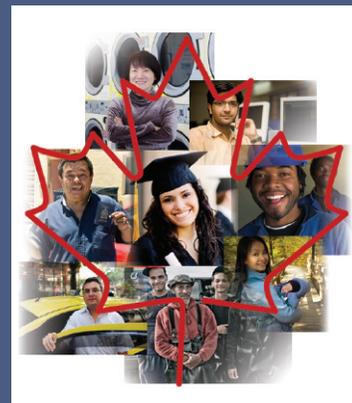


# TWO-STEP MIGRATION: AUSTRALIA'S EXPERIENCE

Lesleyanne Hawthorne

In the past decade Australia has developed unprecedented reliance on skilled migrants, notably former international students. University of Melbourne professor Lesleyanne Hawthorne examines how this transformation has impacted skilled migrants' and international students' labour market outcomes, as well as Australia's education sector. She finds that by 2005, offshore skilled applicants were doing better than onshore applicants, and that international students' outcomes were significantly worse than those of Australia-born recent graduates. She also points out that the introduction of two-step migration unintentionally coincided with the development of perverse educational incentives. However, in the last two or three years, reforms have been introduced to ensure language capacity and quality control of the rapidly emerging private training sector. These reforms, she says "are designed to maximize outcomes for international students in the future."

Au cours des 10 dernières années, l'Australie a plus que jamais privilégié les immigrants qualifiés, notamment les étudiants étrangers. Lesleyanne Hawthorne, de l'Université de Melbourne, examine comment ce choix a modifié la situation sur le marché du travail de ces immigrants et étudiants mais aussi le secteur australien de l'éducation. Elle révèle qu'en 2005, les candidats qualifiés provenant de l'étranger faisaient meilleure figure que les candidats du pays et que la situation des étudiants étrangers était beaucoup moins enviable que celle des récents diplômés nés en Australie. Elle montre aussi que l'implantation de ce processus d'immigration en deux étapes a coïncidé avec l'introduction d'incitations aux effets pervers dans le secteur de l'éducation. Mais les réformes introduites depuis deux ou trois ans pour assurer la capacité linguistique et le contrôle de la qualité au sein du secteur privé de la formation visent justement à corriger cette situation, dit-elle.



**I**n the past decade Australia has developed unprecedented reliance on skilled migrants — a process intensified by a period of sustained economic boom. By the time of the 2006 Census, 57 percent of all degree-qualified information technology (IT) professionals were born overseas, compared with 52 percent of engineers, 45 percent of doctors, 41 percent of accountants and 25 percent of nurses. While many had migrated in childhood, a disproportionate number had been selected by Australia in the previous five years (2001-06), including 36 percent of all migrant professionals in IT, 32 percent in accounting and 28 percent in engineering (across economic, family and refugee/humanitarian categories).

Analysis of skilled migration visas for the past two years allows important insight into trends occurring within this phenomenon. Women's participation as primary

applicants has increased, and migrants in the fields of accounting and computing have been dominant. More strikingly, however, large numbers of economic migrants are now sourced in Australia rather than offshore: 62 percent of primary applicants in 2006-07 compared with 35 percent in 2008-09.

The great majority of these onshore migrants are former international students, exemplifying Australia's transition to what is termed "two-step migration." Former international students are highly acceptable to Australian employers, regardless of their ethnic origin and in virtually any field. In 1999, following the removal of a three-year bar, international students immediately became eligible to migrate. Within a year of the policy change, 50 percent of economic applicants were persons holding Australian degrees. From 2002, former international students were

permitted to apply onshore, and they were ideally placed to secure maximum points if they possessed a recognized vocation-related degree (60 points), were between 18 and 29 years

Thirty-nine percent of these students were taking degrees (146,870), but the tertiary sector was rapidly being matched by vocational training enrolments (138,562). By May 2009, India

percent) and India (23 percent). Many secured Australian work only at the cost of severe deskilling, including large numbers in clerical, manufacturing or sales employment. Still, on a comparative basis, these outcomes were not bad in world terms, particularly in regulated sectors. For example, 66 percent of Indian doctors who migrated to Australia between 1996 and 2001 secured medical employment within five years of migration. The directly comparable figure for Canada was 19 percent.

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old (30 points), had advanced English language ability (20 points, with testing exempted) and had an Australian qualification of 12 months or more (later extended to two years; 5 points); they got further bonus points for an occupation in demand, a local job offer, fluency in a community language and a skilled partner.

By the time of Australia's 2006 economic migration review, former international students had a 99 percent chance of being selected, unless they had failing health or had failed a character check. The scope for migration had also established new international student markets (primarily China and India), while transforming the sector and discipline of demand. Students enrolled in courses they perceived as giving them the swiftest and easiest path to selection. Migration had become critical to Australia's export education industry, with students generating A\$26.7 billion per year by 2008, the country's third-largest export.

By August 2008, 474,389 international students were enrolled in Australian tertiary education (universities), vocational education and training (VET), English language courses and other schools, including very substantial numbers located offshore. In February 2009 374,451 international students were resident in Australia, with those from China (89,907) and India (68,854) the dominant groups, followed by those from the Republic of South Korea, Malaysia and Nepal.

had become the primary new student source, in a context where 66 percent of all Indian students transferred to permanent resident status, compared with an estimated 38 percent of students from China.

Australia's motivation in recruiting international students as skilled migrants has been to improve skilled migration outcomes — in particular, to secure applicants capable of making an immediate "positive contribution to the Australian economy, labour market and budget."

From 1996 to 2006 Australia's primary sources of degree-qualified migrants were the UK and Ireland (102,338 arrivals), India (49,106), China (46,231), the Philippines (28,816), Malaysia (26,678) and North Africa and the Middle East (23,342). Large numbers of these migrants had difficulty translating their qualifications to professional work. Their unemployment rates were higher than Australian norms, in a context where disproportionate numbers were categorized as being "not in the labour force" — a category that covers people who are in English language training and pursuing full credential recognition.

Disadvantage persisted for such migrants who had been resident in Australia up to 10 years, most notably those from Japan and South Korea (only 14 percent were employed in their profession of qualification full-time by 2006), China (18 percent), the Philippines (20 percent), Indonesia (21

The export education sector was an immediate beneficiary of Australia's policy shift toward student migration. From 2005 to 2008, the industry grew by 48 percent. The students' average age was 24 years in 2008. Just over half were male (56 percent), a pattern especially marked for those from India (76 percent), Nepal

#### TWO-STEP MIGRATION ACROSS OECD COUNTRIES

This phenomenon of two-step student migration is proliferating worldwide. The majority of OECD countries are in the process of:

- developing migration categories designed to attract and retain skilled workers;
- monitoring and replicating successful competitor models, including mechanisms for selection and control;
- combining government-driven and employer-driven strategies;
- expanding temporary entry options and targeting international students and employer-sponsored workers;
- facilitating the transition of students and workers from temporary to extended or permanent resident status, supported by priority processing and uncapped migration categories;
- creating regional settlement incentives designed to attract skilled migrants, supported by lower entry requirements and policy input from local governments and/or employers; and
- supporting the above strategies through sustained and increasingly innovative global promotion strategies.

(71 percent), Sri Lanka (67 percent), Bangladesh (84 percent) and Pakistan (92 percent). In comparison, there were strong female flows from Japan (66 percent). The majority of these students were enrolled in degree programs.

But to what extent has the anticipated “win-win” for Australia’s skilled migration program occurred?

A review commissioned by the Australian government and published in 2006 — the most extensive conducted in 20 years — raised a number of troubling issues. First, while 83 percent of onshore and 82 percent of offshore skilled applicants had secured Australian employment within six months of migration by October 2005, migrants recruited offshore were found to enjoy superior work outcomes. Most notably, former international students had:

- lower annual salaries of around A\$33,000 (compared with A\$52,500 for offshore arrivals);
- lower average weekly earnings of A\$641 (compared with A\$1,015);
- lower job satisfaction (with 44 percent liking their work compared to 57 percent of offshore migrants); and
- far less frequent use of formal qualifications in current work (46 percent compared to 63 percent).

Second, outcomes for international students were also significantly worse than those of Australia-born recent graduates. Age and lack of experience were not the key issues. A number of factors were identified as contributing to this phenomenon, in particular:

- unrealistic assumptions on the part of the government concerning the speed and certainty of international students’ post-arrival English development, in a context where short English courses could deliver guaranteed access to degree and diploma courses (in some institutions) regardless of level of improvement;
- potentially compromised academic entry and progression standards

(in select institutions);

- inadequate surveillance and quality control of the rapidly emerging private training sector that provided courses for students in the burgeoning vocational education sector; and
- the high level of cultural and linguistic enclosure experienced by many international students in these private training facilities, where students were sometimes totally segregated academically.

In terms of English language testing, for instance, from 1999 to September 2007 international students seeking migration were exempted on the assumption that their English and acculturation levels were at “vocational” level by time of selection; that is, they were expected to score band 6.0 on the International English Language Test System (IELTS). The skilled migration review provided compelling evidence that this was not always the case.

A survey conducted by the Australian immigration department in late 2004 found that 43 percent of students from China applying for skilled visas had IELTS scores of band 5.0 when tested on *completion* of their Australian degrees. Students from Vietnam, Thailand, Taiwan and Korea also performed poorly. Onshore appli-

Since September 2007 decisive steps have been taken to address this issue: IELTS 6 is now required for skilled migrants, few test exemptions are extended, and 25 bonus points are awarded to applicants rated IELTS 7 or above.

Australia’s second major problem — private sector quality control — was the result of the allocation of up to 20 bonus points to skilled applicants with qualifications on the skilled Migration Occupations in Demand List (MODL). In 2004-05, when the pass mark for selection was raised from 115 to 120, possession of a MODL occupation had become the key determinant of selection.

Within a year of this policy shift 42 percent of skilled independent migrants applied on this basis, compared to just 9 percent the previous year. At the same time diploma- and certificate-level trades were being added to the list in unprecedented numbers: 47 by 2007, compared with 27 in 2005 and just 3 in 2002 (a process driven by Australia’s resources boom). Private training colleges responded rapidly to this opportunity, including registered training organizations described to the author in the course of the skilled

**By 2006, at a time of sustained economic boom, labour market participation rates were strong in Australia for former international students. Ninety-five percent were employed, compared with 93 percent of those recruited offshore — a far more positive level of engagement than 1999-2000 arrivals (62 percent), and far exceeding improvements attributable to the economic cycle.**

cants’ scores were worse the following year; indeed, they were well below course entry-level requirements. This had clear potential to compromise students’ academic and employment outcomes, in a context where research confirmed English to be the most important determinant of employment outcomes at 6 and 18 months.

migration review as “wily entrepreneurial players existing solely to funnel international students into skilled migration.”

Indian students proved the most responsive to technical training options, with 36,045 enrolled in such courses by June 2008 (compared to 1,827 six years earlier), and 21,111 enrolled in degree programs.

Dramatic growth in student demand also occurred for hairdressing and hospitality courses, as these could secure migration bonus points equivalent to six-year medical degrees. Serious abuses in Australia were uncovered, at a time when vocational private-sector quality assurance mechanisms were poorly developed. By May 2009, international student enrolments in vocational education

migrants are now sponsored. Third, for unsponsored applicants the critical determinant of selection became possession of a qualification on the newly devised Critical Skills List, which overwhelmingly favoured degree-level courses. Fourth, a major review of the MODL was completed in late 2009, following three years associated with serious “imbalances,” when five occupations had accounted for “almost

trimmed in response to the global financial crisis. Though a target of 133,500 had been set for 2009-10, this was cut to 108,100 in May 2009, at a time when major reforms to the temporary employer-sponsored-worker category were also being implemented. Student enrolment patterns changed immediately in response: university enrolments surged by 13 percent in March 2010, and demand for technical courses declined rapidly.

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and training were growing by 50 percent per year, compared with just 1 percent in the tertiary sector. There was a growing concern that “widespread rackets among private trade colleges were...undermin[ing] Australia’s education, immigration and employment systems.”

Australia’s introduction of two-step migration for international students had unintentionally coincided with the development of perverse educational incentives. In December 2008 the Australian government announced major policy reforms, which took into account “the needs of industry, the different skill demands emerging across the country and the growing interaction between temporary and permanent migration in Australia.”

First, the government confirmed its progressive shift to a demand-driven program for permanent migrants, in contrast to Australia’s historic reliance on the supply-driven model. Second, since January 2009 skilled applicants have been competitively ranked for processing, with employer and state/territory nomination the key determinant of selection (the view being that these stakeholders are best placed to define niche economy needs). In consequence, an estimated 70 percent of temporary and permanent skilled

half the visas granted to primary applicants.” (This included 28,800 primary applicants in the seriously oversubscribed field of accounting.) Finally, the Department of Immigration and Citizenship explicitly decoupled study in Australia from expectations of skilled migration.

The introduction of the Critical Skills List had serious ramifications for private training sector providers, causing distress to many enrolled students. By May 2009 just three trade occupations were included on the list, which was now dominated by health, engineering and IT professions. The

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study-migration pipeline was decisively transformed, at a time when 111,273 international students were enrolled in business or commerce certificate courses or degrees, and many had strong expectations of migration.

Further, from January 2010 skilled onshore applicants were required to sit a “jobs ready” test to check that they had the skills being claimed, and the skilled migration program was

Within this dynamic policy context, to what extent had the anticipated win-win from student migration actually occurred, with 12,867 students gaining permanent residence as skilled primary applicants in 2004-05, 22,858 in 2006-07 and 21,421 in 2007-08 (by definition, before the implementation of these reforms)? To answer this question, 2006 Census data and 2002-08 international student enrolment data were analyzed, in addition to a definitive immigration department longitudinal database (Longitudinal Survey of Immigrants to Australia 3).

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for former international students. Ninety-five percent were employed, compared with 93 percent of migrants recruited offshore — a far more positive level of engagement than 1999-2000 arrivals (62 percent), and far exceeding improvements attributable to the economic cycle.

As demonstrated by longitudinal data analysis, by 2006 they had labour market participation levels

comparable with those of offshore migrants. Their early employment rates were strong (85 percent at six months) — far exceeding outcomes for degree-qualified migrants in their first 10 years of arrival (all immigration categories). While they were less likely to be professionally employed at 6 or 18 months than comparable offshore migrants, select groups (from China, Commonwealth-Asia and the Middle East and North Africa) benefited significantly from the study-migration pathway, with lower unemployment rates. For example, 55 percent of economic primary applicants selected in China gain work in Australia within six months, compared with 75 percent of China students who have qualified in Australia.

Overall, 30 percent of former international students were working in their profession at 18 months, compared with 36 percent of offshore migrants. Course length and qualification field were found to profoundly influence these outcomes, along with former students' level of English. In disciplines

associated with three or more years of Australian study and/or stronger labour market demand, onshore migrants were more likely to be professionally employed than offshore migrant, or to enjoy parity (e.g., in nursing, medicine, engineering and law). In contrast, international students qualified in two-year courses and/or in oversubscribed fields such as accounting and IT had inferior outcomes. The recent dominance of international enrolment in business, accounting and IT was a major contributory factor to 28 percent of all onshore primary applicants being in low-skilled work at 18 months, compared with 41 percent of offshore migrants.

But possession of Australian qualifications could offset disadvantages. For example, 30 percent of former students from China were employed in their professions at 18 months, compared with 26 percent of offshore migrants. While the major predictor of employment was the level of English (migrants speaking it very well are four times more likely to

be in work), multivariate analysis showed the next most important predictor was place of qualification — with former international students best placed.

Australia's recent skilled migration policy reforms are designed to maximize outcomes for international students in the future by selecting graduates with enhanced English language ability, recent Australian work experience and professional, rather than trade-sector, training. The next challenge will be to keep them, in an increasingly competitive global environment where students have been prioritized for selection by multiple OECD countries.

*Lesleyanne Hawthorne is a professor at the University of Melbourne. This article is based on "How Valuable is 'Two-Step Migration'? Labour Market Outcomes for International Student Migrants to Australia," Asia-Pacific Migration Journal, Special Edition, vol. 19, no. 1 (2010): 5-36.*



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