technology. It has been exporting these skills to the developed countries, including Australia, which seek increased innovation and technological capabilities. The removal of such occupations for the new TSS visa in these sectors is likely to slow Indian professional mobility to Australia.

¹¹ Australian Bureau of Statistics. (27 June 2017). 6202.0 - Labour Force, Australia, May 2017. Retrieved from Australian Bureau of Statistics: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

¹² The Sydney Morning Herald, (24 April 2017). Malcolm Turnbull to abolish 457 immigration work visas. Retrieved from The Sydney Morning Herald: <http://www.smh.com.au/federal-politics/political-news/malcolm-turnbull-to-abolish-457-immigration-work-visas-20170418-gvmw34.html>.

Conclusion

The abolishment of the 457 visa is only one of the more recent examples of anti-globalisation trends seen globally, particularly in the developed economies with high inflows of skilled labour. Countries such as the United States and New Zealand have also announced their intentions to reassess the immigration and skilled migration policies.

India has always been keen to increase its labour and professional outflow to capture the economic opportunities presented in other countries, hoping that the skills accrued would eventually result in skills and technological inflow into the country. In addition, India is reliant on the remittances inflow, which accounts for a significant part of the Indian economy. In 2015, it contributed to 3.3 per cent of the gross domestic product, and more than US\$68.9 billion (S\$95.4 billion) in remittances inflows. Bilateral remittances inflow from Australia accounted for US\$1.8 billion (S\$2.5 billion) in 2015.¹³

The measures relating to the 457 visa requirements, as well as planned assessment of visa requirements by several other countries, do not bode well for India, which, with its status as a developing nation, is keen on exporting its skilled labour and professionals to the developed countries. The skilled labour outflow of Indian citizens continues to be a key point of contention in negotiations between India and its bilateral partners, including Australia. Given the potential domestic economic ramifications of such measures, it is perhaps prudent for India to conduct a periodic review of the proposed changes in international labour policies so as to develop mutually agreeable labour agreements with its partners.

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¹³ World Bank. Migration and Remittances Data.