



Migration: the economic debate

November 2016

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About this publication

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About CEDA

CEDA – the Committee for Economic Development of Australia – is a national, independent, member-based organisation providing thought leadership and policy perspectives on the economic and social issues affecting Australia.

We achieve this through a rigorous and evidence-based research agenda, and forums and events that deliver lively debate and critical perspectives.

CEDA's membership includes 750 of Australia's leading businesses and organisations, and leaders from a wide cross-section of industries and academia. It allows us to reach major decision makers across the private and public sectors.

CEDA is an independent not-for-profit organisation, founded in 1960 by leading Australian economist Sir Douglas Copland. Our funding comes from membership fees, events and sponsorship.

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Foreword: Professor the Hon. Stephen Martin Chief Executive, CEDA



Concern over migration both domestically and internationally has been increasing, driven by fear-mongering coupled with genuine community (albeit misplaced) concern about security. However, despite this, Australia's migration program is considered world leading, and its contribution to Australia's economic sustainability genuine.

That does not mean it is problem free.

CEDA has undertaken this report because public policy improvements are needed to ensure previous strong community support for migration is re-established; fair treatment for both temporary and permanent migrants; and that the country continues to reap the economic benefits from the skills that a balanced migration program brings.

The report in fact shows how with the right policies, annual permanent migration intakes could be doubled over the next 40 years and deliver significant per capita economic activity. Seventeen recommendations are presented. These range from:

- Influencing Australia's settlement pattern, with particular beneficial impacts of migration in regions and Northern Australia;
- Consideration of the impact of the current migration program on Melbourne and Sydney and subsequent future infrastructure and services requirements;
- Providing a more robust model for determining occupation shortages with respect of 457 visas;
- Shifting to a universal points test for permanent skilled migrants and tightening entry requirements relating to age, skills and English-language proficiency;
- Reviewing and capping the working holiday visa program and possibly introducing a purpose built guest worker program for specific industries struggling to attract adequate low-skilled workers;
- Increasing penalties for exploiting migrant workers; and
- Improving settlement services and support, access to English language programs and recognition of foreign qualifications.

Migration has been a significant driver for our economy. Fine tuning what is considered a world-leading immigration system will continue to deliver economic improvements for all Australians.

As always I hope you find this a valuable resource and it can contribute to a reasoned, fact-based and constructive debate on this important topic.

Foreword: Alex Paterson, Co-Managing Partner of Australia and New Zealand, Fragomen



Migration has played a central role in Australia's economic development and is pivotal to our celebrated cultural diversity.

Australia's sustained prosperity over the last 25 years has been supported by migration – and particularly the movement of temporary labour. It is therefore no surprise that migration is generally well supported by the Australian community; but what of its role in Australia's future?

Across the 160 jurisdictions in which Fragomen provides immigration services, we have directly seen how the opening and levelling of international trade has necessitated a rethink of the design of migration programs, with ramifications also for a range of domestic policy areas.

As a medium-sized economic power, Australia's migration program must perform better than simply screening migrants for their prospects of immediate employment. It must compete effectively against other countries and be part of a holistic approach to create an environment that attracts and supports talented people from around the world, with the ideas and entrepreneurship to develop the emerging industries of Australia's future.

For the migration program to remain effective and maintain community support, it must be agile enough to adapt to technological change and a burgeoning "gig" economy. As technology disrupts the way in which we all engage in work, new job categories are appearing and evolving as quickly as old ones disappear. Current visa programs do not accommodate the fast changing work arrangements that drive productivity and innovation.

While trade in services constitutes 70 per cent of our domestic economy, it accounts for only 30 per cent of our exports. Services are often pointed to as an area of significant potential growth for Australia – and this necessarily involves the international movement of people both in and out of Australia.

This report contains insightful commentary on the impacts of migration to-date. It does not shy away from challenges we face in designing a migration program for the future while re-examining the role of temporary migrants in filling shortages in lower skilled work. Critical areas for consideration include:

- The type of economy and society Australia might want;
- The workforce we need to get there; and
- How migration can contribute to that vision, for the benefit of all.

I would like to thank the authors of this report and the CEDA advisory group for this significant contribution.

Executive summary

Australia has absorbed an estimated 10 million settlers since the First Fleet arrived in 1788. The majority of these settlers, some seven million, have come to Australia since 1945.

Post-World War II, the immigration program was focused on nation building. Over time, the “populate or perish” approach was replaced with a focus on Australia developing a predominantly skill-based formal selection system for permanent migration.

Australia now takes a disproportionately large component of the world’s migration flows, with significant economic and social consequences for the country. Despite Australia comprising only 0.3 per cent of the world’s population, 2.8 per cent of the world’s immigrants live in Australia. There are now more people living in Australia who were born overseas, as a portion of the population, than at any other time in the last 130 years. This is the highest portion in the world, after Israel.

The migration program has favoured skilled migrants over family reunion since 1997–98. Over this century there have been 1,464,622 skilled migrant visas issued with 753,691 family stream visas. Over the same period, 205,987 humanitarian visas were issued, slightly more than nine per cent of the total visas issued this century.

In line with global trends in people movement, temporary migration has become the dominate element of Australia’s immigration program. Strong demand growth

means that temporary migration into Australia has eclipsed permanent flows since the mid-2000s. Australia's temporary migration program is uncapped and allowed to fluctuate with the level of demand for individual visas.

Temporary migrants constitute four main categories: 457 visa holders, New Zealanders, working holiday makers and foreign students. The numbers entering are determined by the demand from employers for 457 workers, by international students for Australian university education and by the number of young people wanting a working holiday in Australia. The stock of temporary migrants at any point in time is 10 times greater than annual permanent entry of around 190,000 and has represented up to almost 25 per cent of the labour market in certain age cohorts at points in time.

Almost unique among developed economies, Australia's migration program has enjoyed very strong community support and is perceived to have contributed to the economic development of the nation. According to the Organisation for Economic Co-operation and Development (OECD), this support is partially explained by the best practice nature of Australia's immigration program.

Unfortunately, in many parts of the western world including Australia, fears of migration, and its perceived adverse consequences on local populations, are on the rise. These fears about migration, globalisation and digital disruption have spawned the emergence of political parties with skewed perceptions on the economic and social benefits of immigration, and threaten to undermine Australia's longstanding migration program.

Additionally, key aspects of the current migration program have the potential to undermine its community acceptance and fuel these fears. An overreliance on poorly regulated market driven components of the program and the very substantial pools of relatively unregulated temporary migrants create opportunities for exploitation, as a growing number of high profile examples have proven, while also having economic consequences for some incumbent Australians.

CEDA's research supports several of the conclusions and findings of the Productivity Commission Report No.77 *Migrant Intake into Australia*, released on 13 September 2016. That report noted there is scope for significant reforms within the current system that could deliver superior overall outcomes for the Australian community, particularly to:

- Recalibrate the intake of permanent skilled immigrants by shifting to a universal points test while tightening entry requirements relating to age, skills and English-language proficiency; and
- Recognise that Australia's migration policy is the nation's de facto population policy and incorporate the economic and social consequences explicitly in future intergenerational reports.

To avoid further erosion of the bipartisan long-standing support for Australia's immigration program, a best practice approach to the program must be maintained. This will involve rebalancing the immigration program and ensuring its integrity while also giving temporary migrants a fair go.

Recommendations

Rebalancing immigration

Australia's temporary migration program is uncapped and allowed to fluctuate with the level of demand for individual visas. Several significant issues arise from the current system.

With respect to the management of 457 visas, allowing employer attestation to determine which occupations are in shortage is inappropriate. Provided an occupation is listed on the Consolidated Sponsored Occupation List (CSOL) and a 457 visa holder is paid a higher annual wage than the Temporary Income Skilled Migration Threshold (currently set at \$53,900 per annum), an employer is able to hire a 457 visa holder. Existing labour market testing that is as weak as an advertisement, of indeterminate length, on a social media platform is deemed to be sufficient. In contrast the OECD suggests that independent labour market testing is preferable for identifying labour shortages.

Ensuring workers are treated fairly and in accordance with legislative requirements has become a significant issue. More than one tenth of all complaints received by the Fair Work Ombudsman (FWO) were from temporary visa holders, with many high-profile cases that have exposed how temporary workers are being exploited. It is important to end the exploitation of temporary workers. The community requires confidence that the migration program is operating with integrity.

Drawing on the proposals put forward in Chapter Three, *Redesigning Australia's labour migration program in national interest* by Associate Professor Joanna Howe, CEDA recommends that to ensure the demand driven component of the migration program is robust, the government should:

- Reconstitute the membership and accountability of the existing Ministerial Advisory Council on Skilled Migration so that it provides objective and evidence based independent advice on which occupations are experiencing shortages. This would involve:
 1. Having equal membership from both industry and unions, as well as independent experts in labour migration from relevant fields, demography, economics and law;
 2. Having an evidence-based approach to gathering information on which occupations should form part of the occupational shortage list, relying on subjective input from stakeholders through a formal and transparent submissions process and on economic data; and
 3. Ensuring that the processes, deliberations, findings and recommendations of the Council are accessible to the public.

Drawing on Boucher and Howe's recommendations in Chapter Two and Chapter Three, to ensure the integrity of the temporary migration program, the government should:

4. Cap the working holiday visa program; and
5. Have the Ministerial Advisory Council on Skilled Migration be responsible for examining the labour market impact of visas with a non-work purpose but which allow the performance of work in the Australian economy (such as visas for backpackers and international students).

If these approaches do not restore the integrity of the migration program then CEDA recommends, as suggested by Boucher in Chapter Two:

6. A purpose-built guest worker program should be considered to meet the needs of specific industries struggling to attract adequate low-skilled workers.

To improve the capacity of the FWO to deal with exploitation, as suggested by Howe in Chapter Three, the relevant legislation should be amended to:

7. Increase penalties for exploiting migrant workers; and
8. Protect the privacy of migrant workers so that their complaints are treated confidentially through a one-way flow of information from the Department of Immigration and Border Protection (DIBP) to FWO.

Temporary migrants should enjoy the same standard of workplace regulations as the rest of the country. The concept of fairness has been a touchstone for Australian labour law but temporary migrants do not fully benefit from it.

To improve the fairness of employment outcomes for temporary workers:

9. The notion of according fairness to the parties involved in migration should inform the interpretation of the stated purposes in the Migration Act in regulating labour migration and should be used to influence the making of migration laws and policies; and
10. A new purpose should be added to the legislation giving effect to the principle that Australia's labour migration program should seek to ensure a fairer distribution of the prosperity that the migration process creates and to make clear that migrant workers are entitled to a fair go just like their Australian counterparts.

A greater Australia

At different junctures of recent history, an inevitable debate has emerged concerning what might constitute an appropriate population level for Australia. A significant component of this debate has centred on the contribution migration has and can make.

Economic modelling generally shows that the benefits of migration are relatively small and any net benefits are captured by the immigrants themselves. However, recent modelling conducted for the Immigration Council incorporating agglomeration benefits associated with migration finds a more significant net contribution to the Australian economy.

As explored in Chapter Five, *Ensuring immigration benefits all* by Professor Glenn Wither, and Chapter Four, *Skilled migration and Australia's productivity* by Dean Parham and Sue Regan, Australia's existing population benefits from the economic activity generated from migrants and the influx of skills and abilities they bring. The focus on skilled immigration has skewed the economic outcomes in the nation's favour. On average migrants have been more productive than non-migrants, as measured by earnings, and have increased their productivity more rapidly than non-migrants.

Echoing Professor Wither's recommendations, to enhance the capacity of migrants to make a productive contribution to Australia the government should:

11. Shift immigration administration to a more welcoming and supportive orientation and ensure enhanced integration with improved settlement services and support.

In addition, it is recommended that the government should:

12. Improve the access to English-language programs, such as the Adult Migrant English Program, as suggested by Regan and Parham in Chapter Four; and
13. Facilitate the recognition of foreign qualifications to enable migrants to make the most of their skills and education.

High levels of migration impose costs on incumbents such as urban congestion and increasing the costs of accessing natural resources such as water. These costs can be substantial, but so can the benefits.

To increase the nation's absorptive capacity, governments should:

14. Improve planning for population increase, with population projections built into future Intergenerational Reports; and
15. Expand immigration policy gradually over time conditional upon complementary policy being implemented that addresses adverse consequences of population growth such as infrastructure provision, urban congestion and environmental degradation.

In addition, it is worth considering changing the migration program to alter the settlement patterns of migrants. Doing so could improve the absorptive capacity of the nation and increase the number of migrants who could move to the country. Such a change would require careful consideration and close relationships between all spheres of government and local communities. However, if correctly implemented, could result in the immigration program being significantly expanded with corresponding improvements in economic activity.

It could also involve specific migration programs to ensure the goals of developing Northern Australia are realised. This would allow major urban pressure to still be alleviated and increase public acceptance of immigration. Separate bureaucratic queues would be avoided and a transparent and defensible definition of regional need could be imposed.

If such an approach was adopted, and could enable a migrant intake of 0.9 per cent of population, this would allow net overseas migration to rise to 400,000 by 2054. Modelling has suggested this would significantly increase per capita economic activity. Less skilled workers were modelled to experience an after tax real wage increase of 21.9 per cent, mid-skilled workers of 11 per cent and highly skilled by -3.5 per cent by 2050 relative to not increasing the level of net overseas migration.

To achieve a change in the migration program to influence Australia's settlement pattern, the government should:

16. Alter the Regional Sponsored Migration Scheme so that it is capable of more effectively encouraging migrants to settle in rural Australia; and
17. Change the points system to incorporate a regional element that provides extra points for regional settlement.

Contributions

Attitudes to Australia's immigration policy

Australia's migration program has successfully increased the size of the country by a third, with some local government areas having migrants from 109 different countries of birth. Professor Andrew Markus examines how, overall the migration program has maintained high levels of community acceptance and support, equivalent to universally accepted programs such as Medicare. However, this support is precarious, subject to economic conditions and perceptions of the economic benefits associated with the migration program. It can also be influenced by political leadership. This contribution discusses the nature of community acceptance for the migration program and how it contrasts with other developed countries.

Australia's de facto low skilled migration programs

A key source of community support for the migration program has been its focus on relatively productive individuals who are perceived as making a significant economic contribution to the country. However, as Dr Anna Boucher describes, recent changes in the immigration program have resulted in significant growth in relatively low skilled migrants entering Australia. These migrants have significant consequences for existing workers that are likely to grow as the anticipated numbers of low skilled workers increase. This contribution discusses what could be done to maintain the community's support for the migration program.

Redesigning Australia's labour migration program

In order to maintain community confidence in the migration program it is necessary that it builds Australia rather than being captured by narrow vested interests. The contribution by Associate Professor Joanna Howe discusses three proposals designed to embed a “fair go” into the migration program. These reforms include adding accountability and objectivity to the demand driven temporary migration; making migration fairer for the migrants themselves; and improving the role and responsibilities of the regulators. These reforms are put forward with the aim of improving the outcomes of all Australians from the immigration program.

Skilled migration and Australia's productivity

The economic consequences of migration in the incumbent population are highly influenced by the nature of the migration. The contribution by Sue Regan and Dean Parham from the Australian National University examines the links between migration and productivity and finds that the emphasis given to skills in the migration program has had a positive effect on Australia's productivity. It describes the labour market outcomes of migrants from different streams of the immigration program and finds a significant positive contribution to the overall productivity of the Australian migration, particularly from skilled migrants. The contribution also describes the framework in which migrants contribute to the nation's productivity and the policy levers available to influence it.

Ensuring immigration benefits all

Australia, along with Canada, has created one of the world's best practice migration programs. The key has been a utilitarian focus in the migration program and the stated ambition of building a larger nation. Professor Glenn Withers discusses the economic benefits of migration and how the migration program has evolved over time. This contribution puts forward recommendations as to how Australia could increase its level of immigration while reducing the social costs that are currently associated with it. The potential economic benefits of increasing the migration intake are also outlined.



CEDA overview

Nathan Taylor
CHIEF ECONOMIST

Australia is a nation of immigrants. These migrants have come in successive waves, encouraged by developments such as the 1850s gold rush, to escaping the ravages of World War II in Europe, through to the focus on skilled migration of late, which has resulted in the largest portion of the population having been born overseas in over 130 years.

However, specific policies in the migration program, when added to the rise of extremist politicians in Australia and globally, have the potential to undermine the community's acceptance of the migration program. In particular, an overreliance on poorly regulated market driven components of the program and the very substantial pools of relatively unskilled temporary migrants create opportunities for exploitation and have significant consequences for incumbent workers.

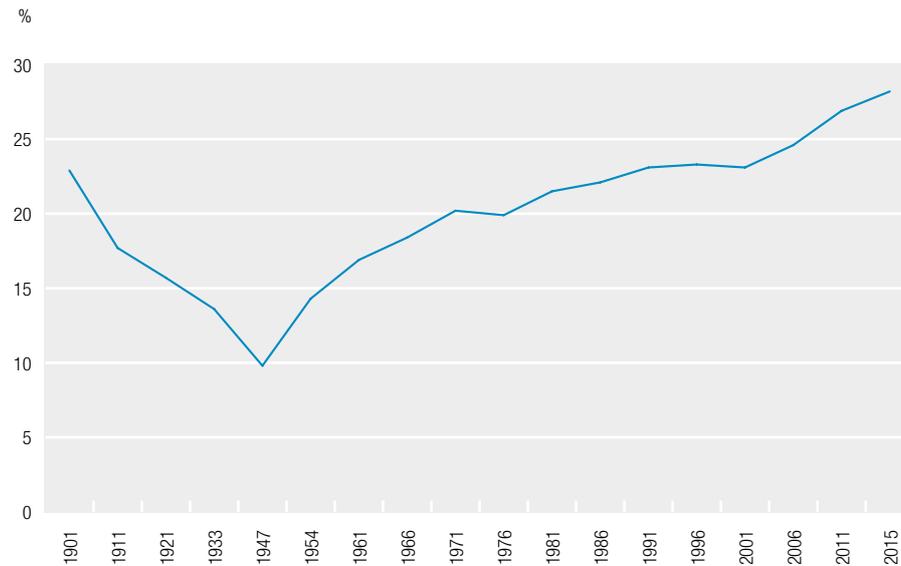
These fears are not new. Immigration was a major issue during the first election campaign of the newly federated colonies of Australia. The political debate resulted in the racist Immigration Restriction Act to be passed in 1901. This act placed restrictions on immigration and aimed to restrict the capacity of people of non-European ethnicity to move to Australia by imposing a dictation test to gain residency. The dictation test could be in any European language. In 1905, the Act was changed so it could be given in any language at all. These laws, known as the White Australia policy, informed Australian attitudes to immigration for almost 50 years.

While the White Australia policy was in force, the portion of the population born overseas steadily declined, reaching as low as only 10 per cent of the population in the 1940s. Following World War II, Australia established the world's first Department of Immigration and set a target of increasing the population by two per cent each year, with a contribution from migration of one per cent. This was the popular "populate or perish" period when Australia accepted more than two million migrants and displaced people from Europe, offering assisted £10 passages to one million British migrants, nicknamed £10 Poms.

In 1958, under the *Migration Act 1958*, the dictation test was removed and a new universal visa scheme introduced. This allowed non-Europeans to immigrate. Their entry was now based on what they could contribute to Australia and if it could be shown that they could integrate into Australian society. Many of these immigrants were assisted by the Australian government to find work in nation building projects, the Snowy Mountains Scheme being the most famous. Australia's population increased from about 7.4 million in 1945 to over 13 million in 1970. Over three million of this increase in population was due to immigration.

Finally, in the 1970s, the last vestiges of the White Australia policy were removed and Australia adopted a strictly applied non-discriminatory immigration program but with more stringent entry criteria. The evolution of the migration program was motivated by what Professor Glenn Withers, in *Ensuring immigration benefits all*, describes as a utilitarian approach – one that seeks to ensure the greatest happiness of the greatest number, where happiness is defined as economic improvement for incumbent Australians.

FIGURE 1
PERCENTAGE OF THE POPULATION BORN OVERSEAS, CENSUS YEAR



Source: ABS, Cat No. 3105.0.65.001

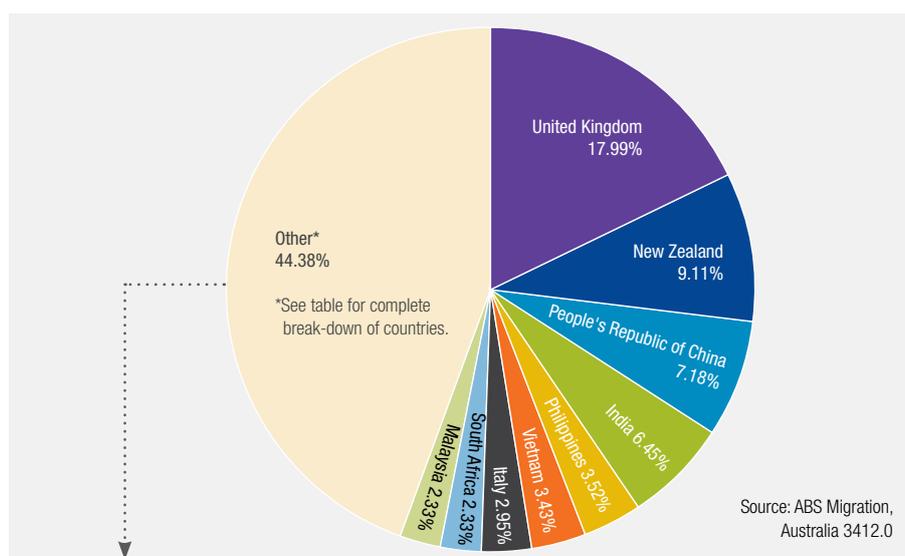
The focus on economic improvement of Australia is a key aspect of community support for the migration program. When asked if immigrants are generally good for the Australian economy, 83 per cent of respondents to the Scanlon Foundation national surveys agreed that it was. Furthermore, there is considerable evidence that suggests Australia, along with Canada, is the western nation most receptive to immigration. This community support stands in stark contrast to many countries in Europe, where anti-immigration sentiment is strongest.

While Australia’s migration program has transformed significantly, a major achievement has been its capacity to maintain community support. As detailed by Professor Andrew Markus in *Current opinion on Australia’s immigration policy*, community surveys consistently find that the vast majority (83 per cent of respondents) agreed that immigration has generally been good for the Australian economy. In addition, these surveys find between 84 to 86 per cent of respondents have agreed to the proposition that “multiculturalism has been good for Australia”. More than half respondents also agree that the immigration intake is about right or too low. Given Australia’s immigration program has been higher than its long run average for a decade, these responses are in stark contrast to the attitudes in the US or Europe.

Over the last 70 years immigration has added seven million people to Australia’s population and will, if current policy settings continue, add a further 13 million by 2060.

Just as the number of migrants living in Australia have increased, so to have the source countries diversified. Australia’s major capital cities now exhibit what is known as super diversity, with people from almost all nations of the world found in its capital cities. Take Melbourne, for instance. There were immigrants from over 190 nations living in Melbourne in 2011, with up to 109 countries represented in some local government areas.¹

FIGURE 2
CONTRIBUTION TO AUSTRALIA'S ESTIMATED RESIDENTIAL POPULATION BY COUNTRY OF BIRTH, AT 30 JUNE 2015



Germany	1.88%	Serbia	0.51%
Greece	1.77%	Papua New Guinea	0.49%
Sri Lanka	1.70%	Myanmar	0.46%
United States of America	1.53%	Chile	0.45%
Republic of Korea	1.53%	Samoa	0.43%
Hong Kong (SAR of China)	1.41%	Mauritius	0.41%
Lebanon	1.38%	Brazil	0.37%
Ireland	1.32%	Russian Federation	0.36%
Netherlands	1.25%	Sudan	0.35%
Indonesia	1.21%	Hungary	0.32%
Fiji	1.06%	Cyprus	0.31%
Singapore	1.03%	Portugal	0.29%
Iraq	1.02%	Austria	0.28%
Thailand	1.00%	Kenya	0.28%
Croatia	0.96%	Spain	0.27%
Pakistan	0.86%	Colombia	0.26%
Poland	0.83%	Romania	0.26%
Japan	0.83%	Ukraine	0.24%
Taiwan	0.82%	Argentina	0.23%
Iran	0.80%	Switzerland	0.23%
Canada	0.75%	Czech Republic	0.20%
Former Yugoslav Republic of Macedonia	0.75%	Syria	0.20%
Malta	0.67%	Saudi Arabia	0.19%
Egypt	0.66%	Ethiopia	0.19%
Nepal	0.65%	Sweden	0.18%
Afghanistan	0.64%	Tonga	0.18%
Bangladesh	0.61%	Israel	0.18%
Turkey	0.60%	Laos	0.17%
France	0.58%	El Salvador	0.16%
Bosnia and Herzegovina	0.57%	Denmark	0.16%
Zimbabwe	0.57%	Timor-Leste	0.16%
Cambodia	0.54%	Peru	0.16%
		Uruguay	0.15%

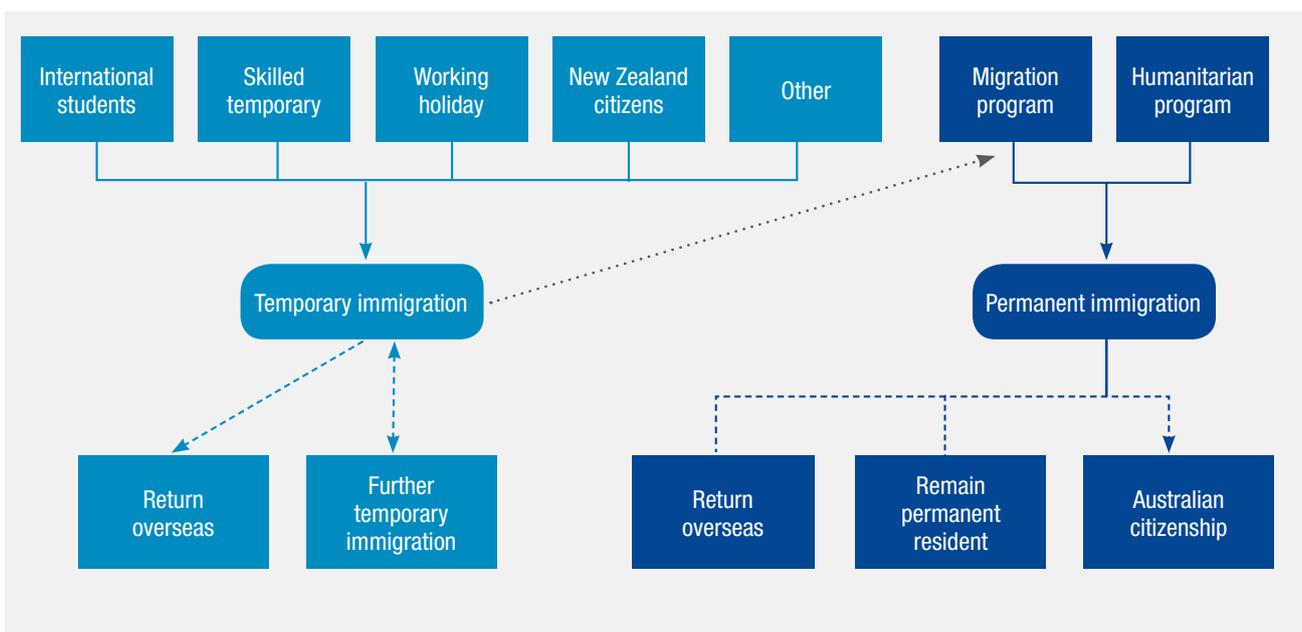
For the most part these immigrants have integrated smoothly. Migrants exhibit economic outcomes similar to incumbent Australians and their children have at least equivalent economic outcomes if not better than the broader community.

This report examines the suitability of Australia’s migration program and makes recommendations to improve it. It also includes a thought piece on how we can have our cake and eat it, that is to say how the rate of immigration can be significantly increased without corresponding congestion costs. Compared with other countries, the Australian regime for assessing and recognising overseas skills is generally regarded as well-developed and successful in achieving its objectives. However, a number of potential issues have been identified by interested parties which might provide a basis for fine tuning of the current arrangements. This report’s scope does not address sustainability or social cohesiveness nor does it address issues with the humanitarian stream of migration in detail.

Australia’s migration program

Australia’s migration program constitutes two parts. The first is the capped permanent immigration program which constitutes the migration and humanitarian program. The level and composition of permanent immigration is determined using qualitative criteria and quotas. Qualitative criteria can include attributes such as character, health, finances, age, education and skills. The second important aspect is temporary migration, which is uncapped and influenced by migrant demand. New Zealand citizens, who are classed as temporary immigrants, have almost unrestricted access to Australia under the Trans-Tasman Travel Arrangement and can reside in Australia for an indefinite period of time.

FIGURE 3
THE VARIOUS STREAMS OF THE IMMIGRATION PROGRAM



The permanent migration program is capped and split into a family stream, a skill stream and a special eligibility stream, with the level and composition determined using qualitative criteria and quotas. Qualitative criteria can include attributes such as character, health, finances, age, education and skills. It also includes a humanitarian program constituting refugees, the special humanitarian program, special assistance category, and onshore. In 2014–15, the total permanent visas issued was 202,853 and breakdown of these visas was:

Migration program visa grants, 2014–15			Humanitarian visa grants, 2014–15			
Family stream	Skill stream	Special eligibility	Refugee	Special humanitarian	Special assistance	Onshore
61,085	127,774	238	6002	5007	0	2747

Source: Department of Immigration and Border Protection, historic migration statistics.

Both permanent and temporary immigration have increased in recent years, with temporary immigration increasing at a much faster rate. It is now the larger contributor to net overseas migration. While the Australian Government sets the broad parameters for the permanent and temporary immigration programs, employers have a pivotal role in selecting immigrants under a range of skilled visa categories. Most of the recent growth in permanent immigration has been in employer sponsored skilled immigration, which increased from 17 per cent of the skill stream in 2007 to 38 per cent in 2015. However, these figures include secondary applicants (family members of primary applicants) who are not necessarily skilled themselves.

The contribution of net overseas migration (NOM) to Australia’s population growth has increased over the last two decades. While natural increase has been relatively stable, fluctuating between 120,000 and 160,000 from 1996 to 2014, NOM has increased significantly over the same period. Since the mid-2000s NOM has made a larger contribution to population growth than natural increase.

“Both permanent and temporary immigration have increased in recent years, with temporary immigration increasing at a much faster rate. It is the larger contributor to net overseas migration.”

Temporary immigration has also fluctuated significantly over the past decade, while permanent immigration has remained relatively stable. The fluctuations are due to temporary immigration being mostly uncapped and relatively more responsive to economic conditions than permanent immigration.

Issues with the temporary migration program are raised below, the issues associated with maximising the economic benefit of permanent migration are discussed subsequently.

Temporary migration program

There has been a global trend towards temporary rather than permanent migration, and Australia's immigration program is no exception. Globalisation and technological developments have reduced transportation, information and communication costs. These developments made it easier for people to migrate and remain connected with their families and friends. Improvements in access to information have increased people's awareness of migration and work opportunities, and their desire to migrate. Globally, the number of people living outside their home country has not changed since 1980 as a percentage of world population and remains at around 2.7 per cent.² While the absolute numbers have changed, the percentage of the overall global population has been static for over 35 years. What has changed is that people now travel more frequently as tourists, to study, or to work temporarily. For instance, China had 56 million tourists visit in 2014 while 109 million Chinese travelled abroad, a tenfold increase from 2000.³

“The global growth in temporary people movements has been reflected in the number of temporary visas in Australia rising rapidly.”

The global growth in temporary people movements has been reflected in the number of temporary visas in Australia rising rapidly. Temporary migration into Australia has eclipsed permanent flows since the mid-2000s, and more than doubled between 2003 and 2014. Depending on whether Working Holiday Makers and International Student visas are included in the calculation of temporary flows, the stock of temporary migrants at any point in time is 10 times greater than annual permanent entry of around 190,000. Key categories were:

- Visitor visa holders with 26 per cent of the total;
- Student visa and temporary graduate visa holders representing 17 per cent of total temporary migrant visa holders;
- Temporary Skilled (subclass 457) visa holders with eight per cent of the temporary intake;
- Working Holiday Maker visa holders representing almost eight per cent of the temporary intake; and
- New Zealand (subclass 444) visa holders who represented almost 32 per cent of temporary migrants, even though they have rights to live and work indefinitely.

Of course, not all temporary migrants seek permanent residence. However, in 2013–14, approximately half of all recipients of permanent visas were already living in Australia on temporary visas.⁴ Gaining permanent residency in Australia has increasingly become a two-step process.

Currently permanent immigration is capped and temporary immigration is uncapped, so there is no direct regulation of the balance between the two streams. A well targeted temporary immigration program can be an effective response to labour market shortages. However, the labour market implications

of the work rights of the substantial and uncapped pool of international students, graduates, and working holiday makers are poorly understood and warrant further investigation. Of particular concern, given their existing size and current rate of growth, are the 457 visa program, the foreign student program, and the working holiday maker program.

In December 2015, there were around 328,000 students and almost 24,000 temporary graduate visa holders in Australia. Student visa holders have a right to work, generally, up to 40 hours per fortnight while those on a Temporary Graduate visa, depending on their qualifications, have a right to work for between 18 months and four years after graduation. Student and Temporary Graduate visa holders play a critical role in underpinning the international education sector. It has been estimated that they contributed some \$17 billion to the Australian economy, while it also represents around 27 per cent of services exports.⁵

International students with work rights are supplemented by around 155,000 additional working holiday makers, as at the end of December 2015. The stated objective of the working holiday visa program is to encourage cultural exchange and closer ties between Australia and eligible countries (with reciprocal rights for Australian citizens). It started as a small form of inflow for young people from the UK and Canada for work and travel purposes in 1975.

While the program benefits Australia's tourism industry it has increasingly been shaped to benefit other industries that have a need for short term casual workers, particularly those based in regional Australia. The introduction of the Second Working Holiday visa initiative in November 2005 allowed first time Working

Holiday visa holders who undertake 88 days specified work in regional Australia during their stay to apply for a second such visa. For the purpose of the Second Working Holiday visa initiative, regional Australia includes large parts of rural and regional Australia. Second Working Holiday visa grants grew from about 2700 in 2005–06 to 46,000 in 2013–14.⁶ In 2013–14, over one in four first time Working Holiday visa holders went on to acquire a Second Working Holiday visa.⁷

In the six months to 31 December 2015, approximately 92 per cent of the Second Working Holiday visa applicants undertook agricultural work to acquire eligibility, six per cent undertook construction work and approximately one per cent worked in the mining sector. According to the National Farmers' Federation, temporary visa holders represented almost one third of the total (non managerial) workforce in the agricultural sector.⁸

Given the age requirements, working holiday makers are young and of working age. They are also excluded from free or subsidised access to most government support services (such as health and welfare). The National Farmers' Federation also estimated that they spend approximately \$15,000 per person each year while in Australia for an annual cumulative contribution of more than \$3.5 billion.

“Student and Temporary Graduate visa holders play a critical role in underpinning the international education sector. It has been estimated that they contributed some \$17 billion to the Australian economy.”

Temporary immigrants, particularly international students and working holiday makers, face a higher risk of being exploited by their employers than the general workforce for a number of reasons. They are more likely to be young, have limited English language proficiency and be unaware of their work rights compared to the broader Australian community. Arguably, these risks are highest for temporary workers engaged in unskilled and semiskilled jobs, for which labour is generally not in short supply.

In the past three years, the Fair Work Ombudsman (FWO) dealt with over 6000 requests for assistance from immigrant workers, and has recovered more than \$4 million in outstanding wages and entitlements. Requests for assistance from immigrant workers have steadily increased over this time, with those received and finalised in 2014–15 accounting for just under 11 per cent of all requests.⁹

There is also research that suggests that the willingness of working holiday makers to work for lower wages, or in jobs that local workers do not like, has depressed the working conditions and reduced the job openings for relatively unskilled local Australians.¹⁰

The 457 visa

The key objective for the Temporary Work (Skilled) (subclass 457) visa program is to enable businesses to sponsor a skilled overseas worker if they cannot find an appropriately skilled Australian citizen or permanent resident to fill a skilled position, while ensuring that working conditions of sponsored visa holders are no less favourable than those provided to Australians. The program is intended to only provide a visa if there is a job offer in Australia from an approved sponsoring employer.

Subject to a minimum annual salary threshold, all 457 visa holders must receive the same terms and conditions of employment as an equivalent Australian worker. In addition, they are excluded from free or subsidised access to most government support services. Immigrants under the program are, thus, likely to contribute to economic activity and taxation revenue, and are likely to deliver a fiscal benefit to the Government.

The annual intake of workers on 457 visas has almost doubled over the past decade, and as at December 2015 there were around 160,000 such visa holders in Australia. The 457 program has also provided a significant pool of applicants for permanent immigration.¹¹ In 2013–14, for example, 457 visa holders accounted for around 50 per cent of the approximately 79,000 onshore grants of skilled permanent visas.

There are legitimate concerns that the growth in 457 visas is not linked with labour shortages. Currently a social media advertisement, of indeterminate length of time, is sufficient evidence to justify a labour shortage, suggesting the pendulum has swung too far towards a market driven migration program. There are a range of reforms put forward in this report that could ensure community confidence that the 457 visa program is not undercutting the wages of incumbent Australian.

The economics of permanent migration

The economic consequences of migration occur at the margins rather than having one definitive answer. The majority of the research says that it is difficult to quantify if immigration has a net positive or net negative impact. The most common point of agreement among economic analyses of migration is that the net economic effects are not large. Furthermore, the classic approach to modelling the economic impact of migrants finds that the immigrants themselves are able to capture most of the benefits that are generated.¹²

In considering the economic consequences of migration, the focus is on how migration impacts Australian citizens. This approach tries to ask what would happen to future generations of Australians including the children of migrants after they settle in Australia. However, it does not explicitly account for the economic benefit to prospective immigrants. This is because migrants voluntarily chose to immigrate to Australia, and the policy options for the Government involve controlling these migrant flows. Furthermore, given the relatively low travel costs, immigrants to Australia have the option of returning to their country of origin. This of course excludes humanitarian refugees.

The main ways migrants impact the economy are through:

- Their addition to the labour market;
- Changes in capital and investment levels in sectors; and
- Government expenditure on services, transfer payments and taxation.

There are also a range of very significant externalities associated with migration. These include improved international trade links, technology transfers, improving economies of scale in Australia as well as congestion consequences for natural resources and physical infrastructure.

Labour and capital

The addition of migrants expands the labour market. This potentially creates competition for jobs, but it also expands economic activity creating more employment. The actual economic consequences depend on the size and characteristics of the immigrants themselves. In *Skilled migration and Australia's productivity*, Sue Regan and Dean Parham examine the way in which Australia's migration program has influenced the nation's productivity. Given the importance of productivity to improving living standards, it is critical to understand the relationship between migration and the productivity of labour to understand its economic consequences.

The major contributor to labour productivity involves the amount of capital allocated to their tasks. Consider the difference between an agricultural labourer equipped with a shovel versus the productivity of one using a tractor. Capital deepening, the process of replacing shovels with tractors, has accounted for two-thirds of the improvements in Australia's labour productivity over the past four

decades. Economic assessments of migration consider its effect on the capital-labour ratio as crucial. If migration is not accompanied by an equivalent growth in capital, the labour-boosting effect of migration result in a lower capital-labour ratio and, all other things being equal, lower per capita incomes. The relative decline in per capita income would occur because wages tend to be closely linked with labour productivity growth. So an increase in migration, resulting in a decline in labour productivity, would make existing workers worse off than without the migration but the owners of capital better off.

The argument is complicated by the second round consequences. It is argued that the increase in returns to capital would induce further investment and restore the ratio of capital to workers. Labour productivity would return to where it would have been without any migration, and wages and average incomes would be restored but at a higher level of aggregate economic activity. There is considerable academic uncertainty as to whether this equilibrating path actually occurs in practice. The numbers of migrants, their individual skills and capabilities, and the ability of labour markets to absorb them and the extent and pace with which capital responds become key issues. While it is generally thought the net effects are positive, the conclusion can vary across countries with different labour markets, economic structures and migration programs.

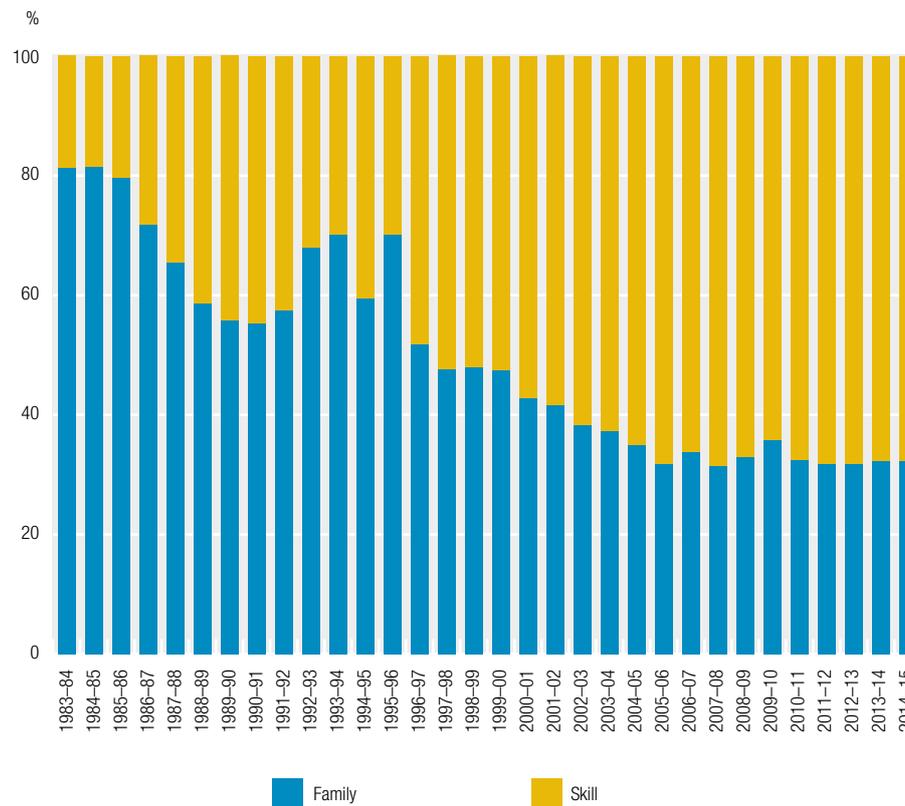
“The majority of the research says that it is difficult to quantify if immigration has a net positive or net negative impact. The most common point of agreement among economic analyses of migration is that the net economic effects are not large.”

Migration can also influence the level of labour utilisation in Australia. As a higher proportion of the population reaches retirement, the number of hours worked will fall in proportion to population numbers. Immigration can increase the proportions of the population of working and child-bearing age, bringing an immediate, as well as a longer-term, effect on labour utilisation. However, the Productivity Commission noted that for Australia to maintain the 2005 dependency ratio (of people of working age compared to those not of working age) until 2045 would require an annual immigration intake of 3.1 per cent of the population.¹³ Under this scenario Australia’s population would be 85 million and the annual net migration intake would be 2.5 million in 2045.

Australia’s migration program has favoured skilled migrants. The focus on skills within the migration program means that the average migrant is better educated and more skilled than the average incumbent Australian. As a consequence, the evidence finds that, on average, migrants have been more productive than non-migrants, as measured by earnings. Furthermore, they have been motivated to increase their productivity more rapidly than non-migrants. For example, a migrant earned a wage premium of about \$3 an hour in 2011, about \$3.60 in 2012 and about \$5 in 2013.

The influence of migration on labour productivity depends on more than just the productiveness of individual migrants. It depends very importantly on the production conditions in which the labour of migrants is used. Migrant productivity may be affected by a range of government policies post-arrival in the country. Access to education and labour market programs can be important for migrants as they

FIGURE 4
MIGRATION PROGRAM, CONTRIBUTION OF FAMILY AND SKILLED STREAMS,
1983–84 TO 2014–15



Source: Various population flows publications and annual reports – Migration Reporting, DIBP

both seek work and progress in work. Settlement services can be particularly important for family and humanitarian migrants.

According to census data migrants have raised the level of Australia’s labour productivity by six per cent. Between 2006 and 2011 migrant’s contributed at least 10 per cent to growth in the nation’s skilled capacity. This accounted for 0.17 of a percentage point of annual labour productivity growth. These estimates only cover the direct effects migration can have on productivity and do not include other mechanisms that may influence the productivity of labour, such as entrepreneurial effects and trade and finance links to home country.

In the contribution, *Ensuring immigration benefits all*, Professor Glenn Withers suggests that the modelling that finds migration adds only a small net benefit may fail to account for economies of scale. Given Australia’s vast size and small population, the increases in efficiency associated with a larger population could be substantial. The potential sources of this impact are many and varied, such as the exploitation of economies of scale and agglomeration or thick market effects in some cities or regions. A larger population (and domestic market) could also improve productivity by enhancing competition in domestic markets, by supporting a larger number of firms competing against each other in particular industries. The increase in population size per se could contribute to a general increase

in productivity and income per capita, regardless of the skills of the migrants themselves.

The benefits associated with a larger population could be substantial. Adjusting for the potential effect of agglomeration benefits associated with a larger population finds that the current migration program will result in Australia's per capita income being 5.9 per cent higher than if there was zero net migration. These results are closer to direct estimates using time series regression models which track actual effects in real time with real data.

The Productivity Commission found that the estimated median income tax paid in 2009–10 by all recent permanent immigrants was about the same as the rest of the Australian community, at \$4500.¹⁴ However, there were significant differences based on the migration program stream of the permanent immigrants. Skill stream immigrants paid more income tax relative, around \$8100, compared to the general population, whereas family stream and humanitarian immigrants paid less. The key determinant of the life time fiscal impact of migration was the age of the immigrant. The younger the immigrant, the more of a fiscal contribution they are likely to make, other things being equal.

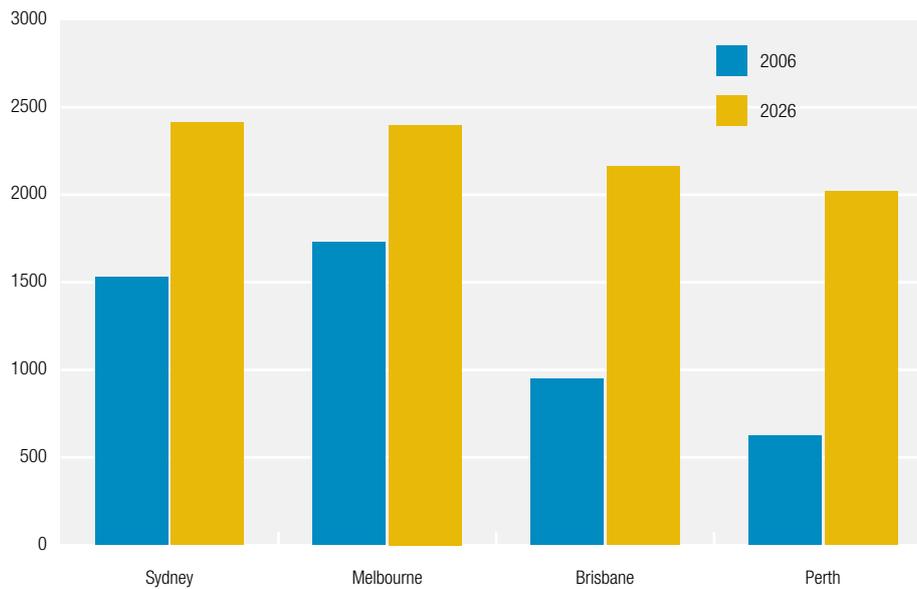
Congestion of the commons

Increasing the size of the population increases the number of people putting demands on fixed and renewable natural resources. As the supply of these resources is limited, a larger population can contribute to lower productivity and income per capita. Road congestion is a major concern to many Australians, particularly in the nation's most congested cities of Sydney, Melbourne and Brisbane. Population growth in urban areas adds to congestion and can reduce the amenity of these cities. The costs of congestion, such as additional time spent travelling, uncertainty about travel times, accidents, and frustrations are real even if they are not measured in economic statistics of the nation's overall wellbeing.

Likewise, urban utilities, such as water supplies, utilise the environment as a source of water (rain fed dams and groundwater), and waste disposal (ocean outfalls and landfills). As the population grows, the pressure on the environment means that more infrastructure is required to deliver the same level of services. This is particularly the case with reliable urban water supplies where Australia already has some of the largest reservoirs to population in the world. As annual demand approaches mean annual inflows, a much larger proportion of water requires engineering solutions. The costs of additional water are shared between incumbents and immigrants.

“Increasing the size of the population increases the number of people putting demands on fixed and renewable natural resources. In that case, when the supply of these resources is limited, a larger population can contribute to lower productivity and income per capita.”

FIGURE 5
SOCIAL COSTS OF CONGESTION PER MIGRANT, CONSTANT 2000 DOLLARS



Source: DIAC, 2010.

In every year since 2006, migration has contributed more to population growth than occurred through natural increases. The environmental and congestion pressures created by migration are a consequence of where migrants settle in Australia. The 2014–15 Migration Programme Report found that immigrants overwhelmingly tend to settle in Australia’s major cities, with 30 per cent moving to Sydney, 24 per cent to Melbourne and approximately 14 per cent to Perth, which has been deemed a regional city since 2012–13. Census data confirms this trend and finds that half of all migrants in Australia are living in either Sydney or Melbourne. This places significant strains on the transport networks and physical amenity of these two cities.

The Bureau of Infrastructure, Transport and Regional Economics estimated the avoidable cost of road congestion in the Australian capital cities was \$16.5 billion in 2015, more than doubled since 2005. These costs have been estimated to increase significantly from 2015 to 2030, with avoidable costs of road congestion rising from \$6.1 to \$12.6 billion in Sydney, from \$4.6 to \$10.2 billion in Melbourne, from \$2.3 to \$5.9 billion in Brisbane, and from \$2 to \$5.7 billion in Perth. These are the cities most likely to be affected by immigration.¹⁵

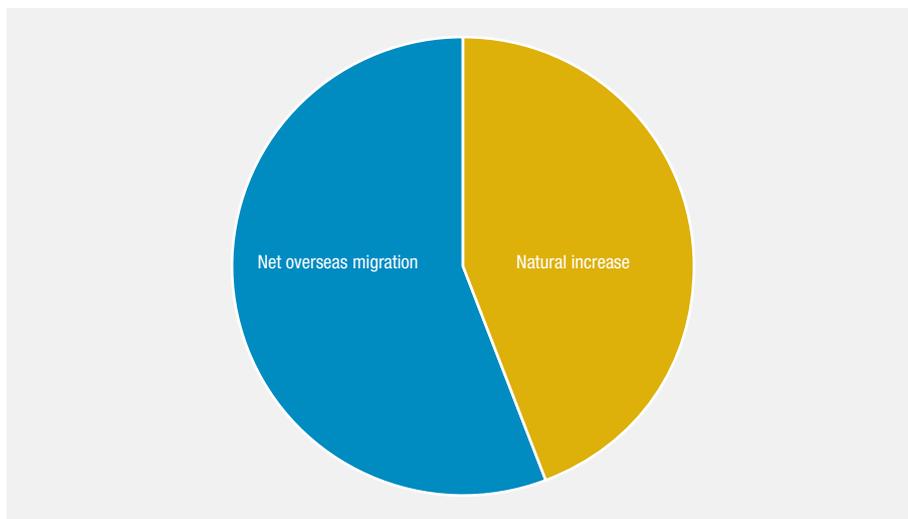
It has been estimated that the contribution of individual migrants to the social costs of congestion will rise significantly. For instance, the social cost of congestion caused by migrants in Sydney by 2026 has been estimated at being almost 60 per cent higher, while it has been estimated to be 124 per cent higher in Perth.¹⁶

While congestion of common infrastructure or natural resources can be mitigated through more effective government policies, such as congestion pricing, these costs cannot be eliminated.

A greater Australia

Decisions about the size and composition of Australia's migration program are taken by the Commonwealth Government, which also benefits most from the expanded economic activity, but it is the various state governments who deal with the costs of migration. In particular, the state governments are required to provide government services, such as health and education and ensure adequate infrastructure is delivered. As Australia's population ages the natural rate of population growth will slow and approach zero. CEDA has estimated that by 2050, births will no longer exceed deaths and immigration will be the only source of population growth.¹⁷

FIGURE 6
CONTRIBUTION TO POPULATION GROWTH, 2000 TO 2015



Source: Australian Demographic Statistics (3101.0), June 2015, ABS

There has been a pronounced failure to fund and deliver appropriate levels of infrastructure in Australia. CEDA's report *Australia adjusting: optimising national prosperity* cited a range of policy recommendations to improve the efficiency with which infrastructure is used and significant changes to the governance arrangements that oversee the way in which it is planned and delivered. In *Australia's economic future: an agenda for growth*, CEDA pointed out that while there have been significant reforms in many areas of the Australian economy, infrastructure has largely been unchanged for decades. Improved efficiency, such as through appropriate congestion prices, is critical to meet Australia's current requirements and will only become more so as the population grows.

Given the contribution the migration cap makes to population increase in Australia, Australia's immigration program is its de facto population policy. This was a key point made in CEDA's 2012 report, *A Greater Australia: population, policies and governance*, and reinforced by a recent Productivity Commission report. As the Australian population ages, the rate of natural growth in population is set to decline until it reaches zero in 2050.¹⁸ At that stage immigration will be

the only source of population growth. While temporary migration is uncapped, it varies in response to the economic conditions in Australia. In contrast, the permanent migration program is capped and set by the Australian Government.

Forecasts of Australia's future population suggest that at the long run average NOM, of 0.6 per cent, the country's population will grow to 43 million by 2060, an increase of 74 per cent over the 2014 population. If NOM remains at the elevated level it has been over the decade to 2014, of one per cent, then the population will reach 50 million by 2060, an increase of 117 per cent over the 2014 population. It is questionable as to whether the current settlement patterns of migrants, predominately into Sydney and Melbourne, can continue indefinitely with these figures. It is not possible under current planning and governance arrangements.

A positive rate of immigration that is within Australia's absorptive capacity and oriented towards young and skilled immigrants will improve the nation's economy. It is likely to deliver substantial economic benefits to incumbent Australians and the immigrants themselves. As Professor Withers points out, a major benefit of migration is that Australia is a sparsely populated continent, and that there are potentially significant economies of scale with a larger population. This is likely to be more true if the settlement patterns of migrants were more dispersed. There are significant opportunities to increase the population in rural and regional Australia through migration. For instance, the Developing Northern Australia White Paper noted:

While the growth of Asian's economic prosperity has the potential to transform Northern Australia, to realise this potential will require many more people living in the region. ... Transformation won't happen if its population inches up by a few hundred thousand over the next 20 years. It would remain a high cost, small scale economy; more of a pilot project than a powerhouse. We need to lay the foundations for rapid population growth and put the north on a trajectory to reach a population of four to five million by 2060.¹⁹

Current projections suggest that the population growth in Northern Australia will be higher than the rest of the country, but not substantially, and it will remain relatively sparsely populated region. A more activist migration program could ensure the economic and social development of Northern Australia and maintain the vitality of regional Australia.

The immigration program has gone through significant changes in the past, and it is not implausible to suggest that it could be altered again to influence the settlement patterns of immigrants. Doing so could improve the absorptive capacity of the nation and increase the number of immigrants who could move to the country. Such a change would require careful consideration and close relationships between all spheres of government and local communities. This would represent a more significant change than the current Regional Sponsored Migration Scheme, where capital cities such as Perth and Adelaide can be considered regional.

“Current projections suggest that the population growth in Northern Australia will be higher than the rest of the country, but not substantially, and it will remain relatively sparsely population.”

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1. Attitudes to Australia's immigration policy

Professor Andrew Markus

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This chapter explores current Australian opinion on immigration alongside the attitudes of immigrants, based on surveying that has been conducted by the Scanlon Foundation and rounded-out with the findings of other publicly available surveys.

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Professor Andrew Markus is the Pratt Foundation Research Professor of Jewish Civilisation at Monash University and is a Fellow of the Academy of the Social Sciences in Australia. He has published extensively in the field of Australian race relations and immigration history. Since 2007, Professor Markus has been Senior Researcher for the Scanlon Foundation Social Cohesion Research Program, which in 2016 conducted its ninth national survey.

Introduction

For the first time in Australian social research, systematic surveying of attitudes to immigration, cultural diversity and social cohesion has been conducted. This research has been undertaken by the Scanlon Foundation, with additional funding for three surveys provided by the Federal Government.

Since 2007, the Scanlon Foundation has conducted eight national surveys and four local area surveys. These surveys have employed telephone administered probability samples and a survey instrument of some 65 questions, with a minimum of 1200 respondents. In addition to this, experimental online surveys have been conducted together with a focus-group project in 2015 in four Australian capital cities. An online survey, Au@2015, conducted between September 2015 and February 2016, which was available in 20 languages, was completed by some 10,500 respondents. In total, more than 35,000 respondents have completed the Scanlon Foundation surveys, providing the basis for reliable analysis of trends in opinions and attitudes within sub-groups.¹

Australian attitudes: immigration and cultural diversity

There is substantial evidence to indicate that among western nations, Australia and Canada rank as the most receptive to immigration.²

A major survey conducted between 2012 and 2014 in 142 countries by Gallup World Poll provides scope for comparison across regions. The aggregated results indicate that support for immigration at current or higher levels is at 69 per cent in the Oceania region (Australia and New Zealand), 57 per cent in Northern America (Canada and the United States of America [US]), and at 38 per cent in Europe.³

TABLE 1
“IN YOUR VIEW, SHOULD IMMIGRATION IN THIS COUNTRY BE KEPT AT ITS PRESENT LEVEL, INCREASED OR DECREASED?” AGGREGATED RESULTS BY REGION:

Region	Immigration should be increased (per cent)	Immigration should remain at the present level (per cent)	Immigration should be decreased (per cent)	Don't know/ refused (per cent)
Oceania	28	41	26	5
Northern America	23	34	39	4
Europe	8	30	52	10

Source: International Organization for Migration, *How the World Views Migration*, 2015 (Results of the Gallup World Poll, 2012–2014).

Recent European surveys have found support for immigration at similar or lower levels to the Gallup World Poll. The 2014 Eurobarometer survey, conducted in November 2014, found that 35 per cent of the European population was positive towards immigration from outside the European Union (EU), while 57 per cent was negative. The highest levels of negative response were in Italy and Greece at 75 per cent.⁴

TABLE 2
“PLEASE TELL ME WHETHER EACH OF THE FOLLOWING STATEMENTS EVOKES A POSITIVE OR NEGATIVE FEELING FOR YOU... IMMIGRATION OF PEOPLE FROM OUTSIDE THE EU.” SELECTED COUNTRIES:

	Positive (per cent)	Negative (per cent)
Italy	18	75
Greece	23	75
Germany	29	61
France	35	58
UK	38	57
Spain	48	42
EU28	35	57

Source: Eurobarometer 2014, T61.

The Pew Research Centre found in May 2014 that of seven European countries surveyed there was majority support for a cut in immigration in Greece (86 per cent), Italy (80 per cent), France (57 per cent) and the UK (55 per cent).⁵

Survey findings in the US, Canada and Australia are in marked contrast to results obtained in Europe.

For more than 20 years Pew Research surveys in the US have sought response to the juxtaposed statements that immigrants “strengthen our country because of their hard work and talents” and immigrants “are a burden on our country because they take our jobs, housing and health care”. The March 2016 survey found 59 per cent in agreement with the positive view of immigration, 33 per cent with the negative. The proportion favourable towards immigration has increased since 1994, when 63 per cent saw immigrations as a burden and 31 per cent as a strength. However, the proportion favourable to immigrants still remains low among Republican voters in 2016, with only 35 per cent in agreement with the positive view.⁶

The Focus Canada survey conducted annually by the Environics Institute has found that a majority of Canadians reject the proposition that the country is taking too many immigrants. The 2015 survey, which was conducted in June by telephone and achieved a sample size of 2000, found that 57 per cent of respondents disagreed with the proposition that “overall, there is too much immigration in Canada”; a statement that only 38 per cent agreed with. These proportions have changed little over the last four years. In 2016, 82 per cent of respondents agreed that “overall, immigration has a positive impact on the economy”, only 14 per cent disagreed. While a minority of 30 per cent agreed that “immigrants take away jobs from other Canadians”, 67 per cent of the respondents disagreed with the statement. Sub-group analysis indicated that the highest proportion of negative sentiment towards immigration was among: older Canadians, those of lower socio-economic status, those who live outside major urban areas, and those who support the Conservative Party or the Québécois.⁷

“The 2016 Lowy Institute Poll, administered in February–March, tested responses to the proposition that ‘overall, there is too much immigration to Australia’. Disagreement was at 57 per cent, agreement at 40 per cent.”

A staple of Australian surveying since 1951 has been to ask respondents if they consider the immigration intake to be too high, about right, or too low.⁸ The record of polling indicates that the question has found considerable volatility of response. In a period of increasing or relatively high unemployment there has been majority support for the view that the intake is too high, whereas in times of economic growth and low unemployment there is majority support for the level of current immigration or its increase. Seven of the eight Scanlon Foundation national surveys conducted between 2007 and 2015 found agreement that the intake was about right or too low in the range 53–61 per cent, and opinion that it was too high was in the range 35–42 per cent.⁹ These findings are close to the Canadian level indicated by the Environics survey.

TABLE 3
“WHAT DO YOU THINK OF THE NUMBER OF IMMIGRANTS ACCEPTED INTO AUSTRALIA?”
2012–2015

	Too high (per cent)	About right (per cent)	Too low (per cent)	Refused/don't know (per cent)
2012	38	42	14	7
2013	42	38	13	7
2014	35	42	17	8
2015	35	41	19	5

Source: Scanlon Foundation (Markus 2012–2015).

Two additional surveys administered by telephone and employing random samples also found majority support for immigration. The April 2015 Australian National University (ANU) Poll asked, “Do you think the number of immigrants to Australia nowadays should be increased, remain the same as it is, or reduced?” A relatively low 28 per cent favoured reduction, while 67 per cent favoured an increase on the current level. Questions similar to those asked in the Environics survey obtained almost identical results: 83 per cent of respondents agreed that “immigrants are generally good for the Australian economy”, while only a minority of 29 per cent agreed that “immigrants take jobs away from people who were born in Australia”.¹⁰

The 2016 Lowy Institute Poll, administered in February–March, tested responses to the proposition that “overall, there is too much immigration to Australia”. Disagreement was at 57 per cent, agreement at 40 per cent. This finding was similar to that obtained by the 2014 Lowy Institute Poll, when 37 per cent agreed that the “total number of migrants coming to Australia each year is too high”. Just 24 per cent of Lowy respondents in 2016 disagreed that “overall, immigration has a positive impact on the economy of Australia”, and 25 per cent disagreed that “immigrants strengthen our country because of their hard work and talents”. A larger proportion, but still a minority at 35 per cent, were in agreement that “immigrants take away jobs from other Australians”.¹¹

TABLE 4
SURVEYS COMPARED, SELECTED QUESTIONS:

	Pew Research US, 2016 (per cent)	Environics Canada, 2016 (per cent)	ANU Poll, 2015 (per cent)	Lowy Institute, 2016 (per cent)
“Immigrants are good for the economy”, “have a positive impact on the economy” – agree		82	83	73
“Immigrants take jobs away” – agree		30	29	35
“Immigrants strengthen the country” – agree	59			72

In national surveys conducted in 2013, 2014 and 2015, the Scanlon Foundation asked for response to the proposition that “multiculturalism has been good for Australia”. A high level of agreement has been constant, in the range 84–86 per cent.¹² The 2013 survey tested association of the term multiculturalism with five possible results: the strongest association was with the proposition that multiculturalism “benefits the economic development of Australia” (75 per cent agreement) and its “encouragement of immigrants to become part of Australian society” (71 per cent).¹³

Acceptance pending integration

While there is strong support in Australia for immigration and for the policy of multiculturalism, close to 35 per cent consider that the immigration intake is too high and 11 per cent disagree that multiculturalism has been good for Australia. Of those who are favourable towards multiculturalism, the support of a substantial proportion is conditional on commitment to integrate; to accept what are seen as normative Australian values. In the words of one focus group participant, immigrants are “more than welcome to resettle elsewhere if they don’t like our values”.¹⁴

Stance of Australian-born respondents

The Scanlon Foundation national surveys have asked for response to the proposition that “accepting immigrants from many different countries makes Australia stronger”. Between 2012 and 2015, an average of 10 per cent of Australia-born respondents strongly disagreed, a further 17 per cent disagreed – a combined 27 per cent.¹⁵

The 2014 Scanlon Foundation online survey of third generation Australians asked if it is “best if people forget their different ethnic and cultural backgrounds as soon as possible”; 23 per cent indicated strong agreement or agreement, and a further 15 per cent somewhat agreed, a combined 38 per cent.¹⁶

“While there is strong support in Australia for immigration and for the policy of multiculturalism, close to 35 per cent consider that the immigration intake is too high and 11 per cent disagree that multiculturalism has been good for Australia.”

An Ethnic and Cultural Tolerance Scale was used to analyse the Au@2015 survey, the results of which were based on nine survey questions. Low scores (in the range 0–9 on a scale with a maximum score of 45) were obtained by 29 per cent of third generation Australians. This was more than three times the proportion (8 per cent) obtained by Australia-born citizens with one or both parents born in a non-English speaking country. Of all Australia-born, 26 per cent obtained low-scores.

The most significant variance for Australia-born respondents was based on five key attributes. These were:

- Political alignment – a relatively high proportion of negative scores were obtained by those intending to vote Independent (44 per cent) or National (41 per cent). This was compared to Liberal (17 per cent), Labor (12 per cent) and Greens (one per cent).
- Level of education – a small proportion of those with Bachelor (12 per cent) or higher degree (eight per cent) obtained a low score. Those whose highest qualification is at the trade or apprentice level were more likely to receive a low score (61 per cent).
- Gender – 35 per cent of men obtained low scores, whereas a much lower 17 per cent of women obtained low scores.
- Financial situation – respondents who described their financial situation as “just getting along”, or “struggling to pay bills” were more likely to obtain a low score (both responses scoring 32 per cent), as were those who described their financial situation as “poor” (37 per cent).
- Regional analysis found 22 per cent of low scores came from major cities, 26 per cent from inner regional areas, and 42 per cent came from outer regional areas.¹⁷

Immigrant experiences

The Au@2015 survey and focus groups provide insight into attitudes within the immigrant population. The broad findings support international comparisons that rank Australia as a good country for native born citizens and for immigrants.

When Au@2015 asked immigrants who arrived over the last 15 years to indicate their level of happiness in Australia, only 13 per cent indicated that they were very unhappy or unhappy, and just six per cent indicated that they are strongly dissatisfied or dissatisfied with their life in Australia. Recent arrivals are optimistic for their future; when presented with the proposition that “Australia is a land of economic opportunity where in the long run, hard work brings a better life”, only six per cent disagreed.

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However, a closer analysis indicates that findings are not at the same positive level for all. There is indication of difficulties and heightened dissatisfaction among those who entered Australia under Skill Independent visas, New Zealand Special Category visas (SCV) and Student visas. Additionally, members of a number of Asian and African national groups experienced high levels of discrimination.

A number of studies of labour force outcomes have been undertaken using census data.¹⁸ Key predictors of economic success include field of qualification,

employer nomination, country of origin and English language ability. Of Au@2015 respondents, close to 70 per cent of Business (457 sub-class) visas, Skill Independent visas and New Zealand SCV were employed full- or part-time; compared to a lower 51 per cent on Student visas and less than 50 per cent on Family or Humanitarian visas. A number of focus group respondents who entered in the Skill Independent category discussed the difficulties they faced gaining employment in their area of qualification, and the difficulties of the online application process, which many felt discriminated against those of non-English speaking backgrounds.¹⁹

A broad indicator of economic fortunes is self-described financial status. The positive survey options were “prosperous”, “living very comfortably”, or “living reasonably comfortably”.

Broken into visa categories, percentage of respondents who gave one of the positive financial responses above are as follows:

- 76 per cent on Business (457) visas;
- 63 per cent on New Zealand SCV;
- 53 per cent on Family visas;
- 50 per cent on Humanitarian visas;
- 48 per cent on Skill Independent visas; and
- 26 per cent of asylum seekers.

TABLE 5
SELF-DESCRIBED FINANCIAL STATUS, ARRIVED 2011–15:

Visa category	Prosperous/ living very comfortably (per cent)	Living reasonably comfortably (per cent)	Just getting along (per cent)	Struggling to pay bills/poor (per cent)
Business (457)	24	52	12	12
Skill Independent	7	41	41	12
New Zealand SCV	11	52	25	13
Family visa	12	41	31	16
Humanitarian visa	16	34	36	14
Bridging/protection (Asylum seeker)	3	23	53	21

Source: Markus 2016, *Australians Today*, p. 23.

A range of negative experiences was indicated by Au@2015 respondents. Discrimination on the basis of “skin colour, ethnicity or religion” was at the highest level for New Zealand SCV holders (49 per cent) and Student visa holders (45 per cent).²⁰ An estimated 200,000 New Zealand SCV holders who arrived after 2001 face the problem that they are in an in-between status, neither long-stay nor

permanent. This leaves them free to work and pay taxes in Australia, but ineligible for a range of benefits, including unemployment and sickness benefits and HECS assistance for students until they have been resident for 10 years.²¹

The lowest level of personal trust, indicated by those of the view that in personal interactions “you can’t be too careful”, was among New Zealand SCV holders (63 per cent) and Humanitarian visa holders (52 per cent). In response to the question “has your experience of Australia has been more positive than you expected before your arrival, or has it been more negative?” more than a quarter (28 per cent) of New Zealand SCV holders who arrived in Australia between 2001 and 2015 answered “much more negative” or “more negative”, followed by 21 per cent of Student visa holders, and 19 per cent Skill Independent visa holders.²²

Integration in the computer age

Earlier generations of immigrants, such as those who arrived in the boom post-war decades, were in large measure isolated from families and friends who stayed behind. They kept in touch primarily by mail as telephone calls were very expensive and used only on special occasions, usually for just a few minutes. A return visit might occur once in a lifetime, and then only after decades in Australia. For most there was little access to newspapers and movies from their homelands.

The experience of immigrants today has been vastly changed by a new freedom: the communications revolution that’s transforming the lives of both the Australia-born and of immigrants, and in the process portending significant social change for Australia.

Almost seven out of 10 respondents to the 2013 Scanlon Foundation Recent Arrivals survey and close to 80 per cent of Au@2015 respondents who arrived since 2001 indicated that they are in contact with their overseas relatives or friends every day or several times a week. The most popular form of contact is through social media, such as Facebook, although Skype and other internet based video communication, mobile phones, and email are also much used.

TABLE 6
“HOW OFTEN DO YOU KEEP IN CONTACT WITH FRIENDS AND RELATIVES FROM YOUR FORMER HOME COUNTRY?” BY SMS AND SOCIAL MEDIA, BY YEAR OF ARRIVAL:

	2011–15 (per cent)	2006–10 (per cent)	2001–05 (per cent)	1991–2000 (per cent)	1981–90 (per cent)
Every day	43	44	36	32	25
Several times a week	28	31	29	27	28
Total	71	75	65	59	53

Source: Markus 2016, *Australians Today*, p. 107.

A high proportion of the 2013 Recent Arrivals survey respondents indicated regular visits to friends or relatives in former home countries. Close to 45 per cent of recent arrivals (2000–10) from a number of Asian countries visited their former homeland at least once a year, while 15–30 per cent of immigrants from Europe and the US and Canada visited home at least once a year.²³ The pattern of such visits is a consequence not only of cheaper air fares, but also of the new context for immigration, where more than half of immigrants originate from Australia’s geographical region, where visits home don’t involve travelling long distances compared to Europe.

Low cost media access also facilitates active contact with former home countries. Of those who arrived between 2006–15, over 65 per cent access news reports on the internet and close to a one-third watch television from their former home countries on cable or satellite every day or several times a week.²⁴

The impact of the communication revolution on adoption of Australian identity by immigrants – and on the identity of the Australia-born – is yet to be determined. Au@2015 provides some evidence of what may be a delayed identification among arrivals during their first 15 years in Australia. Survey results show over this initial 15-year period there is little increase in a sense of belonging in Australia. However, there is inadequate evidence to determine if this is a new development or if it has always been a feature of the immigrant experience.

TABLE 7
“TO WHAT EXTENT DO YOU HAVE A SENSE OF BELONGING IN AUSTRALIA?”
OVERSEAS BORN BY YEAR OF ARRIVAL:

	2011–15 (per cent)	2006–10 (per cent)	2001–05 (per cent)	1991–2000 (per cent)	1981–90 (per cent)
Great extent	29	25	26	38	49
Moderate extent	34	40	39	45	39
Sub-total	63	66	65	82	88

Source: Markus 2016, *Australians Today*, p. 100.

Reflections

Immigration is a difficult process for the host society and immigrant – and Australia does as well as any country in its selection and settlement policies. A range of positive indicators have been noted, including the positive outlook of recent arrivals.

In Australia there is a range of views on immigration and cultural diversity, as on all issues within the political realm. While there has been majority support for immigration and multicultural policy over the last decade, in contrast with much of Europe, minority viewpoints continue to be strongly held, evident in public campaigns and elections. A key issue in determining levels of acceptance is perceived willingness of immigrants to integrate.

Analysis by visa categories finds heightened dissatisfaction among those who gain residence under Skill Independent visas, New Zealand SCV and Student visas. Responses to a range of questions contrast the positive experiences of those in employer sponsored visa categories and independent arrivals. Skill Independent entrants meet requirements to gain a visa, but many encounter difficulties in obtaining employment in their area of qualification. Obstacles include difficulties of navigating unfamiliar institutional requirements and lack of local experience. Many form the view that the job selection process, whose first requirement is an online application, discriminates on the basis of ethnicity, creating barriers that had not been expected in a first world country such as Australia.

Endnotes

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- 15 Ibid, p. 19
- 16 Markus 2015, op cit, p. 51
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- 18 See, for example, Hawthorne, Lesleyanne 2015, 'The Impact of Skilled Migration on Foreign Qualification Recognition Reform in Australia', *Canadian Public Policy*, August, p. s184; Hawthorne, Lesleyanne and To, Anna 2014, 'Australian Employer Response to the Study-Migration Pathway', *International Migration*, pp. 104-5
- 19 Markus, *Australians Today*, pp. 19, 26-27
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- 22 Markus, *Australians Today*, pp. 43, 35
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2. Australia's de facto low skilled migration program

Dr Anna Boucher

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This chapter looks at how the growth of working holiday visas and student visas has created a continuous, temporary, low-skilled migration stream, which is potentially competing with naturalised citizens for job opportunities.

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Executive summary

There has been a pronounced and significant shift to temporary migration in Australia over the last decade. A growing portion of this temporary migration is relatively low skilled. To maintain the community's confidence and support for the immigration program it is important to ensure that:

- Exploitation of workers on temporary visas does not take place;
- Ethnicisation of segments of the labour market is not being encouraged; and
- The labour market effects of temporary immigration are not overtly affecting key disadvantaged groups, in particular, young people.

To assess this final point, more research on the Australian case is needed both nationally and within key regions of high youth unemployment.

Introduction

It is timely to consider the effects of immigration upon domestic unemployment in Australia. As the recent British referendum demonstrates, a failure by policy-makers to adequately manage fears (manufactured or real) of the labour market impact of immigration can contribute to political and social disunity. While Australia does not face the same pressures of a federal collapse as Europe, the fact that Australia has one of the highest rates of immigration per capita of any democratic country,¹ in addition to a growing trend to accept low-skilled migrants, makes it a timely moment to consider Australia's temporary immigration channels and their contribution to the labour market outcomes of Australian-born workers and naturalised citizens.

This chapter takes the somewhat unorthodox perspective that key aspects of Australia's current temporary migration program, in particular Working Holiday visas and International Student visas, constitute a de facto low-skilled labour program in Australia. This creates potential for labour market effects that must be more seriously assessed than previously by researchers and policy-makers. This chapter demonstrates the need for a clear research agenda on this topic, targeted to the Australian case.

This chapter contains three main sections. First, it provides an account of these temporary visas and their growth within the broader Australian immigration program. Second, it outlines some of the potential implications of these forms of migration for the Australian labour market, identifying unanswered questions around the effects for the unemployment of young Australians in particular. This includes some consideration of the new Temporary Graduate visa (485 visa). Finally, the policy brief outlines policy prescriptions and future avenues for research on this topic.

Australia's temporary migration program

Temporary migration into Australia has eclipsed permanent flows since at least the early 2000s.² Temporary immigration comprised approximately 67 per cent of net overseas migration into Australia in 2013–2014.³ Despite the prevalence of temporary immigration, as recently as 2011, immigration ministers have avoided discussion of a “guest worker society” in Australia and have focused conversations on the virtues of the permanent settlement of immigrants.⁴ In contrast, the current Secretary of the Australian Department of Immigration and Border Protection, Mike Pezzullo, has recently argued that Australian policy-makers should be wary of the “trap of sentimentality” that preferences traditional forms of permanent settlement, despite the fact they are dwarfed in any case by large-scale temporary migration.⁵

At the same time, the message from the current Federal Government is more confused; the Minister of Immigration and Border Protection, Peter Dutton, has not embraced the shift towards temporary immigration as openly as his Secretary has, and the Minister for Employment, Senator Michaelia Cash announced a parliamentary inquiry into key forms of temporary immigration in 2015. The crossbench report that emerged contains fairly self-critical reflections regarding the protections offered to temporary migrant workers in Australia through current legal arrangements.⁶ Yet, over this period, the Federal Government also expanded the Working Holiday visa program by allowing visa holders working in a number of industries to work with their employer for 12 months, rather than six. This move will likely continue to support the “working” rather than “holidaying” dimensions of the visa remit, especially as the chosen industries include care work, where Australia faces a chronic domestic undersupply of workers.⁷

Despite these mixed policy moves from different sections of Federal Government, a shift towards low skilled temporary immigration within Australia's overall immigration program is both discernible and accelerating. Three key categories of the temporary program are considered in this chapter:

1. Temporary Work (Skilled) 457 visas: This is the category that has received the most media and policy attention. Entry into this visa class remains strong at 85,611 visas issued in the financial year 2015–2016, although this is down from 96,084 in the previous year.⁸ Importantly, given the focus in this chapter upon low skilled immigration, a wage threshold test known as the Temporary Skilled Migration Income Threshold (TSMIT) controls entry of semi- and low-skilled workers through 457s, with the exception of some negotiated entry in regional areas through arrangements known as the Designated Area Migration Agreement (DAMA). These agreements allow a 10 per cent concession on the current TSMIT setting of \$53,900 per annum.⁹ Although entry through the DAMA stream is currently small, there are no clear caps and there is strong expansionary potential in the future. In Canada, where regional concessions in salary thresholds were permitted for its Temporary Foreign Worker Program, this policy contributed to considerable expansion in those provinces that granted such concessions.¹⁰
2. International Student visas (500); and Post-Study visas (485): In the financial year 2014–2015, Australia granted 299,540 student visas,¹¹ which represents an 80 per cent increase over the preceding decade.¹² Furthermore, in the calendar year 2014–2015, 22,895 Post-Study 485 visas were issued.¹³ As the name suggests, this latter visa allows previous international students to remain in Australia for up to four years after they finish their studies, with limited labour market restrictions. While the number of 485 visa grants is small at present, government predicts significant growth of up to 200,000 entrants in 2017–2018 as more international students complete their current degrees but are ineligible for alternate visas to remain.¹⁴ As such, the 485 visa category represents a future growth area within the temporary economic immigration program that warrants more attention than it has received to date from a labour market perspective.

3. Working Holiday-Makers (417 and 462 visas): This visa category started as a small form of inflow for young people from the UK and Canada for work and travel purposes in 1975.¹⁵ In the decade leading to 2014, it has increased by 170 per cent, amounting to 239,592 entrants in the financial year 2013–2014.¹⁶ Furthermore, the source countries represented in bilateral Working Holiday-Maker (WHM) agreements has diversified dramatically to include a larger number of countries, some of which have significant wage differentials with Australia.¹⁷ As noted, throughout 2015, following on from recommendations in the White Paper on Developing Northern Australia, rules attached to the visa were reformed, liberalising restrictions on working periods for WHMs across a number of sectors.¹⁸

Consequences of a de facto low skilled program

The potential labour market consequences of these three channels of temporary immigration relate in part to the influx into the labour market of these workers. At the same time, the working rights and restrictions of these visa holders also shape the potential labour consequences for Australian-born workers and naturalised citizens.

It is important to note that although the focus here is upon the legal provisions for each class of temporary migrant workers, as the recent Senate Inquiry documented, real life practices can deviate significantly from employment law conditions.¹⁹ While the focus of these breaches has primarily been on the implications of these breaches for migrant workers, there can also be consequences for the Australian-born workers and naturalised citizens in the sense that mistreatment of temporary migrant workers may undermine general adherence to Australian working standards. In another scenario, exploiting one group of workers may create an ethnicised and contingent workplace in certain occupational areas, which incumbent workers in turn avoid.²⁰

“Despite these considerable mixed policy moves from different sections of Federal Government, a shift towards low skilled temporary immigration within Australia’s overall immigration program is both discernible and accelerating.”

While acknowledging these complicating factors, this chapter focuses upon the legal framework of working rights, and the academic literature from economics on the potential consequences of temporary immigration for the labour market opportunities of incumbents.

Working rights differ for temporary visa holders in Australia. Temporary Worker (Skilled) visa holders are bound to their sponsoring employer. In contrast, International Student visa holders are not subject to conditions other than a restriction to 40 hours of paid work per fortnight during the semester and enjoy unlimited work during holiday periods.

WHMs may work for up to six months with an employer on a year-long visa; however, they can extend this to an additional year if they are prepared to work in regional Australia for at least three months. Furthermore, as noted above, since 2015, WHMs can apply to extend a six-month placement with one employer for a further six months in a large number of occupations, including au pair work, aged and disability care, primary agriculture, some areas of construction, areas of mining and certain parts of the tourism industry.²¹

Post-Study visa holders can work between 18 months to four years after graduation and are not restricted by employer or working hours. In short, factoring in the working rights attached to these visas and the scope of employment opportunities across a wide range of industries and occupations, there is a strong argument to be made that Australia already has, or is close to developing, a de facto low skilled migration program, that in its size and scope significantly eclipses the skilled permanent program.

Putting aside the legal rules that structure the work opportunities of individuals on these visas, we should also consider the associated employment outcomes. Here, evidence is more mixed as the last major survey on the working patterns of WHM visa holders was conducted in 2009.²² The data that do exist make clear that while International Student visas and WHM visas are formally viewed as study and tourism visas respectively, individuals on these visas are also engaging in high levels of employment.

For instance, WHMs have an employment rate of at least 69 per cent,²³ while international students have rates of between 59 to 70 per cent.²⁴ Furthermore, WHMs have disproportionately engaged in the horticulture and hospitality sectors, and on average earned around \$16 per hour in 2008, which was marginally above the minimum award wage for that year.²⁵

“The data that do exist make clear that while International Student visas and WHM visas are formally viewed as study and tourism visas respectively, individuals on these visas are also engaging in high levels of employment.”

Labour market effects of temporary immigration in Australia

Evidence on the domestic labour market impact of temporary immigration is mixed. A study by the National Institute of Labour Studies on the effects of WHM visas upon domestic youth unemployment in Australia did not give a categorical answer to the question of domestic labour market impact, commenting that: “It is still possible that on balance (WHM visas) reduce the job opportunities for Australians in local labour markets. We do not have direct evidence on this point. We do know that WHMs overwhelmingly worked in relatively unskilled jobs that most Australians could do.”²⁶

Research by Cully from 2009 demonstrates that while temporary migrants comprised only 4.2 per cent of the workforce for the general civilian population, they comprised 17.9 per cent of the workforce for the 20–24 age bracket.²⁷ The Productivity Commission also estimates that in the year 2014–2015, temporary migrants represented 50 per cent of the growth in the youth labour market.²⁸ As

the numbers of young temporary migrants increases as a result of the Post-Study visa expansion discussed above, these age distributions are likely to become more skewed towards the younger age bracket.

We also know at the same time that the unemployment figures of Australian youth remain stubbornly high. This is true of school leavers aged 15–19. Unemployment levels in this age bracket for those who are neither in employment nor full-time study, sits at 17.7 per cent.²⁹ Graduate outcomes for Australian students aged 20–24 are also poor. The percentage of graduates in full-time employment within four months after completion of their degree currently stands at around 69 per cent, which is down significantly from 85 per cent prior to the onset of the Global Financial Crisis.³⁰ The question that emerges from these data is whether such changes are simply a product of broader shifts in the labour market, or whether temporary migration, at least in part, is displacing low-skilled workers in the first category and competing for graduate positions in the second.

Recent research commissioned by the Australian Productivity Commission in 2015 demonstrates a correlation between increased stock of migrants and increased youth unemployment among Australian-born workers and naturalised citizens.³¹ This research is contrary to the orthodox position taken by Australian economists that immigration has had largely neutral or even positive effects upon Australian workers.

Yet, historically, this research has focused on the macro-level with limited work upon particular segments of the Australian population, such as youth. Furthermore, some of this research is now dated and therefore does not capture the policy trends outlined above. For instance, Addison and Worswick's recent foundational study that finds no negative effect of immigration across 48 regions, relies upon data from 2001.³² Other studies conducted more recently either do not take particular sub-groups such as young people as an affected category,³³ or fail to differentiate between visa categories.³⁴ Alternately, these studies were undertaken during a period when the inflow of WHMs was much lower.³⁵

A recent article by Breunig and collaborators finds that once experience and education are controlled for, there is no evidence that immigration has had harmful labour market effects in Australia. Adopting a national labour market approach, these authors argue that immigration has been largely benign. However, they do identify some negative effects from recent arrivals (over the last five years) upon the employment and wages of Australian-born.³⁶

“Recent research commissioned by the Australian Productivity Commission in 2015 demonstrates a correlation between increased stock of migrants and increased Australian-born workers and naturalised citizen youth unemployment.”

Several critiques can be levelled at this study. First, given that the paper operates from a national labour market approach, it may fail to capture regional effects that have been found to be important in labour market studies in Australia. This critique is particularly important with regards to youth unemployment, where there is strong regional variation in unemployment rates across Australia.³⁷

Second, it does not control for the visa status of migrant groups. Yet, as outlined above, given differences in the working rights and permission to remain of different visa holders, it is plausible that visa status could inform the preference by employers for certain visa holders over others, or for Australian-born workers and naturalised workers. Temporary visa holders for instance, might be viewed as a more flexible labour market than those on permanent visas and therefore lead to greater displacement effects for incumbents.

Third, the article conducts a number of dissimilarity tests to counter a possible occupational downscaling of recently arrived migrants into lower paid jobs. The authors find that while there is some evidence of downscaling for highly skilled migrants, migrants and native-born are undertaking similar jobs for their experience level.³⁸ However, there are several concerns with the way this dissimilarity test is undertaken that may affect the conclusions reached. First it only considers downgrading of those in employment, but not other labour market outcomes, such as participation and unemployment rates addressed elsewhere in the study. Second, it only considers the top three occupations for each education and experience paring, leaving approximately 40–50 per cent of possible parings unchecked for such downscaling. Third, while migrants generally do not appear to have a negative effect upon domestic wages, there is some evidence of this effect for those with one to 10 years of experience.³⁹

The authors do not further investigate this relationship between experience and age in this regard, although it is precisely this range where there will be the large temporary migrant inflows into the labour market through former international students, once the Post-Study visa intake expands from 2017 and where, as noted, there is high unemployment among recent Australian-born graduates. These critiques of the occupational dissimilarity method may appear unduly technical; however, a recent study by Harvard University economist Borjas emphasises the importance of accurate skills matching in order to accurately assess labour market effects and to generate meaningful policy recommendations.⁴⁰ It is worth noting that the Productivity Commission's final report on Migrant Intake, takes a regional labour market approach and does not find a negative effect upon youth unemployment.⁴¹

International research on the relationship between temporary immigration and youth unemployment

International research presents an empirical and theoretical basis for further investigation in Australia of the relationship between unemployment and rising rates of temporary immigration. Research undertaken by the American Federal Reserve since the global financial crisis demonstrates some displacement of young Americans through low-skilled immigrant labour.⁴² Ruhs and Vargás-Silva's

(2015) overview of the British scholarship notes that the Migration Advisory Committee in the UK found non-EU immigration (but not EU immigration) was associated with a reduction in employment of British workers from 1995–2010 and this research has been corroborated elsewhere.⁴³

While some British researchers find no effect either way upon welfare beneficiaries – another vulnerable group⁴⁴ – other studies identify increased migrant representation in the labour market as having a negative effect on the probability of work for incumbents with O-Level education (equivalent to Year 10 in the Australian system) when compared with natives with higher educational levels.⁴⁵

Application of international research to Australia

As a result of EU membership, the UK has historically provided a different policy context for immigrant labour market effects than what is observed in Australia. Free movement, particularly from the new accession states, has contributed to large-scale inflow of immigrants into the British labour market with broadly similar occupational levels to native born.⁴⁶ In contrast, Australia has in recent years been identified as a country where the skill and education levels of immigrants exceed those of Australian-born workers and naturalised citizens.⁴⁷ Nonetheless, there are reasons to be attentive to the shifting policy context in Australia and the implications that this might hold for changes to the composition of immigration flows, and in turn, subsequent labour market effects.

First, as noted above, the largest increases within the migration program have been in the low- and semi-skilled space through the dramatic expansion of International Student and WHM visa intake.

In this sense, this form of immigration is not dissimilar from the supply-driven immigration into the UK from the new accession states; there is no upper cap on allocations into these visa categories and push factors from sending countries largely inform flows. Second, as noted earlier, grants into the 485 Post-Study visa category are anticipated to increase sharply from 2017, which will result in a strong influx of international graduates with limited work restrictions who are seeking graduate positions in direct competition with Australian-born graduates.

Finally, high rates of youth unemployment in Australia and real concerns over the future viability of key sectors such as manufacturing, present questions over the implications of growing rates of low skilled immigration into Australia. As the Productivity Commission argued in its Draft Report on Migrant Intake, more research is needed on the possible distributional effects of these forms of low skilled immigration upon particular groups within the Australian labour market.⁴⁸

“High rates of youth unemployment in Australia and real concerns over the future viability of key sectors such as manufacturing, present questions over the implications of growing rates of low skilled immigration into Australia.”

Recommendation and policy prescriptions

The Senate Education and Employment References Committee released its report on Australia's temporary immigration programs in March 2016. Among its long list of recommendations was investigation into the possible capping of the WHM program. The report also recommended further regulatory changes to increase the integrity of this program and to minimise the exploitation experienced by some WHMs and international students working on associated visas.⁴⁹ Another possible policy solution that has been raised is the creation of a formal fit-for-purpose guest worker program to replace existing channels of entry for low- and semi-skilled migrants with the view that this would offer better labour protections.⁵⁰ Yet, the thrust of these policy recommendations in both cases remains upon improving the protections of temporary migrant workers – a legitimate and important endeavour – but less so upon measuring and minimising the impact upon Australian-born workers and naturalised citizens, both Australian and overseas-born.

Research and data collection on this topic is vitally needed, particularly in light of high and intransigent youth unemployment, and the likely future expansions in the temporary migrant worker area in coming years both as a result of the recommendations of the white paper on *Developing Northern Australia* and international student migration. It seems inappropriate to continue expansion of the WHM visa program in particular until the distributional effects upon existing Australian-born and naturalised workers have been established.

Key recommendations are as follows. The Federal Government should:

- Collect and publish better data on the employment outcomes of those migrants on WHM and international student visas; and
- Commission further research on the relationship between youth unemployment and temporary immigration, through detailed case studies, as recommended in the Productivity Commission Report on Migrant Intake.⁵¹

The author thanks Mark Cully, Nathan Taylor, Lesleyanne Hawthorne, Stephen Clibborn, Chris Wright, Josh Healy, Joanne Howe and David Smith for comments on this article and assistance with data.

Endnotes

- 1 Anna Boucher and Justin Gest (2016, forthcoming) *Crossroads of Migration: A Global Approach to National Differences*, Cambridge University Press, New York, Chapter 3, drawing upon United Nations Department of Economic and Social Affairs, New York, 2015 Migrant Stock reprint. From 2010–2015 these data indicate that the annual increase in migrant stock in Australia was 2.92 %. The average for the developed world in contrast was 1.87%.
- 2 Peter Mares (2016) *Not Quite Australian: How Temporary Migration is Changing the Nation*, Text Publishing, Melbourne University, p.55, compared with permanent flow data collected and published in Boucher, Anna (2016) *Gender, Migration and the Global Race for Talent*, Manchester University Press: Manchester, p.89.
- 3 Stephen Easton (2015) "Mike Pezzullo inspired by powerful post-war mandarins for immigration's new way," *The Mandarin*, 22 April 2015, available at <http://www.themandarin.com.au/31018-days-old-mandarins-bold-immigration-and-border-protection-boss-weaves-narrative/>. See also "3412.0 - Migration, Australia, 2014-5, Net Overseas Migration Table, 2.2., Selected characteristics, State and Territory, 2014-5, NOM" available at <http://www.abs.gov.au/ausstats/abs@.nsw/mf/3412.0/>. Note that this percentage is likely to be an underestimate of the relative proportion of temporary stock as those temporary migrants resident in Australia for less than twelve months (such as short-term WHMs and international students) are not included in the NOM calculation, even though they may enjoy working rights.
- 4 Chris Bowen, Minister for Immigration and Citizenship, 'The genius of Australian multiculturalism', address to the Sydney Institute, 17 February 2011, cited at Peter Mares 'Temporary Migration and its Implications for Australia', Papers on Parliament No. 57, February 2012
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- 6 The Australian Senate, Education and Employment References Committee, *A National Disgrace: The Exploitation of Temporary Worker Visa Holders*, Parliament of Australia, Canberra, March 2016. Although it should be noted that Coalition Senators produced an additional comment to the final report which clarifies that they do not agree with all of the Report's recommendations.
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- 9 At present, only one DAMAs has been negotiated between the Australian Department of Border Protection and the Northern Territory government: Senate References Committee, op.cit, 2.78. There are discussions around agreements with the governments of Western Australia, Tasmania and Queensland however, to date, nothing has been implemented.
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- 11 Department of Immigration and Border Protection (2015). Student visa and temporary graduate visa report, Canberra, p.78.
- 12 Productivity Commission of Australia (2015). *Draft Report on Australia's Migrant Intake*, Canberra, page 66.
- 13 Ibid, page 69
- 14 Australian Department of Immigration and Border Protection (2015) *Proposal Paper: Simplification of the skilled migration and temporary activity visa programmes* – December 2014, Canberra, page 26, cited in Henry Sherrell (2015) "The coming increase of Temporary Graduate Visas," on valueformoney blog, April 5, 2015.
- 15 Bai, T., Lester, L., Richardson, S., Sun, L. and Tan, Y. (2008) *Evaluation of Australia's working holiday maker program*, Project funded by the Department of Immigration and Citizenship, 2008, project description at www.flinders.edu.au
- 16 Productivity Commission, op.cit, note 12, pages 51; 66.
- 17 These include Bangladesh, Turkey, Taiwan and Thailand.
- 18 See note 7 above.
- 19 The Australian Senate, Education and Employment Reference Committee, note 6, see in particular Part IV.
- 20 The argument that reliance on these temporary visas might be contributing to a form of segmented labour market with concentration of migrant workers in key sectors and an ensuing downgrading of working conditions in those sectors, is explored in the Reference Committee report with regard to the meatpacking industry in Queensland: Reference Committee (2015, 116), note 6 above. However, evidence at present is sparse, anecdotal and needs a stronger research base.
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- 22 Tan, Y., Richardson, S., Lester, L., Bai, T., & Sun, L. (2009). *Evaluation of Australia's Working Holiday Maker (WHM) Program*. Retrieved from National Institute of Labour Studies, Flinders University.
- 23 Note that this figure is based on a survey of Working-Holiday Makers in 2007 and 2008 before new agreements were signed with Bangladesh, Turkey, Taiwan and Thailand. As such, it likely underrepresents the scope of labour force engagement as the incentive for individuals with countries with a greater wage differential to Australia to work, is higher: Tan, Y and Lester, L. (2012) "Labour Market and Economic Impacts of International Working Holiday Temporary Migrants to Australia," *Population, Space and Place*, 18, 359–383, page 363.
- 24 Marginson, S, Nyland, C, Sawyer, E and Forbes-Mewett, H. (2010) *International Student Security*, Cambridge, Cambridge University Press, 124. In contrast, Cully, M. (2010) reported that only 28.3 per cent of overseas students in 2006 were employed, however, noted that this low figure could represent deliberate underreporting for fear of visa breaches: Cully, M. (2010) "Migrant Labour Supply: Its Dimensions and Character," paper presented to the Australian Labour Market Research Workshop, University of Sydney, 15–16 February 2010.
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- 26 Tan et al, 2009, op.cit, note 23, page 57.
- 27 Cully 2010, op.cit, note 24, page 2. Note, the Productivity Commission (2016) Inquiry Report: Migrant Intake into Australia, Productivity Commission, Canberra, estimates the figure at 13.7 per cent: page 201.
- 28 Productivity Commission (2016), op.cit, above note 27, page 203.
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- 31 Productivity Commission, 2015, op.cit, note 12, Figure 15.5d-f
- 32 Addison, T. and C. Worswick. 2002. 'The impact of immigration on the earnings of natives: Evidence from Australian micro data.' *Economic Record* 78:68–78.
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- 34 Bond, M. and N. Gaston. The Impact of Immigration on Australian-born Workers: An Assessment Using the National Labour Market Approach. '2011.' *Economic Record* 30:400–413. This study also relies upon HILDA data before the inclusion of the 2011 supplement for temporary migrants, which could raise some validity issues. Further, the use of HILDA data to measure migrant stock has been critiqued by Breunig et al (2015, 6-7) as raising endogeneity issues in the sense that HILDA data were used for both outcome data and immigrant share data: Breunig, R., Deutscher, N and To, H.T. (2015) "The relationship between immigration to Australia and the labour market outcomes of Australian-born workers," Australian National University, 11 December 2015, available at <https://crawford.anu.edu.au/people/academic/robert-breunig?tb=research>. See also Sinning, M. and M. Vorell. 2011. *There Goes the Neighborhood? People's Attitudes and the Effects of Immigration to Australia*. Bonn: IZA which has also been critiqued by Breunig et al 2015, page 7 for its operationalisation of a regional labour market approach.
- 35 Tan, Y. et al. 2009. *Evaluation of Australia's Working Holiday Maker (WHM) Program*. National Institute of Labour Studies, Flinders University: Adelaide.
- 36 Breunig et al, op.cit, note 34, page 22
- 37 Brotherhood of St Laurence (2016) *Australia's Youth Unemployment Hotspots Snapshot*, March 2016, page 3., drawing upon ABS 2016, Labour force status by region (ASGS SA4), sex and age, datacube RM1. Debates over whether a national or regional labour market approaches are preferable from both an empirical and methodological perspective dominate this area of research. Dustman et al (2005) defend a regional labour market approach in their study on the basis of low levels of labour mobility across Great Britain: Dustmann, C., F. Fabri and P. Preston. 2005. 'The Impact of Immigration on the British Labour Market.' *Economic Journal* 115:F324-341, F329.
- 38 Breunig et al, op.cit, note 34, page 19. The authors argue that the magnitude of difference between migrants and incumbents is not big and therefore occupational downgrading for migrants is not great. However, without comparative data, it is difficult to assess whether the differences that are identified are significant or not.
- 39 Breunig et al, op.cit, note 34, page 21.
- 40 Borjas, G. (2016) The Wage Impact of the *Marielitos: A Reappraisal*, NBER Working paper, 21588, available at <http://www.nber.org/papers/w21588>. See also: Frum, David (2016), "The Great Immigration Data Debate," *The Atlantic*, available at <http://www.theatlantic.com/politics/archive/2016/01/the-great-immigration-data-debate/424230/>. This debate focuses upon the effects of a large inflow of unskilled Cuban refugees into the Miami labour market in 1990 but has methodological implications for Australian studies.
- 41 Productivity Commission, 2016, above, note 28, page 649. Using regression modelling under several scenarios, the Commission in fact finds a positive effect of immigration upon youth unemployment, although it does argue that further research is needed on this topic, especially given its assumptions about labour substitution. Further, it does not control for visa class in its analysis.
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- 50 Howe, J. and Reilly, A. (2015) "Meeting Australia's labour needs: the case for a new low-skilled work visa," *Federal Law Review*, 42: 259–287.
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3. Redesigning Australia's labour migration program

Associate Professor Joanna Howe

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Given the importance of labour migration to Australia's economic success and social cohesion, it is vital that the country establishes the correct regulation of this complex phenomenon. This chapter puts forward three proposals that address the current regulatory confusion.

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Associate Professor Howe is currently leading a project (with Alex Reilly) commissioned by the Fair Work Ombudsman into the experience of international students in the Australian labour market and is the project leader on a category one grant from Horticulture Innovation Australia (HIA, VG15025, \$231,207, 2016) examining labour supply options in the Australian vegetable industry.

In 2015 she received a grant from the Oñati International Institute for the Sociology of Law in Spain to convene a workshop on temporary labour migration, bringing together international experts. Associate Professor Howe is also a chief-investigator on an Australian Research Council Discovery Grant, *Work Experience: Labour Law at the Boundary of Work and Education* (DP150104516, \$207,200, 2015–2018). She is regularly invited to present evidence to the Senate Legal and Constitutional Affairs Committee and to advise government departments and reviews on Australia's temporary migration program. She is the recipient of the University of Adelaide's Women's Research Excellence Award 2015. Associate Professor Howe holds a Doctorate of Philosophy in Law from the University of Oxford, where she studied as a Rhodes Scholar.

Introduction

In many parts of the western world, fear of migration and its perceived adverse consequences on local populations is on the rise. Brexit, Trump, Hanson – all represent, in part, a concern by citizens that their economic prosperity and way of life is under threat by immigration. In the Brexit debate, the European Union's common economic zone allowing the free movement of people to Britain was a key reason for the success of the leave vote. In the US, presidential candidate Donald Trump's anti-free trade agenda and plans to build a wall between Mexico and the US tap into a concern that Americans' job security and access to jobs is under threat by both illegal immigrants and labour mobility provisions in trade deals.

In Australia, Hanson's rise can largely be attributed to anti-Muslim sentiment, but is intertwined with the unease of some Australians with the notion of their country as a multicultural nation built upon the contribution of migrants.¹ In all three cases, we can discern a suspicion of globalisation and its promise of a more economically prosperous and socially cohesive world. These broader fears around migration and globalisation threaten to undermine Australia's longstanding commitment to labour migration, that is, the movement of people into Australia for a work purpose. These fears are not being helped by the regular media stories exposing Australia's labour migration system as poorly managed, incapable of withstanding rorts or of protecting the jobs of local workers and migrant workers from gross exploitation.

This chapter argues the need to completely rethink the way Australia regulates and approaches labour migration. It advances three proposals that would improve both the regulatory design and enforcement capacity of Australia's labour migration program.

Proposal 1: a tripartite, objective and evidence-based independent commission

Public confidence in the way labour migration is managed is essential for maintaining support for permissive visa regulations.² Yet, it is difficult for the public to maintain confidence in a labour migration system that is cloaked in secrecy, complexity and a lack of transparency and accountability. The 457 visa is the mainstay of Australia's labour migration program scheme. Introduced in 1996 with bipartisan political support, the 457 visa permits high-skilled temporary labour migration to Australia in occupations that are deemed to be in shortage in the Australian labour market.

The primary defect in the management of the 457 visa lies in the delegation to employers of the decision as to which occupations are in shortage. Australia has a demand-driven program – employer attestation determines which occupations are in shortage. So long as an occupation is listed on the Consolidated Sponsored Occupation List (CSOL) and a 457 visa holder is paid a higher annual wage than the minimum amount for temporary skilled migrants,³ an employer is able to access a 457 visa holder. The CSOL is not an occupational shortage list; it includes over 600 occupations, many of which are not in shortage.

Diehard defenders of the status quo will point to the introduction of employer-conducted labour market testing in 2013 as evidence of a requirement that employers need to first advertise jobs locally before hiring a 457 visa holder. However, when one realises that a simple Facebook advertisement suffices to meet the Department of Immigration and Border Protection’s (DIBP) very low evidentiary requirement,⁴ it becomes clear that employer-conducted labour market testing is both weakly enforced and easily evaded.

The effectiveness of using an employer-attestation approach to determine the existence of which occupations are in shortage has been repeatedly debunked.⁵ A number of significant reviews of the 457 visa program have called for greater limits on employer demand.⁶ Even the Organisation for Economic Co-operation and Development (OECD) concurs, advising that independent labour market testing is preferable for mapping domestic labour shortages because “historically, requests by employers have not been considered a fully reliable guide in this regard, at least not without some verification by public authorities to ensure that the requests represent actual labour needs that cannot be filled from domestic sources”.⁷

“The primary defect in the management of the 457 visa lies in the delegation to employers of the decision as to which occupations are in shortage.”

The simplistic notion that employers will only go to the trouble and expense of employing a migrant worker when they want to meet a skill shortage skims over a range of motives an employer may have for employing a migrant worker. These could be a reluctance to invest in training for existing or prospective staff, a desire to move towards a de-unionised workforce or, for a (perhaps small) minority of employers, a belief that it is easier to avoid paying minimum wage rates and conditions for temporary migrant workers.⁸ For other employers, there is a perception that they gain a cost advantage, either directly or indirectly, because temporary migrant workers will be willing to work for less, or be more productive by working harder for the same pay.⁹

To remedy the problematic use of employer attestation to determine the composition of Australia’s 457 visa holders, the Australian Government should consider establishing a tripartite, independent commission charged with the compilation of the occupational shortage list for the 457 visa program. This commission would use an evidence-based approach to identify Australia’s labour market needs in a timely, efficient and transparent manner.¹⁰

Instead of an independent expert commission, what Australia currently has is a body very few have heard of – the Ministerial Advisory Council on Skilled Migration (MACSM). MACSM is comprised of eight members appointed by government. Its current make-up is far from tripartite, with one independent member (John Azarias), one representative from the unions (Australian Council of Trade Unions President, Ged Kearney) and the other six members all from a business background with a vested interest in increasing the level of labour migration to Australia. MACSM's deliberative processes and recommendations occur behind closed doors and with very limited public engagement or accountability. Despite being charged with the important responsibility of reviewing the CSOL, since its establishment in 2015, there have been no public statements from MACSM as to its work to-date.

What would a genuinely independent and tripartite commission look like?

First, it would have equal membership from both industry and unions, as well as independent experts in labour migration from relevant fields, demography, economics and law. Second, it would have an evidence-based approach to gathering information on which occupations should form part of the occupational shortage list, relying on subjective input from stakeholders through a formal and transparent submissions process and on economic data. For example, a similar body in the UK, the Migration Advisory Committee, uses 12 economic indicators to make recommendations for its occupational shortage list. Third, its processes, deliberations, findings and recommendations would be placed on its website and be accessible to the public. Fourth, it would have responsibility for both the permanent and temporary labour migration programs and for assessing the labour market impact of visas with a non-work purpose but which allow the performance of work in the Australian economy (such as visas for backpackers and international students).

This commission would undermine the possibility for fear mongering by populist politicians. Experience from other jurisdictions attests to the ability of an independent migration commission to lift the quality of public debate and promote informed government decision-making. This is because a more transparent and rigorous process for selecting occupations to be on a shortage list has the benefit of increasing public confidence that only occupations which are in shortage are eligible for labour migration. This alleviates the fear of local workers that migrants are stealing their jobs. An expert commission can also assist in communicating to the public the shared prosperity and economic gains that ensue from labour migration, leading to greater public acceptance of the use of labour migration to address domestic shortfalls. An independent commission also reduces the opportunity for regulatory capture by special interests.

“The simplistic notion that employers will only go to the trouble and expense of employing a migrant worker when they want to meet a skill shortage skims over a range of motives an employer may have for employing a migrant worker.”

The work of the commission would not be without challenge. Independent labour market testing is not easy to get right. It is tricky for government agencies to identify and quantify skill shortages as “occupation is not an innate characteristic”,¹¹ particularly in a geographically dispersed country like Australia,¹² and past experience shows there can be a time lag between identification and when an occupation is made eligible for temporary labour migration.¹³ Nonetheless, a well-resourced, genuinely tripartite and independent commission would go a long way to developing and maintaining the integrity of an Australian occupational shortage list for labour migration purposes.

Proposal 2: a fair go for migrant workers

The second recommendation draws upon the notion of fairness as a normative framework and ordering principle in regulating labour migration.¹⁴

Fairness for workers has long been a touchstone for Australian labour law. McCallum, for one, suggests that the success of compulsory arbitration for nearly a century was due to the “egalitarianism and fairness” that was emblematic of the Australian character, with its pursuit of fair and reasonable outcomes.¹⁵ Not dissimilarly, Macintyre observes that the emphasis of the Australian Constitution’s framers and the Conciliation and Arbitration Court’s early members was on egalitarianism and “shaping the political economy according to the national ethos of the fair go”.¹⁶ While seemingly a colloquialism, the fair go became deeply embedded in Australia’s labour laws and jurisprudence. According to Riley:

The fair go is an idiomatic expression of the Australian commitment to an egalitarian democracy which respects the autonomy and dignity of its citizenry. Those who engage workers and those who work are all working citizens, and as such they are entitled to equal respect and consideration in the determination of matters affecting their working lives.¹⁷

Despite the substantial changes that have occurred in Australia’s labour laws in the last two decades,¹⁸ the uniquely Australian concept of the fair go still endures and has even made it into federal legislation governing unfair dismissal,¹⁹ and into the name of the federal labour law statute,²⁰ and into the institution charged with resolving disputes between employers and employees.²¹

Notwithstanding scholarly criticism of its use,²² the stem word fair is identified seven times within the stated objects of the *Fair Work Act 2009* (Cth) and is the most common substantive descriptive word used in this section.²³ More recently, the Productivity Commission has acknowledged the importance of fairness to Australia’s workplace relations framework, recognising that “labour differs from other inputs, and that a sound workplace relations system must give primacy to the wellbeing of employees (and would be employees), and take account of community norms about the fair treatment of people”.²⁴

Under the *Fair Work Act 2009* (Cth) we expect that temporary migrant workers would have the same access to a fair go as their Australian counterparts – after all, the law applies equally to both. However, in practice we find a different story

emerging. Although many temporary migrant workers are treated well by their employers, there seems to be many who are not. How else to describe a job to dive through murky ponds and lakes for golf balls and receiving less than \$5 per hour,²⁵ or the kinds of exploitative treatment of workers at Baida Poultry processing plants,²⁶ or the international student dismissed for making himself a cup of coffee?²⁷ Or the systematic underpayments, threats and exploitation of international students employed in 7-Eleven franchises, and the 457 visa holders forced to endure all manner of unreasonable requests and appalling treatment in order to maintain their employer's sponsorship.²⁸

“Although many temporary migrant workers are treated well by their employers, there seems to be many who are not. How else to describe a job to dive through murky ponds and lakes for golf balls and receiving less than \$5 per hour.”

Clearly, migrant workers are struggling to access a fair go in the Australian labour market. This is despite the much-lauded triple win promised by migration in the literature²⁹ and by international institutions keen to promote temporary labour migration as a talisman for success in the new economy and deploying migrant labour around the globe.³⁰

The International Labour Organisation's 2014 Report *Fair Migration* advances this notion that labour migration should ensure the realisation of the dignity of migrant workers. The report argues that this means:

...constructing an agenda for fair migration which not only respects the fundamental rights of migrant workers but also offers them real opportunities for decent work. Recognition of the contribution that they make to the societies from which they come and where they work has to be translated into instruments of governance which guarantee a *fair share of the prosperity* which migration helps to create.³¹

This approach is one that advocates the development of migration laws and policies that distribute the economic gains of labour migration so that workers receive a fair share. The normative implications of this approach in the Australian context means that migrant workers should receive equivalent wages and conditions to local workers as their work is of no less value purely because of their migrant status. This also means migrant workers should have the same workplace rights as local workers and be able to enforce these rights. Migrants should also be treated with dignity and respect at work and migration laws and policies should take into account the interests of migrants as workers and human beings.

To see this enforced, the notion of according fairness to the parties involved in migration should inform the interpretation of the stated purposes in the *Migration Act 1958* (Cth) in regulating labour migration and should be used to influence the making of migration laws and policies. A new purpose should be added to the legislation giving effect to the principle that Australia's labour migration program should seek to ensure a fairer distribution of the prosperity that the migration process creates, and to make clear that migrant workers are entitled to a fair go, just like their Australian counterparts.

Although this proposal may seem tokenistic and incapable of effecting real change, legislative purpose is important for the formation and interpretation of laws and policies. Explicitly acknowledging the entitlement of temporary migrant workers to fair treatment in the workplace provides an essential pushback to the notion that temporary migrants are merely cogs in the wheels of global capitalism. It challenges the conception that the role and purpose of temporary labour migration has become one of unlocking and maximising the entrepreneurial potential and profit-maximising capabilities of capital.³²

This proposal seeks to decommodify temporary migrant labour in the same way that the aphorism “labour is not a commodity” recognises that the relationship of the human person to their labour cannot be separated, it also seeks to explain the conundrum that work cannot be separated from the human person and yet is traded in the marketplace.³³

Proposal 3: a strong, well-resourced inspectorate

Although the first two proposals focus on improving the regulatory design of Australia’s labour migration program, this final proposal seeks to guarantee that Australia has an adequately resourced labour inspectorate when things go wrong.

Australia is fortunate to have an established labour inspectorate in the Fair Work Ombudsman (FWO), which is an independent statutory authority created under the *Fair Work Act 2009* (Cth). The FWO has identified migrant workers as particularly vulnerable to exploitation and recently has established an Office for Migrant Worker Engagement and Strategy. This reflects the disappointing reality that more and more of the FWO’s time and resources are being devoted to preventing the exploitation of temporary migrant workers in the Australian labour market. More than one tenth of all complaints received by the FWO were from visa holders and the FWO has recovered more than \$1.1 million on behalf of temporary migrant workers in 2013–2014.³⁴

“The Fair Work Ombudsman has identified migrant workers as particularly vulnerable to exploitation and recently has established an Office for Migrant Worker Engagement and Strategy.”

While these and other enforcement initiatives of the FWO are important, the regulatory capacity of the FWO is necessarily bound by the huge challenge presented by Australia’s geography and the significant number of temporary migrant workers. It seems unlikely that the FWO’s resourcing and powers are sufficient. FWO has 300 inspectors divided into teams: compliance, early intervention, alternative dispute resolution and campaigns.³⁵ Its inspectorate is required to serve up to 11.6 million workers,³⁶ a significant portion of which are temporary migrants with work rights in the domestic economy.³⁷

Although it is unlikely that the FWO will be able to significantly increase its resources as the federal budgetary climate is so tight, its suite of legislative powers need to be strengthened. A promising sign that legislators are beginning to understand the importance of the FWO's role in effecting change in the experience of temporary migrant workers in the Australian labour market was the Coalition Government's policy, Protecting Vulnerable Workers, released during the 2016 federal election campaign.³⁸ This policy plans to increase tenfold the penalties for employers who deliberately and systematically underpay workers and fail to keep proper records.

This policy also creates a new offence for employers engaged in cashback scams like in the 7-Eleven scenario, where an employer pays the correct wages to employees but then forces them to repay a proportion of their wages in cash.³⁹ The policy also proposes to tighten the obligations on franchisors and parent companies and substantially increases the compulsory evidence gathering powers of the FWO (similar to those currently held by other watchdogs such as ASIC, the ACCC, the ATO). This will enhance the FWO's powers to gather evidence where proper records do not exist and assist in gathering evidence in situations where temporary migrant workers are reluctant to publicly complain to the FWO about an exploitative situation at work for fear of repercussion. The policy also introduces new penalty provisions for employers who obstruct the FWO's inspectorate or provide false or misleading information.

This policy, if enacted, is a substantial step in the right direction in the area of regulatory enforcement and monitoring of the workplace rights of temporary migrant workers. It goes a long way in increasing the power and role of the FWO, and provides disincentives for non-compliant employers to engage in exploitation of temporary migrant workers.

Proposal 3 recommends that the Coalition's policy Protecting Vulnerable Workers be implemented so as to strengthen the FWO's role and powers. This policy makes an important contribution to increasing the financial risks for employers seeking to exploit temporary migrant workers to maximise profits and provides greater powers to the FWO to detect and expose employers acting in this way.

An important omission in the Coalition's policy, which needs to be addressed, is to ensure that there is provision in the legislation to protect the identities of temporary migrant workers who engage the FWO for assistance and to ensure this information cannot be passed on by the FWO to the DIBP. Even though the only information that the FWO shares with DIBP relates to breaches of 457 visas, an impression may be created among visa holders that the FWO passes information onto the DIBP concerning *all* breaches of visa work conditions. This naturally affects other visa holders with work rights such as international students and working holiday makers, who will be less likely to complain because of the perception that the FWO's role is compromised. To remedy this, Clibborn proposes

“A promising sign that legislators are beginning to understand the importance of the FWO's role in effecting change in the experience of temporary migrant workers in the Australian labour market was the Coalition Government's policy, Protecting Vulnerable Workers.”

that FWO and the department should “formally and publicly establish independence from each other” and “cease information sharing”.⁴⁰ The Productivity Commission recommended a one-way sharing of information between DIBP and FWO so that the labour inspectorate is prevented from passing onto immigration officials any identifying information about a visa holder. This approach is consistent with international principles on labour inspection,⁴¹ and should be adopted.

Conclusion

Simply closing Australia’s doors to labour migration is not an option. Australia needs migration to prosper. Although *permanent* labour migration is preferable in terms of recognising migrants’ contribution and protecting their workplace rights,⁴² increasingly we rely on the contribution of *temporary* migrants as successive governments prefer to use temporariness as a means to ensure migrant workers are deployed into particular occupations and geographical places. Given the importance of labour migration to Australia’s economic success and social cohesion, it is vital that we get right the regulation of this complex phenomenon. Although there is far more that needs to be done, the three proposals advanced here go some way to addressing the current regulatory confusion that exists.

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4. Skilled migration and Australia's productivity

Dean Parham, Sue Regan

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This chapter considers whether Australia's migration program, with its emphasis on skills, is having a positive impact on Australia's productivity performance.

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Introduction

The benefits and costs of migration have long been debated along both economic and social lines. The effect on living standards is an overarching rubric for economic considerations. Debate on social dimensions has largely hinged on cultural enrichment and social cohesion.

Migration operates on margins rather than in absolutes; a single answer on whether migration has a positive or negative net effect cannot be given. Rather, the size and direction of net effects depends on the size and structure of migration flows. For example, the issue of infrastructure congestion only arises when the rate of immigration is large relative to the existing population and is concentrated in a particular region.

The most common point of agreement among economic analyses of migration is that the net economic effects are not large. While it is generally thought the net effects are positive, the conclusion can vary across countries with different labour markets, economic structures and migration programs.

There have been policy-driven changes in the size and structure of Australia's migration program over the past few decades:

- The number of migrants coming to Australia has increased and their countries of origin have diversified. In every year since 2006, migrants have contributed more to population growth than is occurring through natural increases. In the 1960s, the vast majority of migrants came from the UK and the rest of Europe. Today, migrants come from a much broader range of countries, particularly from across Asia.
- The proportion of skilled migrants has increased compared to migrants coming for family reunification, or on humanitarian grounds. In 2013–14, just over 200,000 permanent migration visas were approved – 128,550 (67.7 per cent) through the Skill Stream and 61,112 (32.2 per cent) through the Family Stream. In the same year, 13,768 Humanitarian visas were granted.
- Temporary migration (as students and workers) has increased substantially and, along with it, the number of migrants who progress from a temporary visa to permanent migration has grown. This is probably the big story of migration over the past decade. Some of the temporary migration has been to meet short-term skill shortages, most notably associated with the construction phase of the mining boom. Temporary entry for students, on the other hand, has become an avenue for transition to permanent stays.²

This chapter examines the links between migration and productivity and finds that the emphasis given to skills in the migration program in recent times has had a noticeable and positive effect on Australia's productivity performance. The material is based on an extensive study undertaken at the Crawford School of Public Policy at the Australian National University for the Department of Immigration and Border Protection.³

The context: living standards and the productivity imperative

Putting the discussion in the broader context of growth in living standards highlights, in particular, the need for strong productivity growth as a foundation for improvements in Australian living standards. It can be shown that growth in living standards is the combination of growth in labour productivity (gross domestic product [GDP] per hour worked) and growth in labour utilisation (hours worked per capita).

Living standards

Average income or GDP per capita is the usual (albeit imperfect) way to capture living standards.⁴ GDP per capita can be divided into two components:

$$\frac{\text{GDP}}{\text{P}} = \frac{\text{GDP}}{\text{H}} \cdot \frac{\text{H}}{\text{P}}$$

where $\frac{\text{GDP}}{\text{P}}$ = GDP per person

$\frac{\text{GDP}}{\text{H}}$ = GDP per hour worked, which is a broad measure of *labour productivity* and

$\frac{\text{H}}{\text{P}}$ = hours worked per capita of population, often referred to as *labour utilisation*.

From this simple relationship, *growth* in living standards can be decomposed into the sum of *growth* in labour productivity plus *growth* in labour utilisation.

That decomposition, presented in Table 1, shows productivity has been the dominant source of growth in living standards over the past four decades. Productivity accounted for most if not all of the growth in GDP per person over each of the periods. The growth in GDP per person was especially strong in the 1990s and early 2000s (2.6 per cent a year) on the back of very strong productivity growth (2.1 per cent a year). Averaged over the four decades, productivity accounts for very nearly all the growth in average income.

TABLE 1
GROWTH RATES IN REAL AVERAGE INCOME, PRODUCTIVITY AND LABOUR UTILISATION (PER CENT PER YEAR)

	GDP per person	GDP per hour	Labour utilisation	GDI per person
1974–75 to 1983–84	1.3	2.5	–1.2	1.1
1983–84 to 1993–94	1.9	1.3	0.6	1.8
1993–94 to 2003–04	2.6	2.1	0.5	3.0
2003–04 to 2011–12	1.3	1.0	0.3	2.6
2011–12 to 2014–15	0.8	1.9	–1.1	–0.9

Source: Author estimates based on data from ABS Cat. No. 5204.0.

Table 1 also shows labour utilisation has had important effects on living standards in some decades, but in both positive and negative ways. Labour utilisation has had little effect over the entire period.

The period from 2003–04 warrants some further discussion. The slowdown in growth in GDP per person from 2003–04 to 2011–12 overstates the slowdown in growth in living standards. There was an additional source of real income growth

over the period in the form of a largely unprecedented rise in Australia's terms of trade.⁵ This lifted real incomes through a shift in the relative prices of traded goods and services. A gross domestic income (GDI) measure adjusts GDP for terms of trade effects. As the GDI per person column in Table 1 shows, the lift in the terms of trade meant strong growth in living standards continued, despite weaker growth in productivity after 2003–04. However, on this same measure, living standards have fallen since 2011–12 because of falls in the terms of trade.

The current position is that much stronger productivity growth is needed if Australians are to recover lost ground and return to the rate of improvements in living standards they enjoyed over the two decades prior to 2011–12.

Before moving on to look at how migration affects productivity, some potential influences of migration on labour utilisation are worth noting. The ageing of the population affects the long-term outlook on labour utilisation in Australia. As a higher proportion of the population reaches retirement, the number of hours worked will fall in proportion to population numbers. Immigration can increase the proportions of the population of working and child-bearing age, bringing an immediate, as well as a longer-term, effect on labour utilisation. Immigrants may also have higher participation rates, employment rates and hours worked depending on, for example, motivation (migrants are sometimes characterised as keen to work and as working longer hours) and culture (for, example, the participation rate of married women).

How migration can affect national productivity

Productivity is about efficient production of goods and services. It is the rate at which production inputs are transformed into outputs of goods and services. Labour and capital (assets such as buildings, machinery, equipment and infrastructure) are the inputs most commonly included in productivity measures.

It makes sense for the current purpose to focus on labour productivity (output per hour worked) given the above living standards perspective. The task then is to determine how migration affects Australia's labour productivity.

The influence of migration on labour productivity depends on more than just the productiveness of individual migrants. It depends on the production conditions in which the labour of migrants is used.

Labour productivity in general is influenced by anything (other than the amount of labour used) that leads to more output being produced. This could include new technologies or improved management practices.

Capital deepening – higher capital per worker – is actually the most important contributor to labour productivity growth. Capital deepening occurs, for example, when production processes are automated, leading to more output generated per employee.⁶ Over the past four decades, capital deepening has accounted for two-thirds of growth in Australia's labour productivity.⁷

Consequently, the contribution of migrants to productivity will depend not only on their innate characteristics, but also on where and how they are employed.

Many assessments of migration and productivity have seen the effect on the capital-labour ratio as crucial. If there is not commensurate growth in capital, the labour-boosting effect of migration leads to a lower capital-labour ratio, all other things being equal.

The argument then runs that wages growth would be less because wage rises tend to align with productivity growth. This would make existing workers worse off than they would be without the migration. (This has been a major focus of analysis in the US, for example.) The owners of capital, who pay for the labour, on the other hand would be better off.

“Many assessments of migration and productivity have seen the effect on the capital-labour ratio as crucial.”

A further argument is that this effect would be temporary. The increase in returns to capital would induce further investment and restore the rate of capital deepening. Labour productivity would return to where it would have been and wages and average incomes would be restored. The economy would just be bigger.

A lot of debate centres on the extent that this equilibrating path would be followed in practice. Key issues become: the numbers of migrants, the ability of labour markets to absorb them and the extent and pace that capital responds.

A productivity determinants framework

The analysis presented in this chapter envisages a broader set of factors to explain labour productivity. Labour productivity is considered to depend on two principal sources: capital deepening and multifactor productivity (MFP) growth. MFP is the amount of output produced per unit of labour and capital combined. MFP growth stems from factors that enable given inputs of labour and capital to generate more output (such as advances in technology and management practices).

A practical starting point is to group productivity determinants under three headings:

1. **Immediate determinants** – factors that are within the control of producers of goods and services when they make their production decisions (for example, the technology they use);
2. **Underlying determinants** – factors outside of businesses' immediate control that affect their operating environment and abilities to lift productivity growth (for example, the innovation system and development of required skills); and

3. **Fundamental determinants** – factors that are difficult or slow to change, but nevertheless affect national productivity, perhaps more in the level of productivity than in the growth of productivity (for example, climate and the availability of natural resource affect the relative importance of agriculture and mining in an economy).

A framework of major immediate and underlying determinants is set out in Figure 1. The complex set of interrelationships and feedbacks between determinants is omitted in the interests of simplicity. The schema also depicts the policy and institutional environment, which has many and complex influences through the underlying determinants. It gives some hint as to the multidimensional and indirect ways in which governments have to operate if they are to influence productivity in a positive way.

FIGURE 1
FRAMEWORK OF SELECTED PRODUCTIVITY DETERMINANTS



Immediate determinants

In brief, the immediate determinants have the following effects on productivity:

- Increases in physical capital are part of capital deepening;
- Human capital comprises the innate capabilities and the skills, knowledge and experience people have accumulated and that are useful to production activities. Growth in human capital means the workforce is able to foster and use more-sophisticated production processes that generate more and higher-value output;
- Intangible investments, such as in training and systems to help firms be more responsive to opportunities in a rapidly-changing global economy, promote productivity growth in modern times; and
- Production knowledge covers the kinds of technologies and management techniques used in production, such as robotics and lean production. New knowledge enhances innovation and productivity growth.

TABLE 2
POTENTIAL EFFECTS OF MIGRATION ON IMMEDIATE DETERMINANTS

Determinant	Sub-category	Potential migrant effect
Human capital	Skills	Add skills. Alter skill mix. Fill skill shortages. Ease of transition depends on: <ul style="list-style-type: none"> • Transferability of qualifications; and • English and foreign language fluency.
	Experience	Add relevant work experience. Specialist knowledge for production. Management capability.
	Tacit knowledge	Specialist knowledge for development and application of technologies.
	Entrepreneurship	Flair, ideas, contacts and business acumen.
Physical capital		Temporary stays can supplement domestic labour and speed completion of large-scale capital-formation projects.
Intangible capital	Flexibility	Prepared to undertake a range of tasks. Geographic flexibility and mobility.
	Organisational capital	Experience in organisational change. Knowledge of useful systems and structures.
Knowledge	Technology	Tacit and complementary knowledge and ideas. Experience in Research and Development (R&D) and commercialisation of ideas. Spillovers to migrant and non-migrant populations.
	Management	Business and management expertise.

The ways that migrants can affect the immediate determinants are summarised in Table 2. The most significant direct and collective effect is via their skills: adding to skills, altering the mix of skills, and helping meet skill shortages. Indirect effects, more often associated with particular migrants, can come through research and commercialisation experience, entrepreneurial flair, management experience and so on.

Underlying determinants

Very briefly, underlying determinants can affect productivity indirectly in the following ways:

- Sources of funds for investment, which brings about capital deepening, are crucial. Domestic savings and foreign capital (foreign direct investment and loans) are the two sources.
- Infrastructure, which also requires substantial funding, provides a platform for businesses to operate more efficiently by facilitating transactions, communications, energy use transport, R&D and so on.
- The education system is central in fostering many skills and acquired attributes that people bring to work. The health system, among other things, helps ensure that people are able to engage productively in work.
- International trade can help improve productivity. Some imported goods, such as computers, may provide “spillovers” to the domestic economy through the technologies that are embedded within them. Developing export markets can provide local producers with opportunities for economies of scale or even to learn from production practices in other markets.
- While productivity is a supply-side concept, the strength and pattern of demand has an influence on productivity outcomes. Strong demand provides growth in output, which can assist productivity growth, be it through scale or entrants into the market with better business models. The structure of demand can also influence the allocation of resources and the industry mix of production.⁸
- Social capital (social networks and connectedness) has many dimensions including in relation to social cohesion and inclusion, cultural attitudes and practices. These can affect the extent to which people are engaged in work and seek to be more productive.
- The business environment refers to the set of rules and conditions firms operate under. In general, a relatively stable business environment helps to provide conditions that businesses are prepared to make large long-term investments in.⁹

The potential effects of migration on underlying determinants are summarised in Table 3. These indirect effects include the savings and capital that migrants might bring to Australia, the ability to facilitate linkages with foreign capital and the wider trade opportunities (import and export) that migrants might open up in particular with their home countries.

TABLE 3
POTENTIAL EFFECTS OF MIGRATION ON UNDERLYING DETERMINANTS

Determinant	Potential migrant effect
Savings	Bring accumulated savings (if permanent). Remittances to home country (if temporary).
Foreign capital	Facilitate linkages to sources of funds in home country.
Infrastructure	Add demand and opportunities for scale. Strengthen the national innovation system. Add to congestion.
Health & education systems	No effect (aside from adding to labour supply and filling skill gaps).
Trade	Facilitate export and import linkages with home country.
Demand	Add thickness to domestic markets. Changes in demand patterns. Assist in scale and agglomeration effects.
Social capital	Cohesion and inclusion (isolation and prejudice) effects. Migrants often have strong work attitudes and motivation (for themselves and their children).
Business environment	Add to labour market and product market competition.

Estimated contributions of past migration to Australia's productivity

The Crawford study¹⁰ undertook several component analyses. Two result areas are reported here: productivity differences between migrants and the Australian-born; and an analysis of the migrant contributions to productivity through skills.

The study proceeded on the assumption that relative wages of workers were a reasonable reflection of their relative productivities. A literature review provided support for the assumption in general and even stronger support for the case of Australia.

Differences between migrants and Australian-born

While a gap between wages of migrants and non-migrants is often found, it can reflect wage disadvantage (productivity-related differences) as well as discrimination (lower wages for the same productivity). Australia appears to have low wage discrimination against migrants.

The Crawford study sought to explain wage differences and employment differences between migrants and non-migrants in terms of characteristics such as demography, education, and English fluency. The two main data sources were the Household, Income and Labour Dynamics in Australia (HILDA) survey and the Continuous Survey of Australia's Migrants (CSAM).

It was found that on average migrants have been more productive than non-migrants, as measured by earnings, and have increased their productivity more rapidly than non-migrants. For example, a migrant earned a wage premium of about \$3 an hour in 2011, about \$3.60 in 2012 and about \$5 in 2013.

On the other hand, the probability of migrants being employed is not significantly different from that of non-migrants.

Census data also confirmed that migrants earned a wage premium, putting the premium at six per cent. This suggests work performed by migrants is more skilled on average than work performed by the Australian-born. Overall wage rates do not differ substantially between migrants and non-migrants in the same skill categories.

“On average migrants have been more productive than non-migrants, as measured by earnings, and have increased their productivity more rapidly than non-migrants.”

Characteristics of migrants that make a difference

Migrants born in English speaking countries and migrants born in Organisation for Economic Co-operation and Development (OECD) countries are more productive, as measured by the hourly wage rate, than non-migrants, migrants born in non-English speaking countries, and migrants born in non-OECD countries.

English-language proficiency and level and type of education are important explanatory factors in the labour market performance of migrants.

- English proficiency increases productivity, as measured by earnings, as well as probability of getting paid employment.
- Having a university education increases productivity and probability of paid employment.
- Highest qualification being an Australian qualification does not affect productivity, but does increase probability of being employed.
- Having an overseas post-school qualification does not increase the probability of getting a job, but does increase migrants' productivity.
- Migrants whose fields of study had been health and education are more likely to be employed than migrants in other fields of study or migrants without tertiary education.

Contributions of migrants' skills to productivity growth

The Crawford study also used the Australian Bureau of Statistics (ABS) productivity datacube¹¹ and supplementary data provided directly by the ABS to estimate the contribution of migrants to productivity. The only mechanism analysed was the contribution through higher skills.

The ABS has a quality-adjusted labour input (QALI) measure that it uses to estimate the contribution of shifts in the distribution of skills to productivity growth. The skill categories identified were four categories of educational attainment and five categories of age, used as a proxy for workforce experience.¹²

The ABS was able to provide migrant and non-migrant distributions of skills in 2006 and 2011. This data enabled an assessment of migrants' contributions to changes in skill composition, which was a general shift toward higher skills.

The contribution of skills to productivity in the QALI methodology is estimated through statistical growth accounting. The change in skill distribution is computed as the weighted growth in hours worked in each of the skill categories. The weights are the relative wages of each skill category, on the assumption that relative wages reflect relative productivities. The contribution to labour productivity is the growth in output less the growth in average skill.

The key findings were:

- Migrant labour grew more rapidly than Australian-born labour, in terms of both hours worked and skill;
- Migrants' increase in skill has come about solely from growth in qualifications, whereas upskilling of work for the Australian-born has come from a combination of increased qualifications and more workforce experience;
- Migrant workers have become younger on average, to some extent offsetting the ageing of the Australian workforce;
- Migrants have met a third of the increase in skill requirements of work; and
- Migrants account for about 0.17 of a percentage point of annual labour productivity growth between 2006 and 2011. To put this figure in perspective, this is equivalent to over 10 per cent of the average rate of labour productivity growth between 2005–06 and 2010–11.

The ABS data provided further insights. Migrants are more highly represented than their Australian-born counterparts in manufacturing, in health and social assistance services and in professional, scientific and technical services. Migrants contributed to increased skills in all broad industry groups, but especially in

“The ABS data provided further insights. Migrants are more highly represented than their Australian-born counterparts in manufacturing, in health and social assistance services and in professional, scientific and technical services.”

financial and insurance services, wholesale trade, and the information, media and telecommunications industries. These industries are where migrants made the largest contributions to industry productivity growth.

Most of the migrant upskilling occurred in metropolitan areas, whereas the shift to employing migrants with less experience (younger age) in Australia mostly occurred in regional areas. By contrast, the more-rapid upskilling of migrants, in comparison to the Australian-born, occurred in metropolitan areas, as the skill contributions of migrants and non-migrants were identical in regional areas.

Concluding remarks

The Crawford study showed that the migration program, with its emphasis on skills, is having a positive impact on Australia's productivity performance. Migrants have raised the level of labour productivity by six per cent according to census data. Between 2006 and 2011 their contribution to growth in skills accounted for at least 10 per cent or 0.17 of a percentage point of annual labour productivity growth.

These estimates only cover the direct effects migration can have on productivity. They omit other mechanisms included in the migration-productivity framework set out in the chapter, such as entrepreneurial effects and trade and finance links to home country.

In addition to the role of the Migration Program in shaping the type of migrants who gain entry to Australia, migrant productivity may be affected by a range of government policies post-arrival in the country. Access to education and labour market programs can be important for migrants as they both seek work and progress in work. Settlement services can be particularly important for family and humanitarian migrants. Given the importance of English-language proficiency for good labour market and productivity outcomes, access to English-language programs, such as the Adult Migrant English Program, can be valuable for some migrants. Policies that facilitate recognition of foreign qualifications enable migrants to make the most of their skills and education and, thus, be more productive.

“Migrants have raised the level of labour productivity by six per cent according to census data.”

We noted in our introduction that the big migration story of recent time is the increase in temporary migration – both international students and short-term workers. Further policy and empirical focus is needed on the transition from temporary to permanent residency, given this is the route so many migrants now take. Partly owing to data limitations, this evolution of Australia's permanent migration process into a two-step policy framework¹³ is yet to receive much scrutiny and may reveal more about the links between productivity and contemporary migration patterns.

Endnotes

- 1 Australian Bureau of Statistics 2014, *Australian Social Trends-Where do migrants live?* Accessed 28 May 2015 www.abs.gov.au/ausstats/abs@.nsf/Lookup/4102.0main+features102014
- 2 See Department of Immigration and Border Protection 2015, *Australia's Migration Trends 2013–14*, Canberra, for trends in migration growth and composition.
- 3 Parham, D, Thi To, H, Nazmun, R, Regan, S and Grafton, Q 2015, *Migration and Productivity in Australia*, Crawford School of Public Policy, Australian National University, Canberra
- 4 This measure overlooks the effects of the terms of trade, which have had major effects on real income per capita over the past decade or so. The terms of trade are the ratio of export prices to import prices. The terms of trade rose markedly from 2002–03 to 2011–12 with the mineral commodity price boom, but have since fallen. Terms of trade effects show up in gross domestic income, rather than gross domestic product.
- 5 The terms of trade are the ratio of export prices to import prices.
- 6 As a concrete example, a construction worker can generate a lot more output in a work day, using a nail gun instead of a hammer.
- 7 Calculated from data referring to the 12 'selected industries' in the ABS productivity datacube.
- 8 To the extent that industries have different productivity levels, changes in industry proportions will affect average productivity.
- 9 The formal 'rules of the game' for business are, to a large extent, established by policy and institutional settings. Taxes, regulation, governance arrangements and the strength of competition can influence the motivation that businesses have to improve their productivity performance and the ways in which they are able to go about it. They can also influence the allocation of resources. The industrial relations framework can affect the degree of flexibility firms have to adjust their business models. An effective system for defining and enforcing property rights (for example, over land use, intellectual property or market exclusions) will affect investment risks, but will also help to settle what can and cannot be done (including, for example, in regard to environmentally-sensitive proposals).
- 10 Parham et al 2015, op cit
- 11 ABS Cat No 5260.0.55.002
- 12 The education attainment categories were: unqualified, skilled, bachelor degree and higher degree. Age categories were 15–24, 25–34, 35 to 44, 45–54, 55–64.
- 13 Gregory, R 2014, *The Two-Step Australian Immigration Policy and its Impact on Immigrant Employment Outcomes*, IZA Discussion Paper No. 8061.



5. Ensuring immigration benefits all

Professor Glenn Withers

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This chapter considers how immigration policy can be enhanced to: avoid population congestion, encourage greater regional immigration, deliver better outcomes for those in long waiting queues and keep Australia's economy strong.

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Professor Glenn Withers AO is a distinguished professor within the Australian National University's (ANU) Research School of Economics and the Crawford School of Public Policy, the latter of which he co-founded. He is also President of the Academy of the Social Sciences in Australia and a Visiting Professor at Tongji University, Shanghai. He was previously Universities Australia Foundation Chief Executive Officer and has held earlier academic and government appointments, including as Professor of Public Policy at the Australia and New Zealand School of Government (ANZSOG), Head of the Economic Planning Advisory Commission under Prime Minister Paul Keating and Co-Chair of the National Population Council under Prime Minister Bob Hawke.

He has chaired a number of government inquiries including reviews of population, immigration, and infrastructure. He was Co-Chair for the Howard Government's Stocktake of Micro-Economic Reform and helped that Government establish the Productivity Commission. He has also been a business adviser ranging from the Business Council of Australia (BCA) and North West Shelf Consortium to Kerry Stokes. He was awarded an AO for contributions to applied economics, including for development of the Australian immigration points system. Professor Withers obtained his PhD from Harvard, and was a longstanding CEDA Board member. His most recent publication is the *Cambridge Economic History of Australia*, which he co-edited.

Introduction

The Brexit referendum in Britain on July 2016 had the Australian immigration points system as a central focus, symbolically at least. The “leave” forces saw it as the way Britain could properly manage its borders, compared to open European immigration.

Tory Brexit campaigners vowed to introduce this type of points system, which allows a country to control how many migrants enter based on an assessment of the skills and related characteristics that the country needs.

Naturally, Brexit is more complicated than that – as is the Australian immigration system. But it is worth examining the Australian immigration story more

closely and assessing its strengths and weaknesses. This chapter argues that the system has served Australia well overall and, along with the Canadian system, has been a world-leading immigration arrangement, for all its flaws.¹ It also argues that these arrangements have broadly delivered wide benefits to Australia, substantially ahead of costs incurred in the process. Of course the issue of indefinite detention for asylum-seekers is an elephant in the room. However, the focus here is on regular migration movements.

Nevertheless, this chapter proposes that the strongly positive elements in the regular migration area can be further enhanced by policy advance. The recent Productivity Commission report on the *Migrant Intake into Australia*² will be key to assisting such advance. Possible improved practice directions are also specified in this chapter.

Australian policy evolution

One fundamental explanation for Australia's successful immigration arrangements is the country's occupation of a large land mass by a relatively modest population. Additionally, possession of a whole continent, as with Australia, gives better border control than countries with common land borders or close sea proximity to others. Australia can, more than most, choose its numbers.

Australia has chosen a route of substantial immigration. For many decades in the 19th century and well into the 20th century, border controls were relatively light to non-existent. The tyranny of distance limited flows of migrants to those that could afford to come. Additionally, the local populace saw immigration as beneficial, with occasional opposition to those who were seen as less desirable immigrants, such as those who were deemed culturally incompatible. But as travel costs fell and the early development phase of Australian settlement passed, more stringent entry criteria increasingly emerged. From the 1980s this led to Australia distinctively developing a predominantly skill-based formal selection system.

All of this evolved relatively pragmatically, according to the views of successive governments as to Australian settlement and the country's economic need. Indeed, Australia is one of the more utilitarian of nations. It is no accident that Jeremy Bentham developed his characterisation of this philosophy after his time in Australia (as a temporary entrant, as we would say today).

Utilitarianism seeks "the greatest happiness of the greatest number". The contention here is that Australian immigration has been a driving force in Australia delivering on that proposition more than most countries of the world.

Indigenous Australians might well validly disagree. The European occupation devastated the Aboriginal population, especially in south eastern Australia, where diseases such as smallpox spread rapidly. But for some Indigenous Australians and for most subsequent immigrants and their descendants, the outcomes have been impressive.

Australia does well by most global indicators, ranging from the Human Development Index through per capita income, to liveable cities, and Transparency International's non-corruption index. Despite this, it is undeniable that issues of disadvantage, equity, sustainability and more have been painfully present and persist. A compendium of such benchmarks is in Kumar.³

The point that can be emphasised here is Australia's leading global achievement in the presence of high rates of immigration, which are still among the world's highest. At the least, immigration has not stopped achievement and, as posited here, it has actually been a force underpinning that achievement. Some 25 per cent of the Australian population still today is overseas born, a statistic that is one of the world's highest for an overseas born population.

Modelling the benefit

Interestingly, when global modelling of the kind that has long supported liberalisation in trade and investment is applied to people movements, we find that removal of border restrictions on people could double world gross domestic product (GDP).⁴ This is a much, much greater gain than what is now available from trade and investment, since the latter restrictions have long been eased more than for people. This is called a "trillion dollar bills on the sidewalk" proposition. Economically, great gains are there for the taking if people movements are made more free.

For Australia, the most recent modelling of the economic benefit from immigration has been compiled by the Migration Council of Australia.⁵ Comparing a scenario of zero net migration with continuation of current trends, the modelling finds that by 2050 the higher immigration scenario delivers a 5.9 per cent increase in GDP per capita.

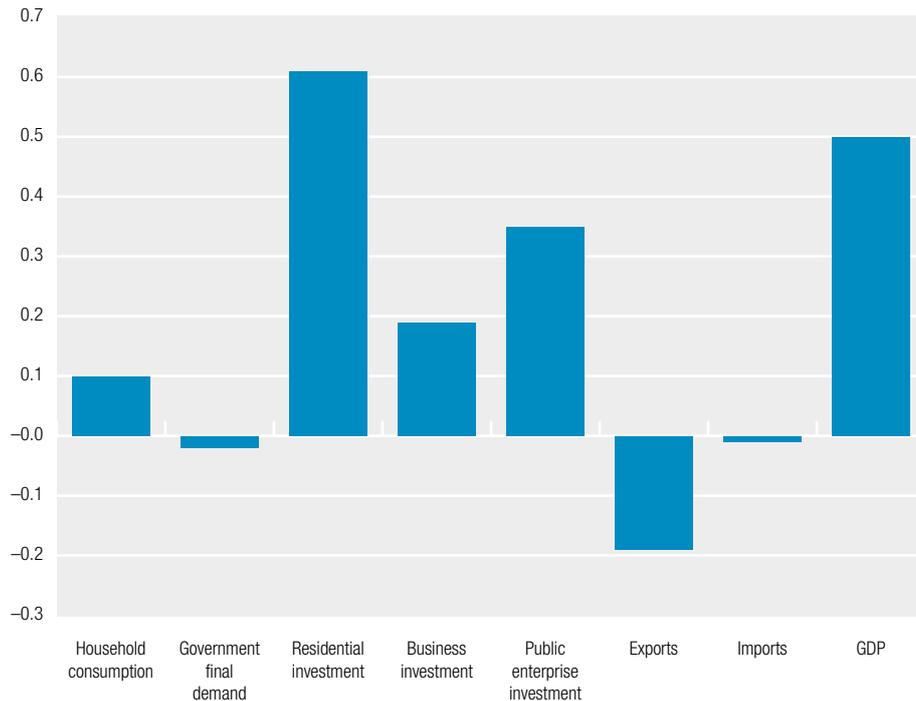
To put this in perspective, this is driven by a GDP per capita premium per migrant of 10 per cent (\$6151 at 2012–13 prices) or consumption per capita of 21 per cent (\$6977 at 2012–13 prices). These are the economic bonuses delivered to all Australians by a sustained migration program relative to zero net migration for the year 2050.

This outcome derives from increased labour force participation and increased productivity. The labour force effect is especially due to the age structure of migrants (younger), and the productivity effect especially from their human capital (more skilled). Matters such as benefit from economies of scale and cultural diversity also enter the equation.

Recent work by Parham et al estimates direct effects of migration on productivity for Australia as being 10 per cent of annual labour productivity growth between 2006 and 2011, according to census data.⁶

"Some 25 per cent of the Australian population still today is overseas born, a statistic that is one of the world's highest for an overseas born population."

FIGURE 1
EFFECTS OF MIGRATION ON PER CAPITA GDP BY EXPENDITURE



Note: This is per capita expenditure growth of GDP in percentage terms for 2050 for a 0.9 per cent net migration growth scenario relative to a zero net migration growth scenario.

Source: Migration Council of Australia (2015) p.18.

The Migration Council’s work with an Independent Economics model is especially pertinent, since it overcomes many of the severe limitations of earlier modelling, such as that of the Productivity Commission⁷ and Econtech,⁸ in estimating the magnitude of immigration economic effects.

Earlier modelling found it technically difficult to allow for scale economies, even when these may be essential for the peopling of a lightly populated continent. That earlier modelling also found it technically difficult to look beyond market effects to allow for economic endogeneity, such as through the agglomeration benefits associated with skills concentration and the interactions of such people. Following recent European work, this Independent Economics model is semi-endogenous as its closure requirements for projections still ultimately reduce such endogenous effects over time to facilitate convergence, and hence computational convenience. For this reason, the results are still conservative.

“Interestingly, when global modelling of the kind that has long supported liberalisation in trade and investment is applied to people movements, we find that removal of border restrictions on people could double world gross domestic product.”

TABLE 1
MODEL ATTRIBUTE DIFFERENCES IN MAJOR AUSTRALIAN MIGRATION ANALYSES

Model attribute	2006 Commission	2006 Econtech	2014 Independent Economics
Labour skills and migration	✓	✓	✓
Labour force participation and migration	✓	✓	✓
Link from higher exports to lower terms-of-trade	✓	✓	✓
Link from population growth to investment	?	✓	✓
Link from financial wealth of migrants to living standards	✗	✓	✓
Natural resources diseconomies of scale	✗	✗	✓
Infrastructure economies of scale	✗	✗	✓
Semi-endogenous growth a) Link from education spending to productivity	✗	✗	✓
Semi-endogenous growth b) Link from R&D to productivity	✗	✗	✓
Population and government spending (social security, health, education)	✗	✗	✓

Source: Migration Council of Australia (2015), p.7.

The chart above summarises the key differences in modelling for the recent Independent Economics work for the Migration Council compared to the earlier Productivity Commission and KPMG modelling.

This modelling is also an improvement over standard demographic projection modelling, which compares alternative migration levels over time. Of course, a constant level on a growing base shows diminishing influence and benefit, including in reducing the impacts of population ageing. After all, migrants age like everybody else. But at entry migrants are younger under Australian selection, and a gradually increasing migration intake (or a constant rate) has a greatly enhanced economic benefit in dealing with ageing population concerns. This too is reflected in the Independent Economics modelling, but largely neglected in earlier modelling.⁹

The Independent Economics simulations are larger for per capita income effects than the previous neo-classical simulations, and they are closer to direct estimates using time series regression models that track actual effects in real time with real data, beginning with Pope and Withers^{10,11} through to Docquier, Ozden and Peri.¹² These also find pay-off for previous residents – not only migrants – especially for less well-off native workers, indicating a significant equity improvement too.¹³

Yet, we are aware of some possible major re-evaluation of the benefits of globalisation by a substantial number of voters in various countries. If Australia is leading world-practice, in immigration especially, this phenomenon is therefore worth closer review.

The source of negative evaluations by voters and/or by various groups clearly needs to be examined, if claims of overall benefit are to be taken seriously. Cultural and social challenges have been mentioned. Additionally, environmental impacts, including on city living as well as the wider environment and ecology, are pertinent.¹⁴

One way of accounting for these negatives formally is to move from GDP to National Well-Being measures.¹⁵

The most developed of these measures that provides a single aggregate indicator in Australia has been the Genuine Progress Indicator (GPI), produced by the Australia Institute.¹⁶ Inclusion of negatives such as congestion and pollution naturally do reduce the production based measures but, once the adjustment is made, the GPI per capita then tracks the GDP per capita measure fairly closely upwards over time allowing for the population effect, which is roughly half due to net migration.

This said, such negative effects do operate and net benefit would be enhanced if better management were in place for environmental externalities, congestion effects and other negatives. The Australian Infrastructure Audit found that if we don't increase capacity on our roads and/or better manage demand and traffic flows, the total cost of urban congestion could increase from \$13.7 billion in 2011 to \$53.3 billion in 2031.¹⁷

Further guidance on which sustainability effects require focus is given in environmental work commissioned for a recent Australian Council of Learned Academies report. The study found that while in some areas there is significant environmental improvement relative to GDP and/or population growth, in other areas problems have grown.¹⁸ The table that follows outlines these areas and whether they are linked to economic growth and in what way.

The pace of immigration must also be mindful of the effects on social and cultural cohesion. Even more than the global opening of trade and investment, people movements involve substantial people-to-people effects that can be disturbing for some. Thus a public opinion survey commissioned for the Australian Council of Learned Academies studying Australia's Comparative Advantage¹⁹ did have a majority support for enhanced migration, but less fulsomely than for a number of other policy options government might pursue, see Figure 2 overleaf.

“Even more than the global opening of trade and investment, people movements involve substantial people-to-people effects that can be disturbing for some.”

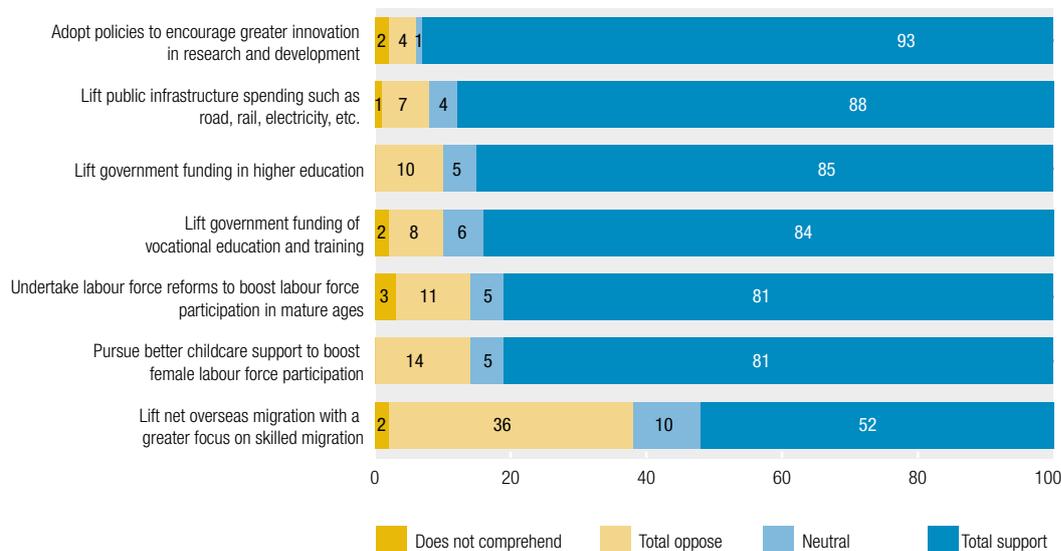
TABLE 2
ENVIRONMENTAL INDICATORS' RELATIONSHIP WITH ECONOMIC GROWTH IN AUSTRALIA, 2003–2011

<p>Environmental improvement</p> <ul style="list-style-type: none"> • Carbon monoxide (CO); • Volatile organic compounds (VOC); and • Applied nutrients (water pollution).
<p>Mixed outcomes</p> <ul style="list-style-type: none"> • Carbon Dioxide (CO₂); • Particulate matter 2.5 (PM2.5); and • Water used in agriculture.
<p>Environmental deterioration</p> <ul style="list-style-type: none"> • Particulate matter 10 (PM100); • Waste; • Nitrogen oxides (NO_x); and • Sulphur oxides (SO_x).
<p>Inconclusive impact</p> <ul style="list-style-type: none"> • Protected areas/biodiversity.

Source: Bond, Burger and Nguyen (2015).

A notion of conditionality can be imposed. Migration movements should not be so high as to out-run the absorption capacity of the nation – but this capacity should be enhanced and managed well. Quite often policy improvement is needed anyway, even if population were not growing faster with immigration. This means that issues such as infrastructure and settlement support need best-practice and not neglect, and they need leadership, partnership and communication if the greatest happiness of the greatest number is indeed to result.

FIGURE 2
PUBLIC ATTITUDES TO SELECTED MAJOR POLICY CHANGES: AUSTRALIA 2015



Source: Social Research Centre (2015).

Modern immigration policy in Australia

If there is net benefit from Australia's experience of immigration, the question therefore arises as to how that benefit can be maintained and enhanced. And the fact is, the extent and nature of the benefits are in part a function of policy choices. Included here is recognition that we can shape the outcomes of the migration program itself and therefore its impacts.

Here, we focus on the mechanisms available through the migration program itself. A key to Australia's outcomes has been the decision in the late 1980s to adopt a points system. The mass migration of earlier intakes post-war had especially been oriented at family settlers who could help with the basic workforce required to contribute to the construction and development of Australia.

But as the economy became more sophisticated, urban, skilled, educated and service oriented, a need to better link immigration to future workforce needs such as these became evident. The result was a report commissioned from the then-National Population Council by Immigration Minister Chris Hurford and received by subsequent Immigration Minister Robert Ray²⁰ and adopted in short order and in full by the Hawke Labor Government.

The consequent policy that emerged in this process was to make immigration much more oriented to emerging workforce requirements through a points entry selection. With independent migrants as the largest component pathway to entry, the component points emphasised youth, education and training, work experience, English language and other economic and community language capability. The points level was adjusted to meet the total program numbers desired. Extended family were brought into the points system through bonus points for family linkage reflecting easier settlement.

Direct family entry likewise became more skilled over time through assortative mating, and even refugee and humanitarian entry became dominated more by skill as the special humanitarian component selection process (more than the mostly smaller UNHCR refugee component) allowed skill characteristics and family links to Australia to facilitate selection from long queues.

A wider reform still of immigration was foreshadowed in a further National Population Council Report on *Population Issues and Australia's Future*,²¹ commissioned by the Hon. Prime Minister Bob Hawke.

This report sought to integrate immigration into wider population policy and to allow for triple bottom line objectives and outcomes through enhanced coordination. The report landed on Prime Minister Hawke's desk just as he was challenged for the leadership by Paul Keating. It was never seen again as a lead policy document. This was because it was strongly opposed by bureaucratic interests who would have lost power, and because Paul Keating was less committed to

"A key to Australia's outcomes has been the decision in the late 1980s to adopt a points system."

vigorous support of immigration policy and changes therein than was Prime Minister Hawke. Melbourne Immigration Ministers and Premiers have shown a tendency to be more immigration policy expansionary and focused in general than those from Sydney.

The points system itself though was sustained under the Hawke and Keating Labor governments and also under the Howard Coalition Government. Prime Minister John Howard initially raised the points and slashed entry numbers for permanent migration, to reflect his earlier opposition to a growth in numbers that had worried him because of its ethnic composition and which, indeed, cost him the Leadership of the Opposition at that time.

However, two developments followed. The Coalition's business constituency was concerned over the reduced immigration levels because they saw that this reduced workforce growth and product demand. The government accordingly expanded temporary entry for workforce reasons and without clear caps and built pathways from temporary to permanent over time. This was the beginnings of the 457 and similar visa growth.

Secondly, the Government after its first period in office and following some electoral backlash in key electorates from ethnic constituencies, including in the Prime Minister's own electorate, relaxed total program number constraints on permanent migration. By the time of the Howard Government's defeat, immigration was at record levels.

One key to this expansion was not the reduction of required points entry levels. Prime Minister Howard saw any such reduction as signaling reduced quality of migrants. Something he did not wish to countenance intrinsically and politically. Rather the suggestion was put by key advisers (especially Glenn Withers and Chris Conybeare) to business and government that expansion could take place appropriately by awarding bonus points to current and former international students. The rationale was easier settlement through language capabilities, Australian qualifications and Australian community knowledge and links. This was adopted. Over 60 per cent of the skilled permanent migration expansion came from this source for the first five years after adoption.

A second source of such expansion also came from increases in employer and state nominations under separate schemes for permanent entry, including by conversion from temporary entry through employers. These entrants passed basic tests to avoid eroding local working conditions, and had the evident virtue of easy transition to employment. Indeed, over time, the implied points cut-off for permanent entry through nomination began to be considerably lower than for independent entry, as successive governments made independent numbers a residual within the total program quota.

“Increasingly therefore the immigration program veered away from the post-war focus on broad-based workforce enhancement and commitment to Australian settlement, to meeting narrower and more immediate employer and state political requirements.

Increasingly therefore the immigration program veered away from the post-war focus on broad-based workforce enhancement and commitment to Australian settlement, to meeting narrower and more immediate employer and state political requirements. Such settings continued under the Gillard and Rudd Labor governments.

Adjustment of selection settings could have enhanced immigration benefits further, and could still today. But they were either avoided or indeed loosened further such as with business investor settings.

For improvement, the simplest path would be to retain and enhance benefits from employer sponsorship or state nomination. This could be done through a straightforward incorporation of these criteria into points representation. Then those benefits can be calibrated in the same metric as other factors. Instead, they have been given priority pathways that crowd out independent entry without measuring trade-offs. This segmented bureaucratic pathway approach also undermines some public support for immigration, as it becomes seen as more an employer prerogative than a personal commitment by individuals to this country.

Likewise, the conversion of the once Department of Immigration and Citizenship to the Department of Immigration and Border Protection, with a new militaristic command and control ethos, has further undermined the older Australian Way. The nature of the offshore detention regime and the “pushing back of boats”, and associated rhetoric has reinforced such perceptions.

Former Immigration Deputy Secretary, Peter Hughes has documented the shift to a hardline “threat” approach in immigration and has argued that, unless a more “coherent, positive, government-led narrative” is offered, public support will be dangerously eroded.²² Security agencies have also reportedly warned against such rhetoric as a source of radicalisation. The preferred approach is to “talk softly and carry a big stick”.

Good administration and a welcoming approach is crucial. The introduction by the immigration department of new entry criteria thresholds, even for those long standing in queues, was one of the major contributory reasons for the sudden drop of student migrant applications in the later 2000s, alongside some student safety concerns at the time.

One benefit of the otherwise mostly limited change in settings under Prime Ministers Kevin Rudd and Julia Gillard is worth listing: the continuation of high levels of immigration was restored and enhanced after the first Howard Government cuts to permanent entry numbers (despite the subtle expansion of temporary entry).

“For improvement, the simplest path would be to retain and enhance benefits from employer sponsorship or state nomination. This could be done through a straightforward incorporation of these criteria into points representation.”

When the incoming Rudd Government confronted the Global Financial Crisis and managed Australia's path through it very well, compared to most other industrial countries, it sustained high immigration. It is not widely understood that this played as big a role in sustaining the Australian economy as the local monetary and fiscal measures that were introduced, and the Chinese export demand during this period. In this respect the then-Department of Immigration deserves commendation as great as that claimed by Treasury and the Reserve Bank.

Finally, one further commendation is due. It should be mentioned that Howard Government Immigration Minister, Amanda Vanstone, almost alone among many such Ministers, increased refugee numbers significantly. Previous and subsequent governments (until the present decade) kept numbers steady, especially refugee numbers as opposed to special humanitarian entry, because of concern at the high budget cost of services and slow adjustment to employment. Minister Vanstone also moved well on the regional location of migrants, a matter discussed further below.

Case studies: regions and employment

Regions

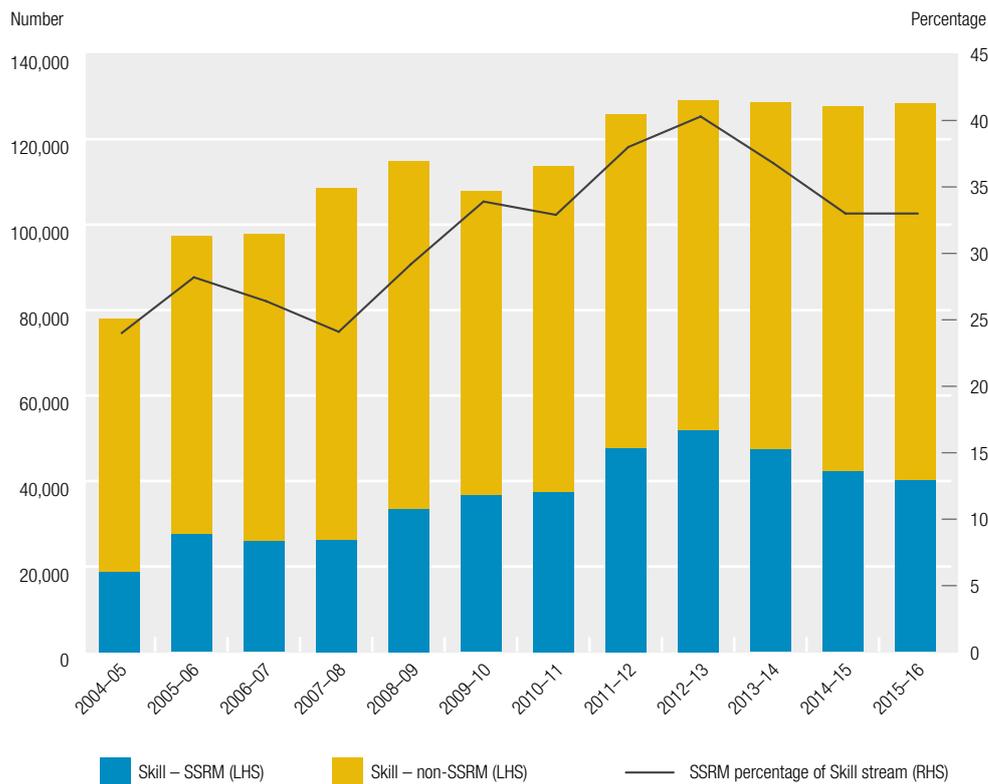
Two areas illustrate how the immigration process can be enhanced in different ways. The first is the regional immigration process. If there is concern over urban congestion in cities such as Sydney, and migrants are seen as contributing to that, there are policies that can assist. One is to redirect migrants to regions with smaller populations and reasonable carrying capacity. If potential migrants indicate a willingness to settle in such regions they can be accepted ahead of others, all else equal. The points system can accommodate this by bonus points for the regions.

“If there is concern over urban congestion in cities such as Sydney, and migrants are seen as contributing to that, there are policies that can assist.”

However, the issue then arises as to free movement. Once admitted, why will such migrants not move to perceived preferred locations such as the large cities? This was the issue with some such early programs. In response to objection to large city-directed migration by then-NSW premier Bob Carr, an alternative was advanced in a study commissioned by then-shadow Immigration Minister Julia Gillard and funded through the Evatt Foundation.²³

The alternative idea was to provide a temporary-to-permanent visa, which would be validated as permanent when residence in the region for a specified period could be demonstrated. When such residence, employment, housing, education and social networks are established, the migrant is therefore more likely to stay longer in their more remote region.

FIGURE 3
STATE-SPECIFIC AND REGIONAL MIGRATION OUTCOMES: AUSTRALIA, FY 2005–2015



Source: Department of Immigration and Border Protection (2015), p. 15.

Interestingly, Liberal Party Immigration Minister Vanstone adopted the report's approach in 2004 following its publication, even though the report was for the Labor shadow minister. The result of this change was a major increase in the share of the immigration program devoted to regional schemes and a substantial increase in regional retention as well. The expansion of this designated regional migrations after 2004 is illustrated in the above chart, as is some fall-back after 2014.

One trouble with the scheme has arisen from delegating to states/territories the power to specify the regional areas. This delegation was abused substantially in some jurisdictions such as Victoria, which chose to include Melbourne as a region. Victoria sought to increase its population growth rate, after losing many residents to Queensland. It was nevertheless successful in this ambition and Sydney, which was excluded from such schemes by Premier Bob Carr, languished for many years. Such implementation issues can be improved upon as, unlike Canada, the constitutional power over immigration rests solely with the Commonwealth Government.

Subject to such improvement, a target of 40 per cent of skill program immigration to operate through regional mechanisms would be reasonable under conditionality principles. The improving infrastructure management under such bodies as Infrastructure NSW may then render such constraints increasingly unnecessary. This would be long overdue implementation of the views of the Private Infrastructure Taskforce.²⁴

Employment

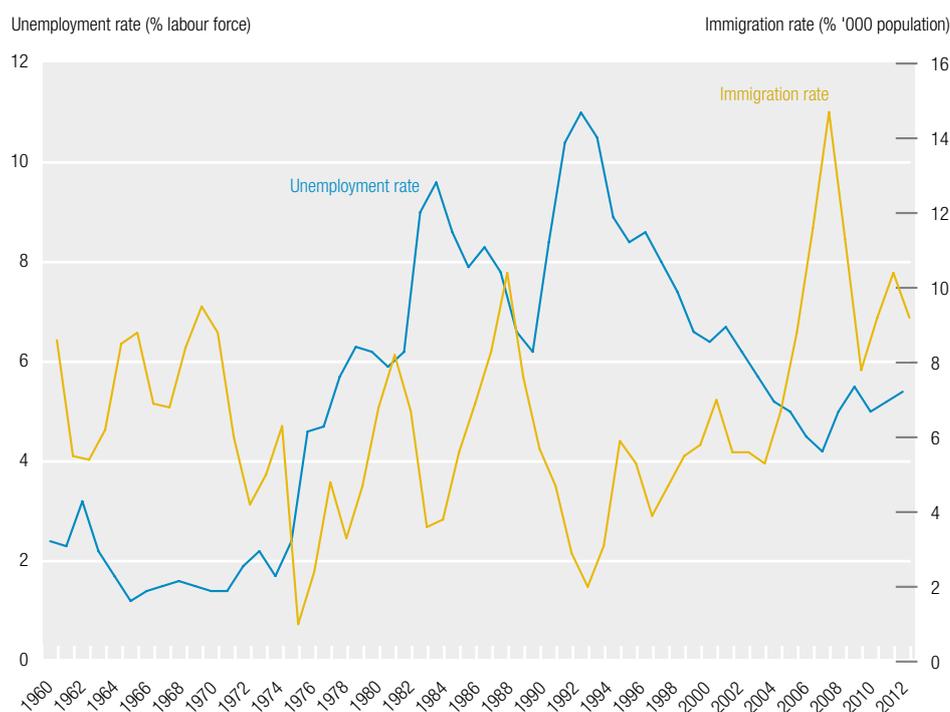
Another area of policy concern is employment and unemployment consequences of immigration. The immigration scheme is clearly directed at workforce skills as a dominant feature both of permanent entry and also temporary entry. Traditionally the organised union movement strongly opposed high immigration because it saw migrants as threatening job security and as less committed to unionisation than locals.

The notion that immigrants may add to unemployment and reduce wages indeed seems self-evident to many. If a migrant obtains a job ahead of a local applicant, it seems obvious that there are adverse employment effects. However, the supply side effects are offset by less obvious but very real demand side effects. The latter includes the expenditure by migrants themselves, expenditure made on behalf of migrants, and other expenditure induced by these in turn. Skilled migrants often bring with them major resources from their home country circumstances such as savings, sale of businesses and homes, etc.

Numerous studies, commencing especially in Australia²⁵ and now conducted across many countries and with various methodologies and types of data, have established that these two forces of supply and demand through immigration almost invariably ensure that there are at least as many new jobs created as there are jobs filled by migrants. This is to say migrants don't rob jobs.

An examination of the relationship between immigration and unemployment for Australia for the years 1960 to 2013 is shown in the figure that follows. It is evident that high immigration has not matched with high unemployment.

FIGURE 4
IMMIGRATION AND UNEMPLOYMENT: RATES, AUSTRALIA, 1960–2013



Source: Elhasri (2015).

The technical studies control for the causation forces behind this and confirm the conclusion in a more sophisticated way.

Immigration Minister Chris Hurford was the first Labor Minister to successfully convince his Government to maintain and indeed raise immigration at a time of rising unemployment. He has said that this was because he was convinced by the logic and economic evidence in the early Australian studies, and sold this to his colleagues.

Such evidence-based policy is less common than analysts would like to see. Fortunately, the practical tests since have been limited, since Australia will have experienced by 2017 the longest period without recession of any industrial country in the post-war period: 26 years. As stated, huge increases in immigration levels have certainly occurred without unemployment rate increases.

With immigration, both “jobs and growth” are eminently feasible. The lesson should not be lost on politicians if and when populist issues arise on immigration. If the politicians and other community leaders lead quickly and explain and communicate the truth, then Australia’s better angels have more chance. If they delay, we can pay a high price as a community.

Furthermore, if we undermine the gathering and analysis of evidence we can lose the foundations of good policy. The decision to axe the Bureau of Immigration, Population and Multicultural Research in 1996 – just as an earlier round of Hansonism was surfacing – shows the costs of leaving government without the analytic foundations to manage well. It may be time to restore strength and balance to our knowledge base. The contemporary retreat from expertise and facts does need redress.

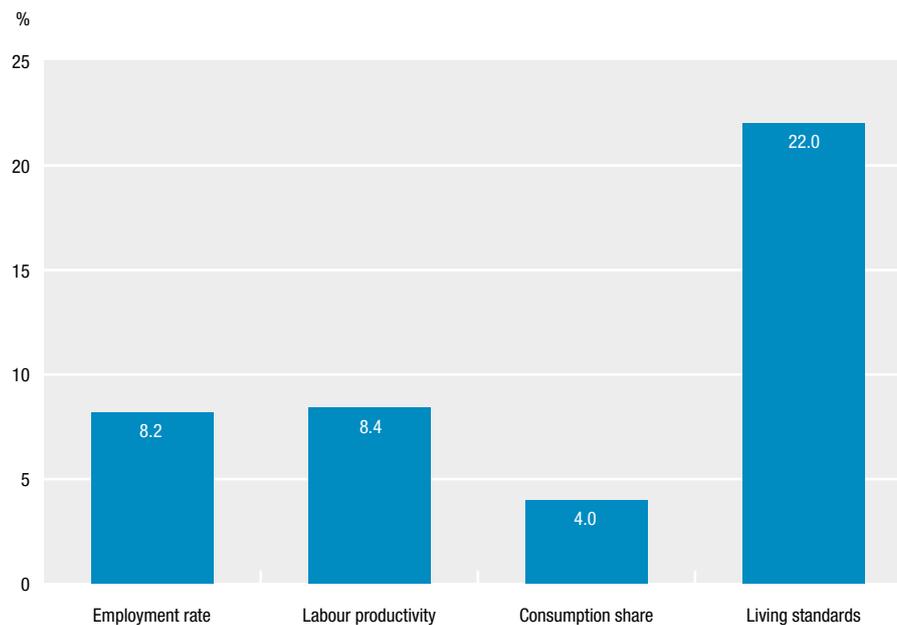
The way forward

Immigration is a major component of the way Australia moves forward. It always has been, since European settlement – and even in earlier times for indigenous Australia. Getting it right is essential. But so are the accompanying policies that must complement the peopling of Australia.

A vision of what the wider policy menu must look like has been given in the report from the Australian Council of Learned Academies (ALCOLA) on Australia’s Comparative Advantage.²⁶ The report suggests that Australia can indeed sustain its past achievement. What is required to secure that future is a comprehensive set of ongoing structural and competition reforms, combined with a complementary set of investments in the national capability to compete.

The structural and competition reforms should encompass tax, labour market and product market competition, genuine free trade enhancement and federalism reform. The investment in capability should embrace infrastructure, innovation and education plus labour force participation and migration.

FIGURE 5
LIVING STANDARD PAY-OFF FROM STRUCTURAL AND INVESTMENT REFORM:
AUSTRALIA 2030



Note: The pay-off here is the percentage deviation for the reform scenario over a no-policy-change baseline in relation to per capita consumption. The contributing elements to this pay-off are presented here as well as their total compound effect.

Source: Withers et al (2015).

If such a set of policies are treated as a package, indeed, as a new narrative for Australia, they will operate together to enhance benefit while allowing costs to be evened out. Thus a return to serious and well-directed infrastructure provision would work seamlessly with the migration process to avoid congestion. Local education initiatives would stand all locals in good stead and not lead to concerns of educated migrants displacing local education attainment. Policy becomes a “virtuous circle”, including in funding fiscal consolidation for governments

With reasonable specification of these policies from major respected public reviews, the ACOLA report used Independent Economics modelling to conclude that such a package could deliver an increase in consumption per capita of 17.2 per cent by 2030 and 24.5 per cent by 2050. This was the pay-off over and above a “no-policy-change” base line. Immigration, federalism reform, tertiary education policy, plus enhanced labour participation are the four leading components of pay-off.

For the migration component of this modelling to play its part, a constant rate of migration at 0.9 per cent of population annually was assumed. This would allow net migration to rise to 400,000 by 2054. This compares with an earlier peak of 300,000 in 2008–09.

The analysis in this chapter indicates that such growth can take place without adverse unemployment outcomes. Further, as indicated, if there is leadership in place that explains this outcome, we can help avoid populism that can arise without objective foundation. In such leadership, it may help citizens to be aware these outcomes provide more benefit to the least skilled. The less skilled after tax

real wage, is projected to rise by 21.9 per cent, mid-level skilled by 11 per cent and highly skilled by –3.5 per cent by 2050, around an average of 9.7 per cent.²⁷

This is a conservative estimate of gains. It assumes the existing migration composition, and simply expands the numbers under the existing system. If the migration selection system were to be enhanced by reducing the separate pathways for entry and merging employer and independent skilled permanent migration, outcomes could rise further.

Under such revised arrangements, as flagged, the up-front immediate employment benefits of employer selection migration could easily be maintained by simply incorporating points for the employer nomination. Further, quick entry for all could now be facilitated, whereas at present independent migrant queues are manipulated to accommodate employer priority over entry, within the total skilled quota. Such processing priority is strange when employer short-term needs are provided for by the separate uncapped temporary entry program, such as the 457 visa.

Floating points entry cut-off would transparently and fairly allow total program size control. However, this should be done with a managed float and with no retrospectivity – so that those currently waiting upon final decisions are not disadvantaged. Retrospectivity has been particularly damaging in the past for Australia's international student exports. This should be avoided.

In adjusting the points cut-off to determine the skilled entry totals, allowance could also be made for the level of immediate family reunion, at present managed as a separate queue with processing time used as the regulator. The consequence of this latter clumsy bureaucratic process has been that Australians with overseas spouses and children can often wait for unpredictable and unconscionable times for the exercise of their rights as Australian citizens.

Finally, the points system could also incorporate a regional element to provide extra points for regional settlement (while retaining the transition to permanent provision to validate the locational choice). This will allow major urban pressure to still be alleviated and increase public acceptance of immigration. Separate bureaucratic queues would be avoided and a transparent and defensible definition of regional need could be imposed. This is an example of how conditionality in immigration policy can operate. We can reduce negatives while better addressing them directly. This is an unusual policy avenue of “having the best of both worlds”.

Various other anomalies could be mentioned, ranging from the contradictions involved in New Zealand visa free entry with restrictive residence cancellation provisions, through to the bizarre bridging visa system for onshore refugee claimants that denies work-rights and training opportunities. But the argument is now clear.

Australian immigration selection could be returned to being a much more rational and efficient system. It has grown in ways, since establishment, that are like an adolescent's growth: it is in need of a good wash and tidy.

The ACOLA report indicated that the public was supportive of improving settings for enhancing our future. It wanted leadership in this.

Conclusion

Good policies explained well are the way forward. The UK Brexit debate showed how Australia's selection system for immigration is widely regarded elsewhere as the jewel in our population policy crown. It should be refreshed and enhanced, and our migration selection could then deliver even more than at present and with greater public support, whatever various special interest groups think.

Recent political trends here and overseas show that undue privilege and lack of transparency is eroding public trust. It can be restored by good, well-explained and transparent policy.

The policy approach here would:

1. **Expand immigration** gradually over time in-line with population, but conditional upon complementary policy advance that addresses adverse consequences of population growth such as infrastructure provision, urban congestion and environmental degradation.
2. **Improve immigration program management** by reducing separate pathways and administered queues, and integrating these through a refreshed Australian points system.
3. Ensure that an **enhanced points system** is grounded on suitable specification of work skills, language skills, partner skills, extended family Australian linkages and age, alongside necessary hurdles for health and security.
4. Supplement the basic points common across all skill categories with **additional points for employer nomination** to enhance direct employment outcomes.
5. Shift weighting within the points system toward **greater points priority for regional location**, using the temporary to permanent visa provisions to enhance regional integration and directly reduce larger city pressures.
6. **Reform the processing speed of immediate family entry, refugee and special humanitarian entry** decision-making to eliminate demoralising waiting times.
7. **Reform the processing speed too for temporary entry**, so that the benefits from areas such as international students and tourism are not diverted to competitor countries.
8. **Shift immigration administration to a more welcoming, positive and supportive orientation** and ensure enhanced integration with improved settlement services and support.
9. **Improve administrative and external data** to allow better examination of immigration processes and outcomes, and **support further internal and independent external research** into the immigration experience.

Comments from Nathan Taylor are appreciated. Responsibility for the views expressed are those of the author.

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