

THE BUSINESS SKILLS PROGRAM: IS IT DELIVERING?

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The Business Skills program has not been subject to the same critical evaluation and reform as have other migration categories since the Coalition Government came to power. However, a review of the activities of business skills migrants suggests they are not performing at the level some advocates of the program claim. A recent analysis of business migrant's activities in Canada helps explain their modest performance.

Business migration has a chequered history in Australia. The numbers visaed reached 10,000 (including dependents) in the late 1980s. In August 1991 the Business Migration program was abolished as a result of concerns that it was not achieving its targeted goals of generating investment in new Australian businesses. The program fell into disrepute in part because it was poorly administered. In the late 1980s anyone who could afford the cost of a migration agent to construct a plausible business plan and who promised the necessary investment to achieve the plan was assured of a visa. The business skills of applicants were not reviewed nor was there any English language requirement. There was also no subsequent evaluation of successful applicant's business activities in Australia.

In 1992, a new Business Skills program was initiated on a more modest scale and under a stricter administration regime. By the end of the 1990s the program reached around 6,000 visas. Though not large, it is an interesting category. Since the Coalition came to power in March 1996, business migration has not been subject to the same critical scrutiny as other migration categories (including the various family reunion components). The Independent and Concessional (now Skilled - Australian Linked [SAL]) categories were subject to penetrating

inquiries which led to sharper targeting of the selection criteria.¹ One major reform affecting these two categories was a threshold requirement that all applicants must possess functional English as determined by a professional test of their proficiency. By contrast, reviews of the Business entry programs in the late 1990s led to less stringent selection criteria.

Perhaps this differential treatment reflects the attraction business migration holds for those anxious to see migration playing a role in boosting Australia's human capital. Some argue that, as with the recruitment of scarce IT or other professional skills, Australia must benefit from the addition of persons with business skills and the capital to put these skills to work. Such people are thought to have access to new markets in Asia inaccessible to Australians without local knowledge or business connections. The recent push on the part of Australian business interests for a major increase in the migration intake, led by the Business Council of Australia, features claims concerning the benefits which would flow from more business migrants. For example, David Uren, Editor of the Business Council of Australia's journal (BCA Papers) and a business columnist for the Australian, claims that migrant firms bring new knowledge and enterprise which makes them more successful than their resident

counterparts.²

It is important to establish whether these claims are realistic. There have been two recent evaluations of the program which are both discussed below. One was by Access Economics in 1998 and the other in 1999 by the Business Advisory Panel (BAP), which is a Government appointed Committee charged with the task of providing advice on migration directed at business needs. Both evaluations relied heavily on data drawn from business migrants' experience in Australia. When the program was revived in the 1990s it was tightened in several ways. A new selection system was introduced which assessed the applicant's business skills, rather than his/her promises of future action in Australia. This was done by examining whether the applicant could show a successful business record, as indicated by business turnover, numbers of employees, labour costs and total business assets of the main business. Persons who were passive investors or speculators were not eligible to apply. In addition, the applicant's age, English language ability and net assets were all included in the new assessment system. However, unlike the Independent and SAL categories functional English is not a mandatory requirement and the applicant's English is not professionally assessed. Rather, applicants self assess, with Department of Immigration and Multicultural Affairs (DIMA) officers checking this assessment at interview.

Another important innovation was that business migrants were required to provide information on their business activities in Australia via a DIMA Survey mailed out to them after 12, 24 and 36 months (though recently the 12 month Survey has been dropped). Those who did not establish a business were told that

their visa could be annulled. Some, including 22 in 1998-99, three in 1999-2000 and 24 up to November 11 in 2000-2001, have lost their visas on this account, even though all they have to do is establish any business here regardless of how small. Also if business migrants do not establish a business yet take out Australian citizenship after two years residence the provision becomes inoperative.

The evaluations cited above were based on the information returned by business migrants, as is this article. These surveys of business migrants have proved to be invaluable in assessing the program. The only reservation, also expressed by a recent Commonwealth audit of business migration, is that there has been very little site validation by DIMA officers to assess the quality of the information provided by business migrants.³

In 1999-2000 some 60 per cent of the business skills category visas issued to principal applicants were to those applying under the Business Owner subclass. Their business skills are assessed according to the criteria described above. The other major business skills categories in 1999-2000 were 'Senior Executives' (21 per cent of visas to principal applicants), 'Investment Linked' (ten per cent) and 'Established business in Australia' (seven per cent). The investment linked group have to invest at least \$750,000 in a designated investment site in Australia. DIMA's Survey of activity is designed to assess how the Business Owner and Senior Executive group are doing once in Australia. The Survey does not address the Established business in Australia category. This is a small but growing sub-category of business migrants who apply in Australia on the basis of having already begun a business activity while here on a temporary visa. Their numbers

may expand in future because the program has only recently been initiated and there is a residential qualifying period. The discussion below is less relevant to these business migrants since, in order to qualify, they have to establish they have already started a substantial Australian business.

In the case of the 1998 Access Economics evaluation, the consultants concluded that:

the Business Skills Category (BSC) immigrants have performed very well in terms of the program objectives: they have strong international links, have created employment and generally added to the level of commercial activity in Australia... The BSC immigrants are actively engaged in the application of new technology and the introduction of new processes and/or products, especially in the manufacturing sector.⁴

Access Economics argued that business migrants performed well when benchmarked against Australian businesses of comparable size, industry and age. But the data Access Economics reported were expressed in terms of average investment, turnover and related figures. The report did not explore the possibility that a few 'stars' could sway the outcome. Access Economics also ignored the minority of business migrants who did not start a business at all.

The 1999 BAP report was also enthusiastic. It did not conduct any new investigation. Rather it claimed that the monitoring of the business migrants' activities derived from the 24 and 36 month Surveys showed that 'quality entrants' are being attracted. The Panel concluded that its 'review has confirmed that Australia's Business Entry Programs are fundamentally sound and successful in attracting high quality business entrants with resultant significant benefit to Australia'.⁵

There is no evidence that the BAP considered any alternative views, since none are referred to in its report. There is no discussion, for instance, of the importance of English language proficiency in doing business in Australia. One reason may be that the BAP was composed entirely of business people, including several who are involved in attracting and servicing overseas business interests in Australia.

The BAP's stance probably also reflected the Government's terms of reference for its inquiry. These stated that the context was one in which there was a likelihood of 'continued softening in business entry grant outcomes'. In other words the implication was that, in a competitive international environment, Australia might have to do more to attract such migrants. The outcome was that the BAP recommended easing the entry criteria. Its major recommendations were that the selection system be changed such that (a), the threshold criterion that business owners hold net assets in business of at least A\$300,000 be reduced to A\$200,000 and (b), that reference to specific employee numbers in the selection criteria be removed. Though this implied that some applicants with quite low business assets might gain selection, the BAP argued that in the contemporary business setting, capital was no longer so crucial. It asserted that people can lease or borrow capital and that in some areas, like IT, high business turnover could be generated with limited capital.⁶ These two recommendations were implemented in November 1999.

What are business migrants doing?

The most recent data from the survey of business migrants is that released in March 2000 which covers the activities of those who arrived during the year

1996-97 and been here at least 24 months at the time of the survey. Though not noted in the two reports discussed above the published results of the survey provide a range of data on business performance other than average investment and turnover figures. Data on net worth and turnover is shown in Table 1. In order to give an indication of recent performance trends, parallel data are provided for business migrants arriving in 1994-95 after 24 months in Australia (that is by year 1996-97).

For the 1996-97 arrivals, 237 or 25 per cent report no business activity. Of those who were in business, 61 per cent indicated that their main business was in wholesale trade and another 10.5 per cent that it was in retail trade. Only six per cent reported that their business involved manufacturing. Most of the 732 business skills migrants who were engaged in business by 1998-99 did so on a small scale. Only half report a turnover of more than \$100,000. There are a few business migrants, however, who claim to be very active, including four per cent with a turnover of \$5million or greater. When these 'stars' are averaged in with the smaller firms and those not in business are excluded, as in the Access Economics report, the figures look much better.

The low turnover figures shown in Table 1 are mirrored in the small net worth of the businesses. Some 59 per cent of business migrants arriving in 1996-97 report that the net worth of the main business they are involved in after 24 months is less than \$100,000. Some of this net worth may also be partly attributable to business partners. When asked how much capital they had personally invested in the business, 61 per cent said less than \$100,000. The median level of investment for all 732 respondents was \$80,000.⁷

Some improvement is likely with extra

time in Australia. The proportion involved in business certainly increases, no doubt partly because those not yet in business will be afraid that they might forfeit their permanent residence visa. For the 1994-95 arrivals listed in Table 1, one year later when the 36 month return was compiled, 88 per cent reported being engaged in business in Australia (compared with 74 per cent at 24 months — see Table 1). Turnover figures also improved, though mainly for the minority of large investors.⁸ Whether the 1996-97 arrivals report similar improvement remains to be seen. Table 1 shows that the larger 1996-97 cohort reported lower business activity than its 1994-95 counterpart after 24 months.

The figures indicate that the 25 per cent of 1996-97 arrivals who are not engaged in business in Australia, as well as the substantial group who are in business but who are operating on a small scale, do not warrant the label 'quality

Table 1: Turnover of main business* for arrivals in 1994-95 and 1996-97 after 24 months residence in Australia, per cent

Turnover of business	Arrived 1994-95	Arrived 1996-97
< 100,000	42	51
100,001-250,000	16	16
251,000-500,000	12	12
500,001-1,000,000	10	8
>1,000,000-5,000,000	15	9
>5,000,000-10,000,000	3	2
>10,000,000	3	2
Total	100	100
Total number in business	349	732
Numbers not in business	123	237
Percentage engaged in business	74	75

Source: DIMA, Getting into Business in Australia, *Business Skills Survey Report*, March 2000

* Refers to the main business in which a business migrant is involved. The migrant may be a part owner of the business.

Table 2: Net worth of the main business for arrivals in 1994-95 and 1996-97 after 24 months residence in Australia, per cent

Net worth (\$)	Arrived 1994-95	Arrived 1996-97
<100,000	47	59
100,001-250,000	19	16
250,001-500,000	13	11
500,001-1,000,000	9	7
>1,000,000	12	7
Total	100	100
Total number in business	319	732

Source: DIMA, Getting into Business in Australia, *Business Skills Survey Report*, March 2000

entrants' applied to them by the BAP. Also, most businesses were in the wholesale or retail area. Very few appear to fit the Access Economics description of being engaged in 'new technology' or 'new processes'.

Why the low performance levels?

Perhaps the 24 month criteria applied above are too short. It may be that the benefits are better seen in a longer-term perspective. These might include the activities of children as well as the original principal applicants. Also, the DIMA survey data make it clear that a high proportion of business migrants are still heavily involved in their off-shore businesses after 24 months and spend much of their time overseas. It may take some time before their primary focus shifts to their Australian business.

An alternative view is that the low performance levels shown in the Surveys are a reflection of the economic circumstances business migrants face here as well as the limitations of the skills that they bring to these circumstances. It is also likely that many do not choose to come to Australia because of investment opportunities, but because of the uneasy

political situation they are escaping from in their home countries. This is why application rates have been high in recent years from residents of Hong Kong, Indonesia (mainly from Chinese) and South Africa. Once here, the problem for such business persons is that if they do pursue business activities they must deal with business settings quite different from what they are used to.

The criteria for assessing their business skills do not differentiate as to type of skills. Applicants have to show that have run a successful business, but it does not matter whether it is one engaged in high-tech exports or trading. Many of the Asian applicants have run successful businesses through their skills in trading goods, especially those produced in mainland China, then sold around the world. The situation in Australia is sharply different. There are opportunities for importers but nothing like the range of goods for export such as produced in China. This is one of the reasons many continue with their business activities overseas. It may be convenient for them to maintain a family base here. Those with children can send them to Australian government schools and universities without having to pay the overseas student fee.

When business migrants engage in business here they must deal with the much more restrictive Australian regulatory, taxation and workforce arrangements. These take time to accommodate to, especially if the migrant's English language capacity is low. As indicated, there is an English language component of the business skills test. However many gain the pass mark despite lacking 'functional English'. For the 1996-97 arrivals, 42 per cent did not achieve this standard when originally assessed.⁹

THE CANADIAN EXPERIENCE

Recent scholarly work in Canada sheds some interesting light on the above observations. David Ley, a geographer from the University of British Columbia, has had access to tax records which give an unparalleled insight into the financial outcomes for business migrants to Canada.¹⁰ Vancouver is the favoured destination for Chinese business migrants in Canada. Ley has examined the experience of those settled in Vancouver through an examination of tax records (backed with a small interview sample).

The Canadian business migration program is much larger than the Australian program and has long been promoted enthusiastically by Government and private interests. The number of business migrants (including dependents) peaked at 32,000 in 1993. They have since declined to 13,000 in 1999, partly because the situation for business persons in Hong Kong under Communist control has improved. Canadian entry standards have been lax. Half of the principal applicants granted business class visas between 1995 and 1997 had no post-secondary education and slightly over half did not speak English or French.¹¹ There is no parallel to Australia's compulsory survey of business performance, though those entering as business entrepreneurs are supposed to satisfy Canadian officials during their first two years residence that they have established a business in Canada. In practice very few visas are cancelled as a result of this provision. Still, as Ley documents, the literature in Canada is dominated by rosy assessments of the performance of business migrants.

Ley examined the tax records for some 13,000 business migrant households living in British Columbia (almost all of whom settled in Vancouver) who arrived in Canada

between 1980 and 1995. Their average earnings in 1995 from any form of employment in Canada was low (no more than C\$31,000 even for those arriving in the early 1980s). A large minority of around a third reported no earnings from any kind of employment at all.¹² Their average earnings from self-employment, which as Ley puts it, was 'the intended pursuit of a majority of business migrants at the time of landing and the preferred economic trajectory of government managers' was particularly low. In 1995 these earnings ranged from C\$14,700 for the group arriving in 1981 to less than C\$1900 for those arriving in 1993.¹³

The basic reason for this situation according to Ley is that the business migrants find it very difficult to utilise their talents in the Vancouver business setting. There are simply not the range or type of business opportunities in Canada that they are used to. In addition they find the tax and regulatory system daunting. Those seeking to work for corporations find that they can earn far less than in Hong Kong, while those looking for business opportunities frequently have to operate within the Chinese enclave economy in Vancouver. There they compete in a restricted market for business against other entrepreneurs often at very low profit margins. Ley paints a sad picture of business migrants coming to Canada with great expectations, but in many cases being reduced to semi-retirement, sometimes in dire financial circumstances as their living expenses overtake their initial capital stock.

CONCLUSION

There is no doubt that the Australian government could recruit more business migrants if it relaxed the selection criteria further. Australia is an attractive safe haven for business persons and their

families who wish to depart politically unsettled areas. But it is an illusion to believe that there is a great reservoir of potential applicants who have either the skills to translate their overseas business experience to Australia or the interest in trying to make the translation work. Most appear to invest on a small scale and to

do so in trading fields that seem a long way from the larger objectives shaping current migration policy. These objectives include the recruitment of migrants who can contribute to the skills Australia needs to compete in the high tech, high value added sector of the global economy.

References

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- ¹¹ *ibid.*, p. 9
- ¹² *ibid.*, p. 35
- ¹³ *ibid.*, p. 37