



AUSTRALIAN
AUTOMOTIVE
DEALER
ASSOCIATION

RESPONSE TO THE INQUIRY INTO AUSTRALIA'S SKILLED MIGRATION PROGRAM

5 MARCH 2021



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FOREWORD

The AADA is pleased to be able to provide a response to Joint Standing Committee on Migration Inquiry into Australia's Skilled Migration Program.

The AADA is the peak automotive industry advocacy body, exclusively representing franchised new car Dealers in Australia. There are around 1,500 new car Dealers in Australia that operate over 3,200 new vehicle dealerships. Franchised new car Dealers in Australia directly employ some 60,000 people and indirectly are responsible for many more who are employed in businesses which provide products and services to Dealer operations. Employees working in the franchised new vehicle sector have a wide range of skills and qualifications enabling Dealers to recruit from a broad cross section of the community.

The Australian automotive industry is one which is experiencing major technological change. New cars are very advanced and contain sophisticated computing power controlling complex mechanical systems. As the transition to electrified drive trains gathers pace, the demand for highly trained and skilled automotive technicians is growing. Technicians of this calibre are essential to safely and efficiently diagnose and repair cars with electrified drivetrains.

The technological changes are unfortunately occurring at a time when the automotive industry is suffering from a chronic shortage of skilled labour, a situation which has been growing steadily worse over recent years and is not predicted to ease anytime soon. A 2018 report by the Department of Jobs and Small Business determined that 51% of employers were unsuccessful in attracting suitable applicants and the sector was in the grip of a skills shortage lasting four consecutive years.

The AADA fully supports the training of Australian apprentices and the recruitment of qualified and experience Australian staff in dealerships wherever possible, however it is evident that demand for skilled labour in automotive repair services is outstripping supply which is a threat to our transport needs.



James Voortman

Chief Executive Officer



RESPONSES TO THE TERMS OF REFERENCE 1A & 2

There are a number of issues for Australian employers seeking to recruit skilled workers from overseas to work in Australia. The most important are:

TRAINING LEVY

The Australian Government requires employers who may already spend a significant amount on training their staff, to also pay a training levy to the Skilling Australians Fund of \$7,200 for each overseas skilled worker that obtains a four-year visa. This is in addition to around \$3,300 that the Government charges for the employer nomination and visa application charge.

The training levy treats employers who train the same as employers who do not train their staff. The Australian Government until August 2018, relied on businesses being able to demonstrate that they spent at least 1 per cent of their payroll on training, instead of imposing a training levy. A disadvantage of this approach was that employers who did not train or could not meet the training threshold of 1 per cent were prevented from recruiting international talent or poached staff off their competitors who did train. This adds significant costs to the Australian economy and diminishes the losing business' commitment to training.

Additionally, a training levy allows companies that did not train or could not meet the training requirement to pay a training levy and access international talent. The imposition of the training levy, while an admirable policy response for employers unable to meet the former training threshold, is penalising employers who engage apprentices and train.

Instead, the Australian Government should retain the training levy for business that do not adequately train and exempt those businesses that can demonstrate that they spend at least 1 per cent of their payroll on training. Immigration officials have previously argued that it was difficult for their staff to determine whether a business met the training threshold or not. This is easily addressed by requesting the declaration of independent accountants to provide evidence that sets out the payroll amount, the amount spent on training and the relevant percentage of payroll spent on training.

The training levy is seen by many employers as a grab for cash to address shortfalls in VET funding in Australia. Businesses that employ overseas skilled workers in Australia who seek permanent residency are again charged a further \$5,000 as a training levy. This is despite the employer agreeing to continue to employ as a permanent resident a person who was an overseas skilled worker for whom they have already paid a training levy. This skilled immigrant is helping solve the skills shortage by remaining in Australia. What is the rationale to charge an employer again? The reality is that many employers are reluctant to pay an additional \$5,000 to retain their skilled worker which could cause the skilled worker to either return home or seek employment with another business.

Section 2

POLICY COHERENCE

The blanket imposition of a training levy is sending the wrong signals to the market. The government imposition of a \$7,200 fee for the training effectively sets a 'price' for skilled worker and suggests a skilled worker is only worth \$7,200. The role of the employer to address their own training needs has now been diminished as it is perceived that the Government will solve the training crisis with their Skilling Australians Fund. This could lead to many employers reducing their commitment to training apprentices which is estimated to be around \$120,000 over four years for wages, superannuation, supervision costs and training fees.

By placing a 'price' on an overseas skilled worker, the Government's training levy will in fact have a counterproductive effect by reducing an employer's commitment to training and a reduced commitment to employing apprentices, which will only worsen the current skills shortages. Surprisingly, criticism by business to the training levy, was met with government responses that the training levy is going to save business money. There has been no explanation of how this will occur. The only possible option would be if business stops training their staff and stops employing apprentices, which is surely not the intention of government.

There are concerns in businesses that the introduction of the training levy is a backwards step as it is an old style 'supply side' response to training based on the 'train them and they will get a job' mentality rather than relying on 'demand side' responses where employers recruit apprentices and train them on the job, which is more sustainable.

Concerns also exist regarding international skilled workers who have been contracted to an employer who has paid for the employer nomination, visa application fee and the training levy, being induced to break their contracts and being 'poached' by other employers. This is because these employers do not have to wait for the 5-6 months it takes the skilled workers to arrive in Australia and because it is significantly cheaper. For example, the \$2,130 employer nomination fee and training levy for one year compared to \$10,505 for the initial employer consisting of employer nomination fee, visa application charge and training levy for four years. There should be no scope for 'poaching' by other employers. Overseas skilled workers should only be permitted to break their four-year contracts where the business has closed, there has been proven bullying or the company has breached occupational health and safety and/or industrial laws, including the correct payment of wages.

Section 2

LABOUR MARKET TESTING

Businesses have concerns that the current labour market testing arrangements are not sufficiently flexible due to the need to ensure that any employer nomination for an international skilled worker is made within four months of the job advertisement.

This does not provide the employer with sufficient time to:

- Ascertain that there are no qualified or suitable Australians available for the position.
- Locate, short list and select a recruitment agency to assist with sourcing international talent.
- Conduct interviews with the recruitment agency for the international talent,
- Make a job offer to international talent.
- Prepare and lodge the employer nomination.
- This does not provide the overseas skilled worker with sufficient time to undergo an Australian skills assessment (these are conducted irregularly and normally require at least two-three months to obtain a result).

A longer period of at least 6 months is more realistic.

CONCLUDING COMMENTS

We would be happy to discuss and answer any questions about our submission. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact us.

If you have any questions, please contact me on:

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