

## **9. Income and Sources of Income**

A major indicator of successful settlement in Australia is the extent to which recent migrants are able to earn an income sufficient to support themselves and their families. One of the major changes in Government policy towards migrants has been to exclude migrants from access to social welfare benefits for a period of two years after arrival in Australia. This puts added pressure on migrants to find paid work or satisfactory self-employment. It also puts pressure on people not to migrate if they believe they are unlikely to be able to find work or private sources of financial support for the first two years. We report several perspectives on the level and source of income of recent migrants, and how this has changed.

### **9.1 Major Sources of Income**

Figure 9.1 shows how the two cohorts differ in the major source of personal income of recent migrants, by visa category.

The striking point made by Figure 9.1 is that the proportion of people who are reliant on Government social welfare payments has fallen substantially while the proportion who rely on wages has grown commensurately for most groups. As in other areas, the Concessional family/skilled Australian-linked and the Independent migrants present a similar picture. About two-thirds of migrants in these two groups had wages as their main source of income in Cohort 2, up from 40-50 per cent in Cohort 1. The proportion for whom Government payments is their main source of income has fallen from about a third to less than 5 per cent. There has been little change in the other sources of income. The pattern of change for the Preferential family/family stream is similar, but the magnitudes are rather less. In all three categories there has been virtually no change in the proportion who report receiving no income. There has been little change in the sources of income for the Humanitarian migrants, most of whom rely on Government payments. The changes between cohorts for the Business skills/ENS group are different from the pattern apparent for the other visa categories. Few relied on Government payments even in the first cohort. But unlike the other groups, reliance on wages has fallen, and been replaced with reliance on business and investment income, together with a small rise in no income. These changes are unlikely to have been driven by the social welfare policy change.

## 9.2 Levels of income

### 9.2.1 Median Income

Figure 9.1 reports major source of income, but does not provide any information on the level of that income, or of total income received by recent migrants. Table 9.1 reports levels rather than sources of income. The levels are reported as the median income<sup>8</sup> of people in each visa category. We note at this point that the income data in this survey are not likely to be very precise. For several reasons, it is always difficult to obtain accurate information on individual and household income from personal surveys. One reason is that some people think in before tax and others in after tax terms. Incomes also fluctuate and people must estimate what is their usual weekly income. Some people are reluctant to report all their income, especially if tax is not being fully paid or if income is being earned in ways that are on the margins of illegality. The questionnaire asks people to record their income in intervals, so any analysis cannot do better than assume that the true income is in the middle of the income bands presented in the survey. The inaccuracy of this procedure is compounded when income totals must be calculated by adding together different sources of income. For these reasons, there should be no importance attached to small differences in income.

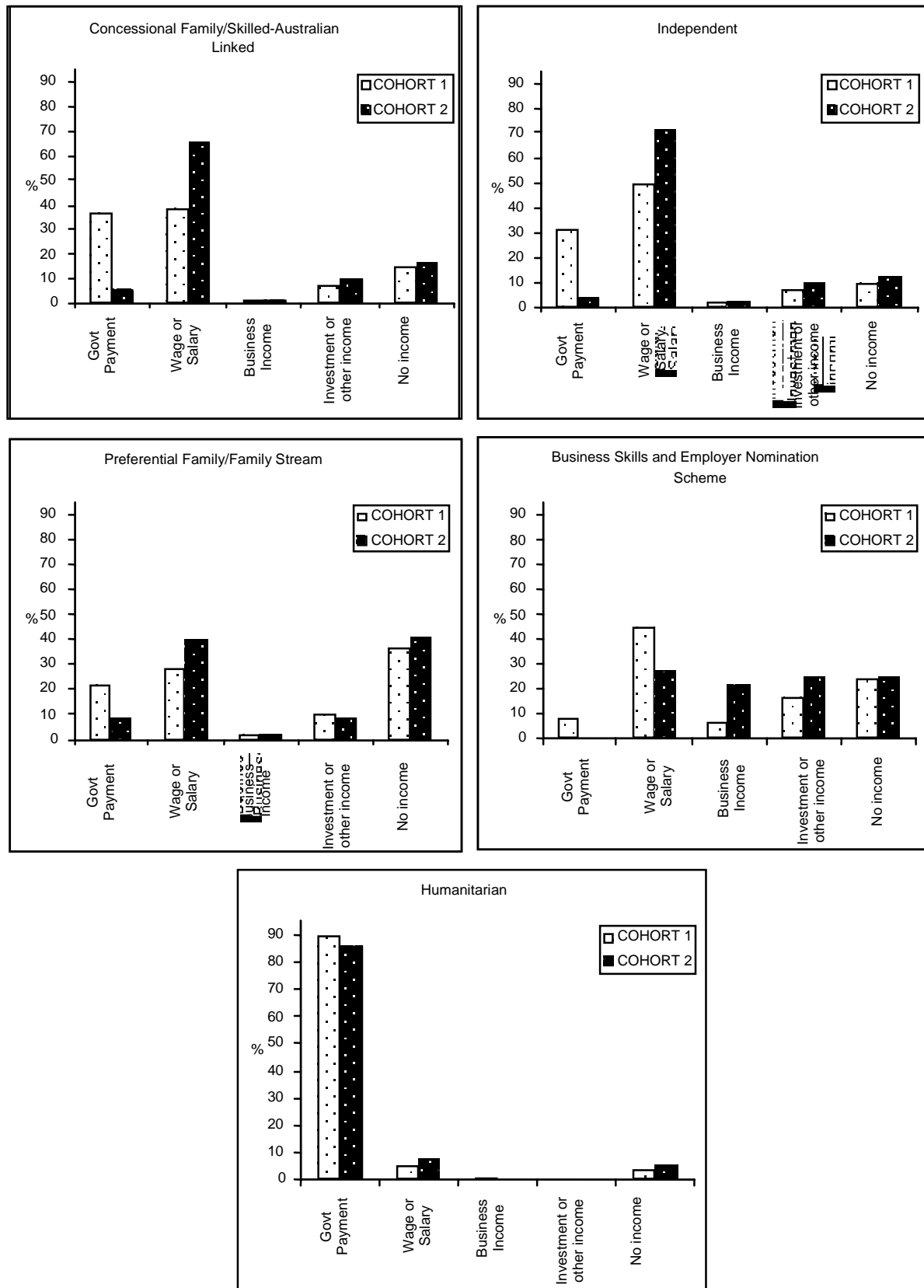
**Table 9.1: Median Personal Weekly Income of Primary Applicants and Spouses by Visa Category and Cohort (2000 dollars)**

Visa Category	Cohort 1, 2000 prices <sup>(1)</sup>	Cohort 2
Concessional family/skilled Australian-linked	193	383
Independent	309	544
Preferential family/family stream	79	51
Business skills/ENS	375	483
Humanitarian	166	177
Total	154	211

Note: (1) 1994 values updated to 2000 values, using change in CPI, weighted average 8 capital cities, March 2000.

<sup>8</sup> The median income is the income level at which half the relevant group have more and half have less. As a measure of central tendency it is preferable to the mean or average value, because it is not influenced by the existence of a few very high or low values.

**Figure 9.1: Major Source of Personal Income of Primary Applicants and Spouses by Visa Category and Cohort (per cent)**



Median income for a group will be influenced by:

1. The number of people who have any personal income
2. The levels of income received by the typical income recipient.

There will be changes in both of these aspects of median income between the two cohorts, but Figure 9.1 suggests that most of the change is in levels of income received. The proportion of people who receive no income is similar in total and across visa categories for the two cohorts. Thus most of the change in median income that is reported in Table 9.1 is being driven by changes in levels of income received by people who have some income of their own.

There is a distinct difference in the experience of migrants in the separate visa categories. Humanitarian migrants, who rely overwhelmingly on Government payments, have seen no change in their median income. This is not surprising.

The big story to emerge from Table 9.1 is that the Concessional family/skilled Australian-linked and Independent migrants have seen a large rise in their typical income—indeed almost a doubling. This large rise suggests that the much greater reliance of the second cohort on wages as compared with Government payments has had a strongly positive effect on their income levels: the wages received must typically have exceeded by a large amount the value of social welfare benefits. Analysis reported in Richardson et al, 2001 (pp 57-59) indicates that the average wages of people who had a job have risen for Cohort 2. This is especially true for Independent migrants. The higher wages resulted from higher average levels of skills, from a higher return to those skills in some cases, and from an unidentifiable premium that is attached to being in Cohort 2. This last point can be interpreted to mean that Cohort 2 migrants tended to have superior unobservable personal qualities, such as motivation and confidence that paid off in the labour market.

The Preferential family/family stream migrants have had a different experience. The median income for this group has fallen, from levels that were already very low. A major reason for the low levels of average personal income for this group is the large proportion who are dependent on other family members for their income. This shows up in Table 9.1 as the 40 per cent or so who have no income of their own. This, however, does not explain the fall in median income for the whole group, since there has been virtually no change in the proportion who report no income. The puzzle is compounded by the fact that this group has experienced the same shift from reliance on Government payments to reliance on wages as

has occurred for Concessional family/skilled Australian-linked and Independent, albeit in more muted form. It has also seen a rise in the employment to population ratio, which is the counterpart of the growth in reliance on wages, and would be expected to produce a rise in median income. It may be that many of the jobs obtained by Preferential family/family stream migrants in the second cohort are only for a small number of hours per week, hence return only a modest weekly wage. We examine this possibility below.

Table 9.2 shows the weekly hours worked in their current main job, by migrants who were either the Primary Applicant or a migrating unit spouse in Cohort 2. It refers only to the 49 per cent of people who were employed in the week of interview, or had been employed within the previous four weeks. Humanitarian migrants are excluded, because there were very few in the sample who were employed.

The average hours worked per week are virtually the same for each of the visa categories (at around 37 to 38 hours). However, there is considerable variation in how this average is constituted. Business skills/ENS migrants have the highest variation in hours worked (as indicated by the size of the standard deviation). While 39 per cent report working more than 40 hours per week, 24 per cent work only 20 hours or less. As suspected, Preferential family/family stream migrants also have a relatively high variance around the average, with 25 per cent working fewer than 40 hours. The difference in hours worked between Preferential family/family stream migrants and those in the other visa categories does not seem to be enough to explain their relatively low average incomes. More important is the fact that only 40 per cent of them were employed, though note that this is not much fewer than the high income Business skills/ENS group (at 44%).

The Business skills/ENS group has seen very little change in median income. There has been a change in sources of income, away from Government payments and wages to business and investment income. The net effect has been to leave business migrants in the second cohort with a median income of \$395 per week—virtually the same as for Concessional family/skilled Australian-linked migrants. In the first cohort, the Business skills/ENS migrants received much higher incomes (almost double) than the Concessional family/skilled Australian-linked migrants.

**Table 9.2 Weekly Hours Worked in Main Job by Primary Applicants and Spouses, Cohort 2**

<b>Hours worked in main job</b>	<b>Concessional family/skilled Australian- linked</b>	<b>Independent</b>	<b>Preferential family/family stream</b>	<b>Business skills/employer nomination scheme</b>	<b>Total</b>
Average hours	37	38	37	38	37
Standard deviation	12	11	13	17	13
% who worked 1-10 hours	5	4	8	9	6
% who worked 11-20 hours	9	6	8	15	8
% who worked 21-30 hours	11	5	9	10	8
% who worked 31-40 hours	55	57	51	28	52
% who worked > 40 hours	21	28	24	39	26
Total working at least 1 hour	332	867	689	140	2043
% of visa group employed	64	70	40	44	49

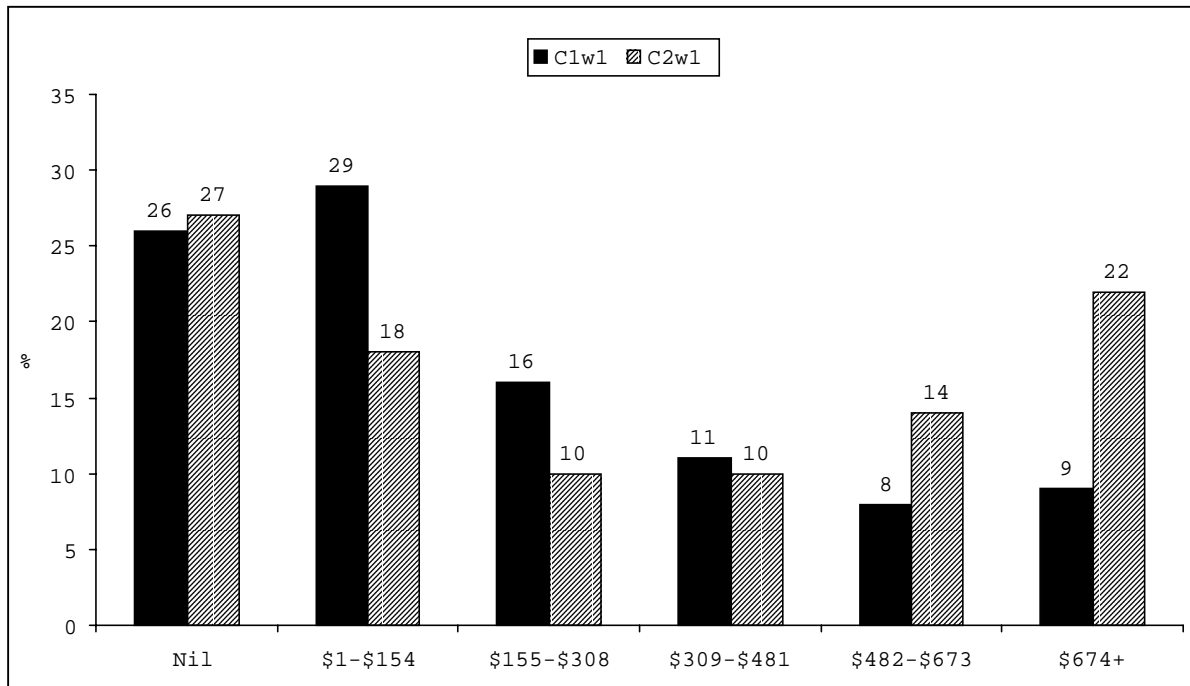
### 9.2.2 *Distribution of Income*

In Figure 9.2 we display the changes between cohorts in the distribution of total income. Several features of this figure are worth noting. We should mention that there was above average non-response to the income question and it may be that those who received no income were more likely not to answer the question. This would only affect the comparison if those in one particular cohort were more likely not to respond. Note that people in Cohort 2 had the same prevalence of zero income as those in Cohort 1. The big change between the cohorts is the growth in people who received incomes in the top bracket of \$674 per week or more (and in the second top bracket). This fraction grew from nine (eight in the second top bracket) per cent for Cohort 1 to 22 (14) per cent for Cohort 2. These figures do not allow for the impact of inflation (of 15 per cent over the interval between the two cohorts). If the distribution of income within the income band of \$482-673 is uniform, then inflation would not account for more than two to three percentage points in the shift from the lower income interval to the highest one.

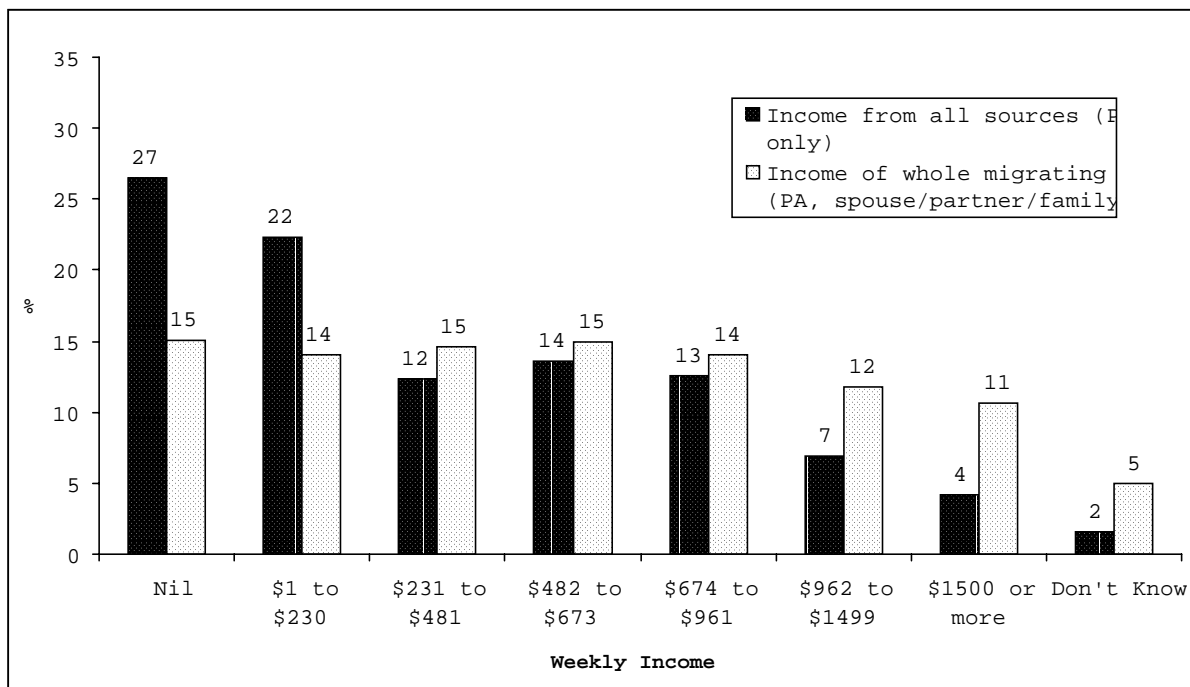
It is easier to interpret what is going on over time and between the cohorts if we look also at income received as wage and salary income, rather than income from all sources. The difference between the two income figures is accounted for by self-employment income, investment income and Government cash payments. Six months after arrival, only one-third (31%) of migrants in Cohort 1 earned a wage whereas three-quarters (74%) received income from some source. The comparable figures for Cohort 2 are 47 per cent earned a wage and 73 per cent received some income. All of these additional wage earners in Cohort 2 were earning the equivalent of a full-time wage, with the greatest difference between cohorts being in the greater proportion of Cohort 2 who earned more than \$674 per week. This proportion doubled between the cohorts, from eight to 19 per cent.

In Figures 9.3 to 9.5 below, we look more closely at the distribution of income from different sources, and distinguish the income received by the Primary Applicant from that received by the whole migrating unit. We display only the income received from wages and from Government payments. The other sources of income (business, interest and dividends, insurance etc) were so small that it is not useful to display a distribution: most columns are close to zero.

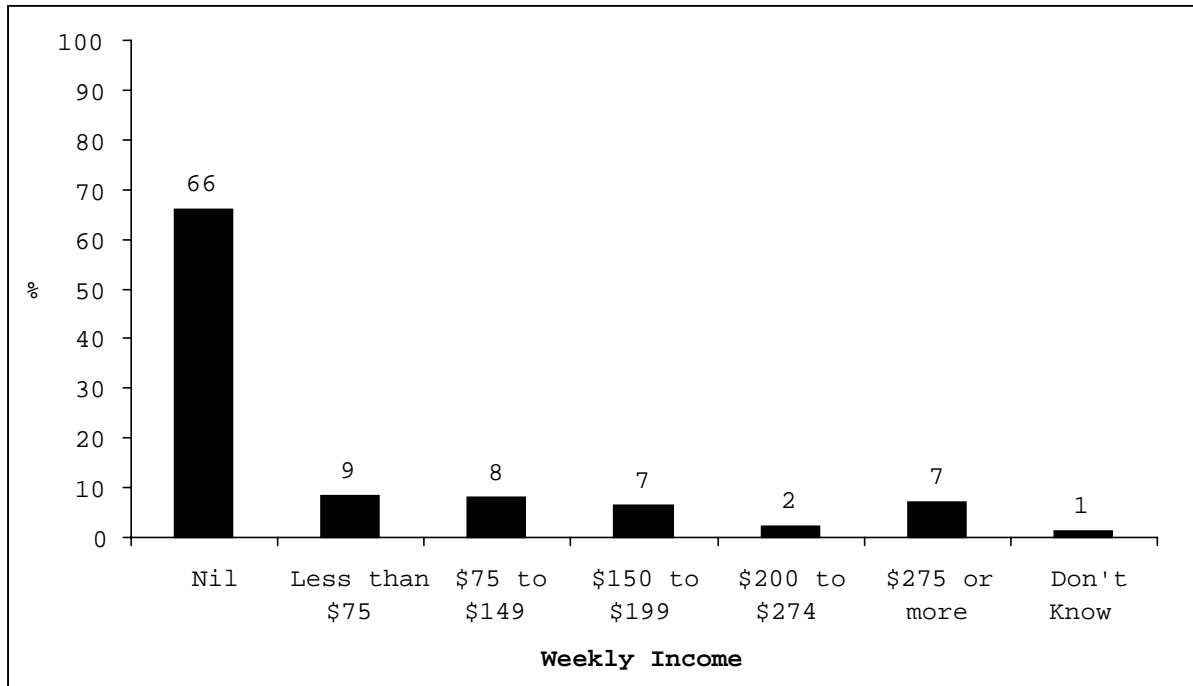
**Figure 9.2: Total Personal Income of Primary Applicants and Spouses, Cohort 1 and 2 (per cent)**



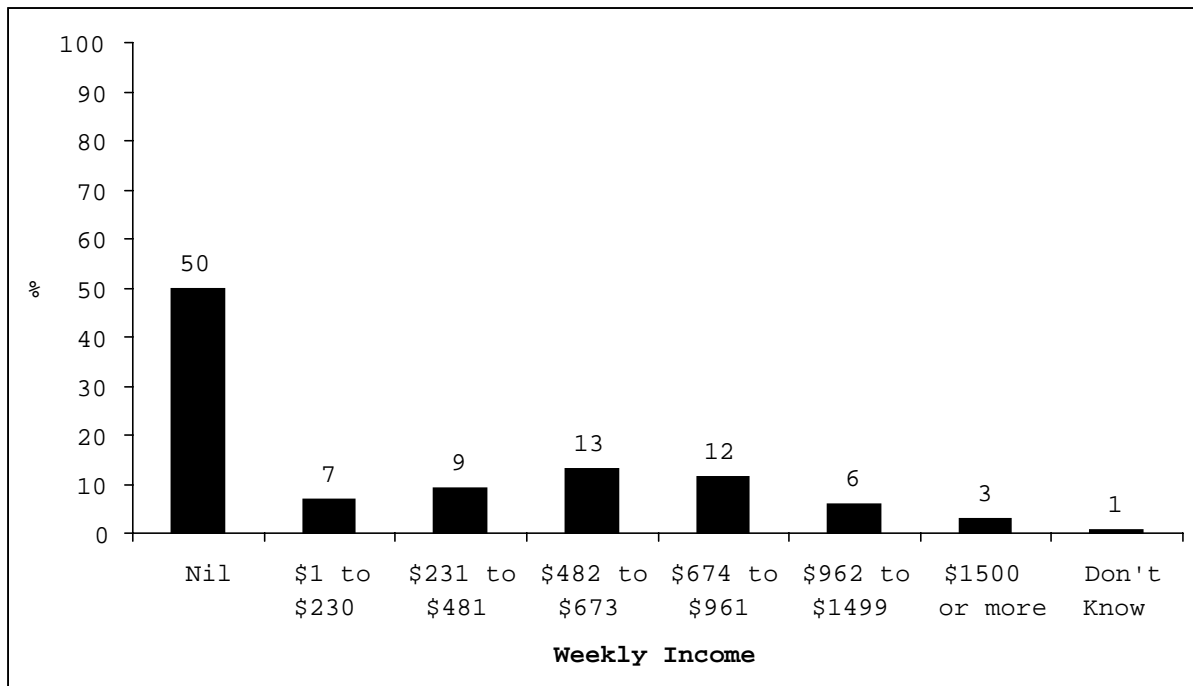
**Figure 9.3 The Distribution of Weekly Income from All Sources Received by the Primary Applicant only, and the Income From All Sources Received By The Whole Migrating Unit: Cohort 2 (per cent)**



**Figure 9.4 The Distribution of Weekly Income from Government Payments Received by the Migrating Unit and a Spouse, if any, Already Resident in Australia, Cohort 2 (per cent)**



**Figure 9.5 The Distribution of Weekly Income From Wage and Salary Jobs Received by the Primary Applicant only, Cohort 2 (per cent)**



The relevant questions from which the data displayed in these figures are derived were asked of the Primary Applicant only. In some cases the Primary Applicant was asked to respond on behalf of her/himself only. In others she/he was asked to respond on behalf of the entire migrating unit. In a third case, Primary Applicants were asked to reply on behalf of themselves and their spouse (if any), including spouses who were already resident in Australia. Thus the Primary Applicant was being asked to make quite a complicated set of distinctions. We are unable to judge how successful they were in distinguishing a) their own income, b) the income of themselves and other family members who migrated with them and c) the income of themselves and other family members including a spouse who was already resident in Australia.

Figure 9.3 compares the distribution of income received by the Primary Applicant with that received by the whole migrating unit (excluding spouses who were already resident in Australia). It is presented only for Cohort 2.

We can see from Figure 9.3 that the distribution of weekly income is more even among migrating units than it is among Primary Applicants. Among migrating units, the proportion receiving income in each of the income intervals is almost the same, ranging from 11 to 15 per cent: 15 per cent receive no income while 11 per cent receive \$1,500 per week or more. The picture slightly exaggerates the evenness of the distribution, because the income intervals are not the same size. However, they are as close as we were able to construct, given the form in which the data were provided.

In contrast, half of Primary Applicants receive either no income or an income of less than \$230 per week. There are commensurately fewer who receive incomes above \$961.

When assessing the material welfare of recent migrants, it is clearly the income of the migrating unit, rather than the income of the Primary Applicant, that should be considered. Figure 9.3 illustrates the extent to which these are not the same thing. Even better would be to include the income received by a spouse who was already resident in Australia in the income of the migrating unit.

Figure 9.4 shows the distribution of the Government payments received by the migrating unit, including a spouse who was already resident in Australia. Note that different income

intervals are used in this figure compared with the previous one, because the levels of payment are typically much lower. Two-thirds of migrating units (and resident spouses) in Cohort 2 did not receive any Government payment at the time of interview. Nine per cent received \$200 per week or more. It is highly likely that these are the Humanitarian migrants, who have full access to the social welfare system. We know that they rely mainly on Government payments for their income in the first few months after arrival. A further 9 per cent receives small sums – \$75 per week or less.

The distribution of weekly income from wages is displayed in Figure 9.5. Primary Applicants were asked to report wages that they themselves earned. Half earned no wages. Only one-third (or 34%) earned the equivalent of a full week's wage (\$482 or more). These are the Primary Applicants who can be thought of as earning sufficient to provide for the economic independence of themselves and their families. Many Primary Applicants, of course, are not looking to do this, as they are joining a breadwinner already in Australia. It is worth noting that some recent migrants are doing very well in the labour market. Nine per cent reported earning \$962 or more per week.

### 9.3 Sources of Income

In Table 9.3 we look in more detail at the use of Government social welfare benefits. The proportion of people in each cohort who receive particular benefits is set out. We also note the changes in the proportion that receive income from wages and salary and from investment income.

**Table 9.3: Sources of Income, Primary Applicants and Spouses, Cohorts 1 and 2 (per cent)**

	Cohort 1	Cohort 2
Govt. Unemployment Benefit	25	5
Govt. Family Payment	15	6
Other	11	5
Earned income	33	51
Investment income	20	22

Migrants in Cohort 2, except those on a Humanitarian visa, were ineligible for most forms of Government payment. While in principle those in Cohort 1 were similarly ineligible for the first six months after arrival, in practice the rules seem to have been applied in a somewhat

more relaxed manner for Cohort 1. The proportion who were in receipt of any form of Government payment was much lower for Cohort 2 than for Cohort 1.

The other side of the coin from the fall in receipt of unemployment benefits is the rise in the proportion who received wages and salary and income from self-employment. This rose from one-third of people in Cohort 1 to one-half of Cohort 2. There was little change between the cohorts in the proportion in receipt of investment income. Although not shown here, the value of receipts from investment income was in most cases very small.

#### 9.4 Employment Income

The final perspective we offer on the degree of financial independence of recent migrants is to report the proportion of migrants who live in households where no one is employed. Table 9.4 shows this information, for the two cohorts and the different visa groups. We note that many migrating units live, on first arrival, with relatives who are already in Australia. For Cohort 2, we report the information for four different family units. The first column reports the percentage of Primary Applicants who do not have a job. The second column (for each cohort) reports the percentage of family units comprising a single Primary Applicant or a Primary Applicant plus spouse, where neither the Primary Applicant nor spouse (if relevant) is employed. The third column, for Cohort 2, is the same as the second, but includes other members of the migrating unit over the age of 15. As noted earlier, almost none of these additional family members are employed, or even in the workforce, so columns 2 and 3 are virtually identical. Column 4 reports the percentage of Primary Applicant/spouse units that live in a *household* where no one is employed. This household may include other relatives and is not confined to members of the migrating unit. The assumption is that a Primary Applicant or spouse who lives with relatives is able to share in the income of the household.

Table 9.4 shows that Humanitarian migrants live overwhelmingly in non-employed households and this has not changed across the two cohorts. While not employed themselves, about 10 per cent in Cohort 2 live with relatives who are employed.

**Table 9.4: Proportion of Migrant Households where no Person aged 15 years or over is Employed, Cohorts 1 and 2 (per cent)**

Household members considered	Cohort 1			Cohort 2		
	<i>Primary Applicant</i>	<i>Primary Applicant &amp; spouse</i>	<i>Primary Applicant</i>	<i>Primary Applicant &amp; spouse</i>	<i>PA, spouse, others in migrating unit</i>	<i>PA, spouse, other relatives in household</i>
Concessional family/skilled Australian-linked	48	44	33	22	22	10
Independent	35	32	18	12	12	11
Preferential family/family stream	69	69	58	55	55	13
Business skills/ENS	18	17	38	22	22	19
Humanitarian	93	91	95	95	92	78
Total	63	62	47	43	42	16

The Primary Applicant employment data have been reported on previously. Here we will focus on the non-employment rates for units of Primary Applicant/spouse (PA/S) and Primary Applicant/spouse plus other relatives in the household (PA/S/R).

The improved employment outcomes of Concessional family/skilled Australian-linked and Independent migrants, which we have noted in much of the material presented previously, is apparent also in Table 9.4. Non-employment among the PA/S grouping has fallen by between one-half and two-thirds. It is notable that in these two visa categories, either there is a higher proportion of spouses or spouses are more likely to have a job even if their partner does not, than is true for the other visa categories. The inclusion of the spouse in the unit of analysis substantially reduces the rate of non-employment among the Concessional family/skilled Australian-linked and Independent migrants but has no effect on the other categories. This distinction applies only to Cohort 2: the inclusion of the spouse has little impact on non-employment for all visa categories in Cohort 1. This reinforces the conclusion reported above, that the spouses of Primary Applicants have improved their employment outcomes the most across the two cohorts.

For the PA/S units, non-employment has fallen for the Preferential family/family stream, but not by as much as for Concessional family/skilled Australian-linked and Independent migrants. It has actually risen, to one-quarter, for Business skills/ENS migrants.

The inclusion of other relatives in the household, where applicable, has a major effect on the extent of non-employment for Concessional family/skilled Australian-linked and Preferential family/family stream migrants, but not for Independent or Business skills/ENS migrants. In the case of the Independent migrants, rates of non-employment are already very low. Non-employment falls from 55 per cent for migrating family units in the Preferential family/family stream category to only 13 per cent if all the people in their household are considered.

If we consider all migrants together, then rates of non-employment fall by about 20 percentage points at each step as we move from Cohort 1 PA/S to Cohort 2 PA/S and then to Cohort 2 Primary Applicant/spouse plus other migrants in the household (PA/S/H). By Cohort 2, one-quarter of migrating units, including Humanitarian migrants, lived in a non-employed household. Conversely, of course, three-quarters lived in a household in which at least one person was employed. The relatively high rate of non-employment (22 per cent)

among Business skills/ENS migrating units is worth noting, especially since this has risen, in contrast to the other non-Humanitarian groups.

## **9.5 Conclusion**

Cohort 2 migrants have substantially higher incomes, in most of the visa groups, than do Cohort 1 migrants. The exceptions are the Humanitarian and Preferential family/family stream migrants. One reason for the higher incomes is undoubtedly because a much higher proportion of the second cohort was employed, including in jobs that generated a substantial weekly income. One-third of Primary Applicants were earning \$482 per week or more within six months of arrival in Australia. Many others were living in families where others were the prime income earner. By Cohort 2, very few migrants were relying on Government payments as their principal source of income (Humanitarian migrants excepted). The Concessional family/skilled Australian-linked and Independent migrants have seen a large rise in their typical income—indeed almost a doubling. Much of this is attributable to their relative success in finding adequate employment. The big change in the distribution of income between the cohorts is the fall in the proportion of Primary Applicants and spouses who received small amounts of income and a rise in the proportion who received over \$672 per week.

The way in which the family unit is defined makes a big difference to the level and distribution of employment and income. Migrants overwhelmingly live in families. A high proportion live, soon after arrival, with other family members who were already in Australia. Thus, in assessing the levels of income of Primary Applicants, it is important to locate them in their families/households. To illustrate, whereas 47 per cent of Primary Applicants in Cohort 2 were not employed, only 16 per cent of them lived in households where no-one was employed.