

**THE IMPACT OF SPONSORED TEMPORARY
BUSINESS RESIDENTS ON AUSTRALIA'S LIVING
STANDARDS**

Prepared for

**Department of Immigration and Multicultural and Indigenous
Affairs**

by

ACCESS ECONOMICS

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Executive Summary

The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) commissioned Access Economics to study the financial and economic effects of sponsored temporary entry long-stay business residents (visa sub-class 457) on the Commonwealth Budget and on Australia's living standards. A report has been provided estimating impacts on the Commonwealth Budget. This report estimates the impact of sponsored temporary business residents on Australia's living standards.

This report identifies four main channels through which sponsored temporary business residents affect Australian living standards. The first channel is a direct employment impact, whereby the sponsored temporary business residents fill well paid jobs. That raises both employment and average earnings in Australia, but does so to the benefit of the sponsored temporary business residents, rather than that of the existing population. In fact, were it not that the underlying policy is designed to ensure that sponsored temporary business residents only fill jobs where there are insufficient existing resident Australians with the requisite skills, this channel could even operate to worsen the living standards of existing residents. Indeed, the report includes a simulation whereby some principal applicants displace existing residents from jobs, to test the latter sensitivity—the conclusion is that displacement lowers benefits, but not materially so.

The second channel is a productivity gain, whereby sponsored temporary business residents raise the average productivity of Australian workers (given their special skills). This is a vital channel. Again the sponsored temporary business residents themselves capture a deal of the benefits to overall living standards. But there is a large improvement to the living standards of existing residents not captured by the sponsored temporary business residents. This may arise in two ways: First, employers would not take on the sponsored temporary business residents unless they saw a net profit in it for themselves (otherwise why employ the additional person?). Those additional profits raise Australian national income and the living standards of existing residents. Second, those existing Australian residents working with the sponsored temporary business residents would pick up some of the specialist skills brought by the sponsored temporary business residents. Of these two effects, this modelling encompasses the former. The latter is too hard to quantify with any precision, but it should be noted that this report will therefore tend to understate the benefits to Australian living standards of the sponsored temporary business resident program.

The third channel is a financing benefit, whereby the sponsored temporary business residents bring some funds with them. The modelling here only accounts for those funds brought by sponsored temporary business residents who eventually take out Australian citizenship. However, the capital brought by those sponsored temporary business residents reduces the size of Australia's foreign debt. In the main, most of the benefit of their funds accrues to the sponsored temporary business residents themselves (they still earn interest or dividends or rent on their capital). However, to the extent to which Australia's reliance on foreign debt and equity has led to world markets demanding an extra premium (such as higher interest rates for Australian Government bonds), then the 'gift' of capital from abroad may lead to benefits for existing resident Australians as well. This latter effect is well covered in the economic model used in this analysis. However, quantitatively, it is the smallest channel of influence upon living standards examined here.

The fourth channel is the fiscal benefit, whereby the benefits to the Commonwealth Budget (and an estimate of the State Budget benefits) of the temporary migration program are also added in. In brief, although many of the benefits to Australian living standards are direct

benefits to the sponsored temporary business residents themselves, governments capture considerable net revenue from the sponsored temporary business residents as (particularly well-heeled) taxpayers. That effect grows over time, as the better Budget bottom lines themselves feed back as a lower requirement to pay interest on public debt.

The conclusion of the analysis is that, for a sponsored temporary business resident intake of 37 082 persons, of whom 21 207 are ‘principal applicants’, the benefits to Australian living standards are notable. These are as set out in Table 1. It should be noted that Table 1 separates out the impact on the living standards of Australia as a whole, and of existing residents other than the sponsored temporary business residents in question.

Table 1
Total consumption and consumption per capita

Deviation from baseline Real \$1998-99	Year 1	Year 2	Year 3	Year 4	Year 5
Total consumption (\$m)					
All	1 407	1 121	948	873	768
Temporary business residents	1 410	1 053	879	710	480
Australian population	-3	69	69	163	288
Consumption per capita (\$)					
All	72	57	48	43	38
Temporary business residents	38 015	47 245	49 035	50 408	51 123
Australian population	0	3	3	8	14
	Year 6	Year 7	Year 8	Year 9	Year 10
Total consumption (\$m)					
All	839	952	1 073	1 213	1 384
Temporary business residents	488	484	487	487	489
Australian population	351	467	586	726	895
Consumption per capita (\$)					
All	41	46	52	59	67
Temporary business residents	52 014	51 602	51 890	51 889	52 139
Australian population	17	23	29	35	43

The table focuses on consumption as the best proxy for living standards—the ability of Australians to enjoy the benefit of more goods and services as a result of the presence of sponsored temporary business residents. The latter benefit is large across the entire decade projected using the Access Economics Macro (AEM) model. However, to begin with, most of the increase in Australian living standards is captured by the sponsored temporary business residents themselves.

That begins to change most notably from year five onwards. That year marks the time at which a majority of sponsored temporary business residents have departed (with some staying on and becoming permanent migrants). However, by that stage the resident Australian population are already benefiting from the higher profits (and associated employment) generated by the sponsored temporary business residents, as well as the tax revenues they have paid.

The benefits keep accruing, rising to an extra 0.27 per cent on living standards by year 10, well after most of the sponsored temporary business residents have departed Australian shores. By year 10 the resident Australian population captures nearly two-thirds of the total increase in living standards.

Given that this simulation shows just the impact of one year's worth of sponsored temporary business residents, the full benefit to the living standards of existing Australian residents rises rapidly. For example, assuming their impact to be linear, the living standards of existing residents would ultimately rise by 5.4 per cent as a result of 20 years of the sponsored temporary business resident program at the 2000–01 level of intake.

1. Introduction

The Commonwealth Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) commissioned Access Economics to study the financial and economic effects of sponsored temporary entry long-stay business residents (visa sub-class 457) on:

- (i) the Commonwealth Budget; and
- (ii) Australia's living standards.

This report responds to the second requirement, building on work which has been undertaken and completed for the first requirement.

This analysis involves developing a scenario which reflects the characteristics of a single year's intake of sponsored temporary business residents. The year chosen is the 2000–01 intake of sponsored temporary business residents. Information on the number of sponsored temporary business residents, spouses and other family members, their age, employment status, occupation and income was available on the 2000–2001 cohort. Other information for the analysis was inferred from characteristics of permanent business migrants¹ who come to Australia under the Employer Nomination Scheme (visa sub-classes 121/805), who closely resemble characteristics of sponsored temporary business residents.

This scenario is essentially the same as used for the first requirement of the study examining the impact upon the Commonwealth Budget.

To estimate the impact of this group of business residents on Australia's living standards, the scenario as developed is included in the Access Economics Macro (AEM) model, a macroeconometric model we use for forecasting and scenario analysis. AEM is a 'New Keynesian' model with neoclassical long run properties. It is based on standard modelling practice. It has a theoretically consistent, long-term, open-economy, growth path, together with short-term dynamics derived from Australian economic experience over the past 25 years.

Results from this scenario are compared with a baseline scenario in which there is no temporary migration under visa sub-class 457 allowed. Results are then reported for key economic indicators of living standards, including GDP per capita and consumption per capita.

1.1. Sources of data

The data sources utilised for this study were as follows:

- Information on visa grants for sponsored temporary business residents (visa sub-class 457) in 1999-00 and 2000–01. This showed the number of immigration visas issued by each office of the Department of Immigration, whether at an overseas consulate or in Australia. Visas were divided into primary and secondary groups, corresponding to principal applicants and other members of their family or migrating unit, respectively;
- The age distribution of sponsored temporary business residents and their families. This information was sourced from DIMIA's Overseas Arrivals and Departures (OAD) Database, which is compiled from landing cards filled in by arriving passengers. The

¹ The comparison between permanent business migrants and sponsored temporary business residents is based on a weighted average of permanent business skills and Employer Nomination Scheme migrants compared with only employer sponsored temporary business residents.

OAD statistics are based on a full enumeration of permanent movements and movements with a duration of stay amounting to one year or more. Short-term movements with an intended period of stay of less than one year are sampled. The sampling may give rise to some inaccuracies and a degree of bias. However, temporary 457 business visas are issued for a period of four years, and so sponsored temporary business residents whose visas were issued offshore are likely to be fully enumerated. The OAD data for visa sub-class 457 shows the age distribution of primary applicants and other persons, and is divided into arrivals declared as short-term and those stated as being long-term in nature. Information on the age distribution of sponsored temporary business residents whose visas were granted onshore is not available, and the age structure was therefore assumed to be the same as that of the offshore entrants;

- Information on the occupation of sponsored temporary business residents as submitted to DIMIA by employers on nomination forms. The occupations were shown at the detailed 6-digit Australian Standard Classification of Occupations (ASCO) level of disaggregation. However, the data is available only for principal applicants, since the employment status of spouses and other adults in the migrating unit is not recorded. Spouses and other adults are eligible to seek employment;
- Data on salaries of sponsored temporary business residents as provided to DIMIA by employers. There is no classification of salaries by occupation, but an extensive list of salaries ranked in ascending order, together with the number of sponsored temporary business residents whose earnings were at or near specified salary points;
- Data showing the number of sponsored temporary 457 business residents who applied for permanent status in 2000–01, and the type of permanent visa subsequently granted; and
- Data from the Skilled Vacancy Survey showing the number of job vacancies by occupation for Australia in 2000–01. This Survey, compiled by the then Department of Employment, Workplace Relations and Small Business (DEWRSB), is based on a count of skilled vacancies in the major metropolitan newspaper of each state and the Northern Territory. DEWRSB provided seasonally adjusted and trend monthly data showing employment openings by 6-digit ASCO occupation, and the monthly data was summed to obtain an annual total for 2000–01.

2. Sponsored Temporary Business Resident Scenario

2.1. Number and age of sponsored temporary business residents

For this analysis Access Economics has examined the effects of an entire annual intake of sponsored temporary business entrants. The number of sponsored temporary business residents who were granted visas to enter Australia in 2000–01 was 37 082. This was made up of 21 207 principal applicants, and 15 875 spouses and other family members, including dependents. The number includes onshore and offshore applicants.

For modelling purposes, our projections are set against a baseline forecast for the economy (that is, how the economy is projected otherwise to perform). As this is a projection for the future, for exposition the group of sponsored temporary business residents examined is assumed to arrive in Australia in 2001–02, so year one is notionally 2001–02. For modelling purposes, it is also assumed that sponsored temporary business residents arrive at the start of the financial year (with all subsequent departures also occurring at the start of the relevant financial year).

A discussion of how the age structure of sponsored temporary business residents was inferred is contained in the previous report on Commonwealth Budget impacts. Table 2 shows the number of business residents in this scenario by age cohort.

Table 2
Number and age of sponsored temporary business residents

Sponsored temporary business resident principal applicants, spouses and others			
	Male	Female	Persons
5-year age groups	No.	No.	No.
0–4	705	623	1 328
5–9	636	797	1 433
10–14	523	490	1 014
15–19	378	514	892
20–24	1 805	1 176	2 982
25–29	5 719	3 199	8 918
30–34	4 257	2 034	6 291
35–39	3 756	1 566	5 323
40–44	2 486	1 074	3 560
45–49	2 181	518	2 699
50–54	1 510	327	1 837
55–59	448	167	615
60–64	106	24	130
65 and over	44	16	60
Total	24 555	12 527	37 082

Source: Data on visa grants, DIMIA international and regional offices. The visa grants data showed the total number of ‘primary’ and ‘secondary’ applicants, respectively. The age distribution of primaries and secondaries was drawn from the Overseas Arrivals and Departures database. ‘Primary’ refers to principal applicants. ‘Secondary’ covers spouses, children, and other adult members of the migrating unit. The proportion of spouses relative to other adults was inferred using LSIA data on permanent business migrants.

Most 457 visas are issued for a two to four-year duration, suggesting that sponsored temporary business residents must either leave after that time, apply for another temporary visa or apply for and be granted permanent residency. For modelling purposes, we adopt the same approach used in the analysis of sponsored temporary business residents for the

Commonwealth Budget, with 25 per cent of the sponsored temporary business resident intake applying for, and being granted permanent status by year five.

For those sponsored temporary business residents who do not seek or gain permanent status, there is a steady process of attrition or departures over the four-year period of the sponsored temporary business resident visa. The estimated attrition rates, based on the number of sponsored temporary business residents present at the start of the year, were 40 per cent after year one, 20 per cent after year two, 22 per cent after year three, and 34 per cent after year four. Attrition takes place gradually over the course of a year, but because the sponsored temporary business residents' model was constructed using annual data, it was necessary to assume that attrition actually occurred at the end of each year.

2.2. The first channel—direct labour market impact

Principal applicants under visa sub-class 457 are granted visas on the basis of a firm job offer. Therefore it is no surprise that the direct labour market impact for principal applicants is that 100 per cent of them are employed. Employment remains at 100 per cent for principal applicants for the four-year period of the visa (if the visa holder were to become unemployed their visa would be cancelled, unless another sponsoring employer was willing to take them on). Thereafter, as a share of sponsored temporary business residents stay on and become permanent migrants, the participation rate of that group starts to fall (taking account of retirements etc), while the unemployment rate of the group gradually rises towards the Australian average.

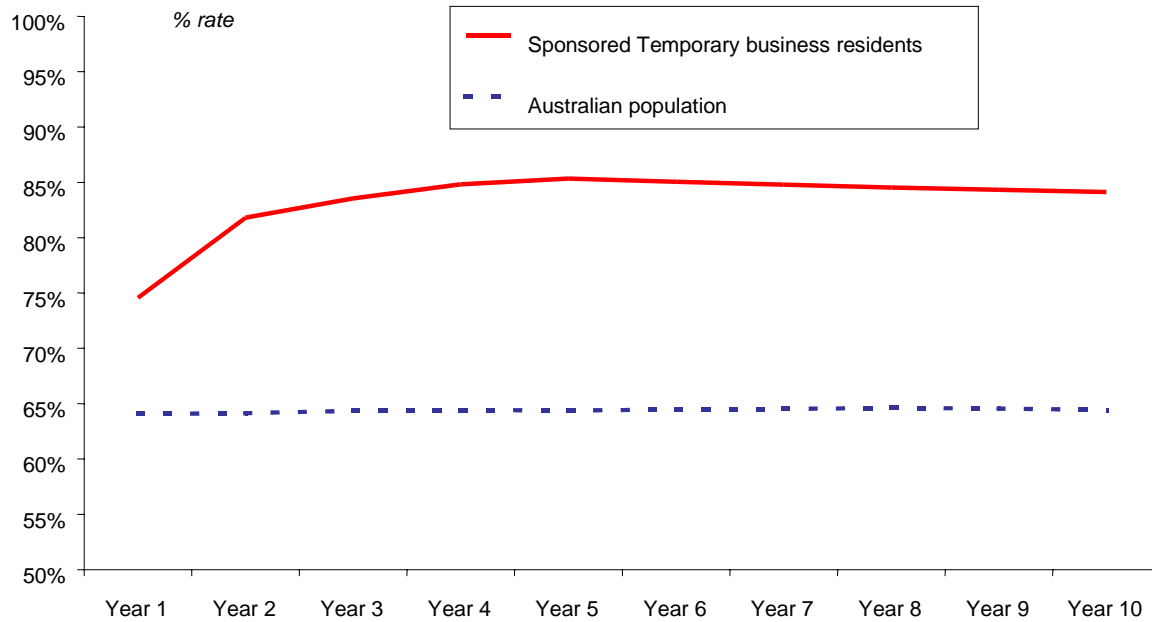
Spouses and other adults who accompany principal applicants are eligible to seek employment. The employment status of these people is not recorded, but we infer their labour market position from the characteristics of spouses and other adults who accompany business residents under the Employer Nomination Scheme. Labour market positions are summarised in Table 3.

Table 3
Population and labour market status of sponsored temporary business residents

Number of persons	Year 1	Year 2	Year 3	Year 4	Year 5
Population					
Principal applicants	21,131	13,101	10,743	8,487	5,686
Spouses and other adults	12,176	6,790	5,145	3,973	2,583
Employed					
Principal applicants	21,131	13,101	10,743	8,487	5,680
Spouses and other adults	3,612	3,112	2,562	2,139	1,422
Unemployed					
Principal applicants	-	-	-	-	6
Spouses and other adults	99	103	67	41	34
	Year 6	Year 7	Year 8	Year 9	Year 10
Population					
Principal applicants	5,686	5,686	5,686	5,686	5,686
Spouses and other adults	2,583	2,583	2,583	2,583	2,583
Employed					
Principal applicants	5,572	5,466	5,362	5,259	5,157
Spouses and other adults	1,452	1,482	1,509	1,534	1,556
Unemployed					
Principal applicants	51	95	137	179	220
Spouses and other adults	43	54	68	86	108

Compared to the Australian average, sponsored temporary business residents tend to have a considerably higher labour market participation rate. This is because all principal applicants are part of the labour force, with visas granted on the basis of a firm job offer and, compared to the Australian average, they tend to have fewer non-working dependents with them (both working age and children). This is illustrated in Chart 2.1.

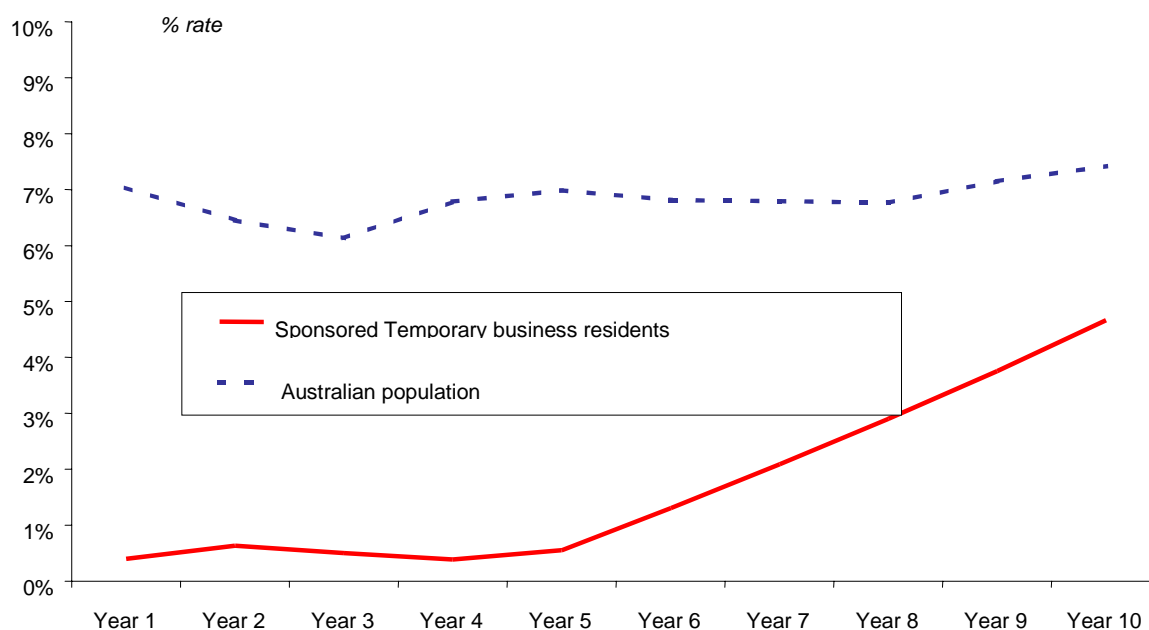
Chart 2.1
Labour force participation rates



The increase in Australia's participation rate (and the employed share of the population) from the sponsored temporary business resident program is a direct improvement in Australia's productive capacity, absolutely and on a per capita basis.

Chart 2.2 shows that the unemployment rate for the sponsored temporary business resident group is much lower than that projected for Australia as a whole (after year five, the unemployment rate for this group is assumed to move gradually towards the Australian average).

Chart 2.2
Unemployment rates



The direct impact of sponsored temporary business residents appears to be to lower the average unemployment rate in Australia. However, that also depends upon whether the jobs being filled are new positions (in the sense that people with the necessary skills are not otherwise readily available) or whether any jobs may ‘displace’ Australian citizens. This is discussed in the following section.

2.3. Skills of sponsored temporary business residents

For this study, DIMIA provided Access Economics with information on the occupation of sponsored temporary business residents (down to the detailed 6–digit ASCO level). The data shows that most sponsored temporary business residents are employed in managerial and professional roles.

Compared to the Australian average, sponsored temporary business residents tend to be employed in occupations requiring higher qualifications and higher skills not readily otherwise available in the Australian labour market. The proportion of sponsored temporary business residents employed as professionals, managers and administrators is significantly higher than the proportion for the population as a whole. These occupations are also more highly paid occupations than average. Further information on the skills of sponsored temporary business residents, and a comparison with the Australian population, is contained in section 0.

2.3.1. The net labour market impact

One of the objectives of the Temporary Business Resident Program is to allow businesses to fill strategic positions expeditiously, by bringing in skilled or experienced people from overseas, rather than suffering from a skill shortage. Thus the program is designed to fill new employment positions (which could not otherwise be readily filled) rather than ‘displace’ existing positions.

Data on the occupations of sponsored temporary business residents suggests the program is succeeding in this objective. The data shows that sponsored temporary business residents are generally employed in the professions and in managerial roles, with many in highly specialised positions. The skilled vacancy survey prepared by DEWRSB shows that many of these occupations also have high vacancy rates.

The scenario presented here has all principal applicants under the Temporary Business Resident Program filling new positions. There may be some instances where this is not the case, such as the rotation of staff by multinational companies in order to broaden experience and build corporate culture. However, allowing such employment would similarly provide Australian workers in those companies with an opportunity to work overseas to broaden their skills.

How vital is it to the benefit to Australian living standards that sponsored temporary business residents displace no one? The next section tests this by examining a simulation in which 90 per cent of principal applicants fill new positions, and so 10 per cent ‘displace’ Australian residents.

Ascertaining the skills of spouses and other accompanying adults is somewhat more difficult as no data is available on their occupation or employment. We assume that 50 per cent of such employment is in new positions and 50 per cent is in positions which could otherwise be filled by Australian residents ie. they provide no additional skills to those readily available. This is also tested in the sensitivity analysis shown in the next section, by switching that balance to 40 per cent new employment and 60 per cent displacement.

The direct impact of the ‘new’ employment is an improvement in Australia’s productive capacity. The availability of sponsored temporary business residents has created new jobs and their wages are a direct contribution to GDP (as well as a private benefit for those sponsored temporary business residents themselves). However, by definition, there is little impact on existing Australian residents, with the direct benefits of employment going mostly to the sponsored temporary business residents themselves.

The direct impact of sponsored temporary business residents ‘displacing’ Australian citizens in employment is that, for a given ‘normal’ growth in employment, there is less reduction in the number of unemployed. The job is filled at the same level of skill as the alternative (employing an Australian citizen) so there is no additional contribution to GDP. The increase in the number of unemployed from where it would otherwise be, is a drain on the economy through increased social security payments (while sponsored temporary business residents may not be able to claim unemployment benefits, any Australian citizens they essentially ‘displace’ in employment can do so).

2.4. The second channel for raising living standards—productivity

Those sponsored temporary business residents who are creating and filling ‘new’ employment positions tend to have incomes which are higher than average (as a reward for their higher skills). Using sponsored temporary business residents’ income as a proxy for their direct contribution to output, relative to the Australian average, they improve productivity (which can be measured as GDP or output per employed person). This improvement in productivity drives benefits to the wider economy. As well as the share of that improvement captured by the sponsored temporary business residents themselves (via their wages), there is also an improvement in the profitability of firms who employ the sponsored temporary business residents (and can thus expand their output or produce more efficiently thanks to the skills of the sponsored temporary business residents). There would also be some benefit from transfer

of knowledge and skills by the sponsored temporary business residents to other workers, though this is difficult to quantify.

Of these two effects, this modelling encompasses the former. The economic benefits of skills transfer being too hard to quantify, it should be understood that this report will therefore tend to understate the benefits to Australian living standards of the Temporary Business Resident Program.

Those sponsored temporary business residents who are ‘displacing’ Australian employment are assumed to be performing their job with the same degree of skill as the alternative, and so contribute no change to Australia’s productivity.

2.5. The third channel—transfer of funds to/from overseas

Another direct benefit to the economy comes from the funds that sponsored temporary business residents bring with them and deposit or invest in Australia. In an aggregate sense, the more funds that are brought in by sponsored temporary business residents to deposit or invest in Australia, the less is Australia’s net foreign debt. Much of that forms a direct benefit to the sponsored temporary business residents themselves, as they receive interest, dividends or rent on their funds. As the sponsored temporary business residents reside in Australia, it also forms a benefit to the country. The modelling here only accounts for those funds brought by sponsored temporary business residents who eventually take out Australian citizenship. This avoids the complication of funds being transferred in on arrival and out again on departure (for which no information is available).

While sponsored temporary business residents bring some funds with them on arrival, they also send some of the income they earn in Australia back overseas. This is largely to support other family members or friends who have not come with them to Australia. Thus some consumption from the incomes of sponsored temporary business residents occurs overseas. This is shown as a direct loss to the Australian economy through a higher net income deficit. The derivation of estimates of funds transferred in and out of Australia by sponsored temporary business residents is outlined in section 0.

2.6. The fourth channel—direct impact upon government finances

The impact of sponsored temporary business residents on the Commonwealth Budget has been estimated for the first part of this study. As the model used to estimate these impacts is considerably more detailed for the public sector than is the AEM model, those results are ‘imposed’ upon the scenario examined here (along with an estimate of the benefits to State government budgets).

While the direct benefits to Government are ‘imposed’ upon the scenario modelled here, the model does allow for indirect benefits from the accrual of higher government net operating surpluses. These create a reduction in interest payments on public debt, which allows governments to deliver benefits to the wider community, discussed in the following chapter.

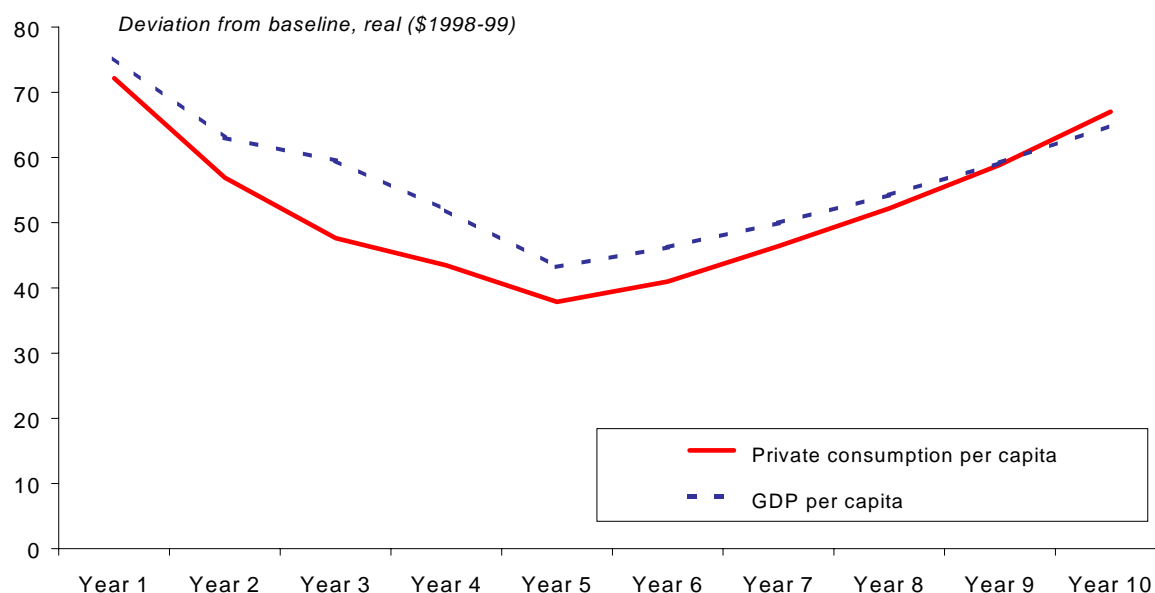
3. Key Results from the AEM Model

The previous section outlined the direct economic impacts generated by one year's group of sponsored temporary business residents under visa sub-class 457. These impacts are included as a scenario in the AEM model to estimate the wider economic impacts generated by this group of sponsored temporary business residents.

All results reported are deviations from baseline (that is, what would otherwise have occurred in the absence of this temporary business resident group). The deviations from baseline thus include both the direct impacts upon the sponsored temporary business residents and those which accrue to the wider community. Tables showing deviations in key economic variables over time, both for this scenario and for the sensitivity analysis, are presented at the end of this chapter. To better reflect the impact of sponsored temporary business residents on Australian living standards, the tables show the total benefit to Australia, that part of the benefit accruing to the sponsored temporary business residents.

The best measure of the impact of this scenario on living standards is to examine movements in private consumption per capita (the direct benefits to consumers). Another good measure is to examine GDP per capita (output produced by the population). Chart 3.1 shows that both these measures are significantly positive over the projection period, largely reflecting the creation of new jobs and the improvement to aggregate productivity. The reduction in benefits after year one to year five reflects the progressive departure of sponsored temporary business residents over that time, with their jobs then not replaced by others.

Chart 3.1
Private consumption and GDP per capita—full benefits



Much of the benefits to private consumption and measured output accrue to the sponsored temporary business residents themselves. Removing these direct benefits (the incomes paid to sponsored temporary business residents and the consumption which that finances) shows the impact on the rest of the community in Chart 3.2. The steady improvement to consumption and GDP reflects benefits delivered from higher productivity, the wider

transmission of improvements to government operating surpluses, and to a lesser extent, the reduction in Australia's net foreign debt. These benefits grow stronger over time, as the various direct improvements translate into higher wealth, allowing private consumption to be permanently higher.

Chart 3.2

Private consumption and GDP per capita—Australian population benefits

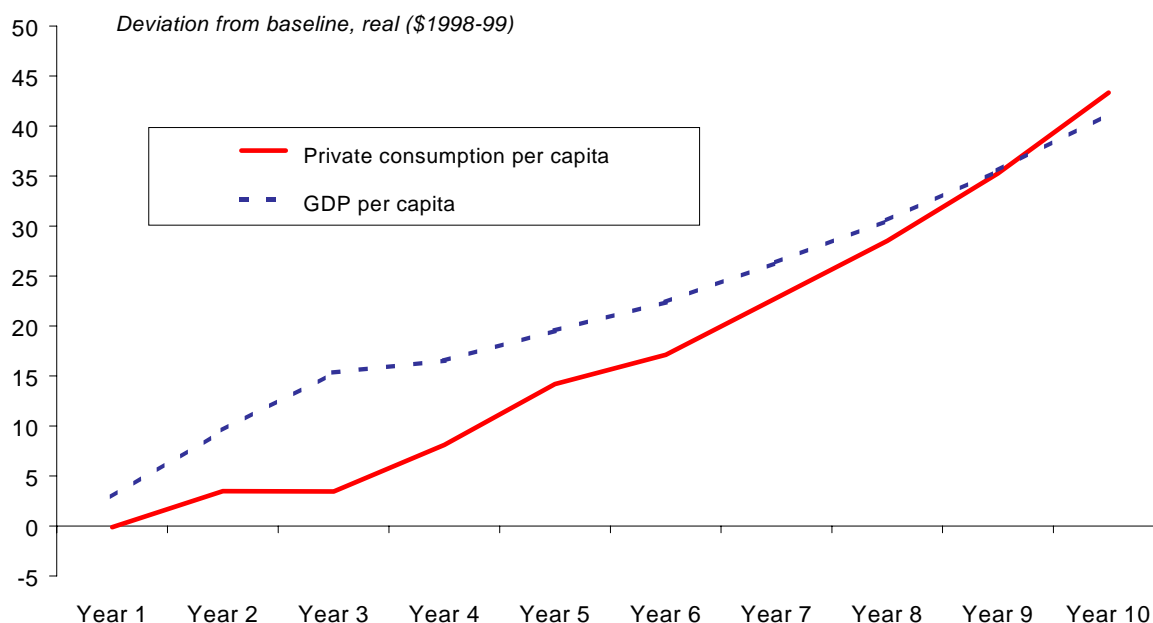
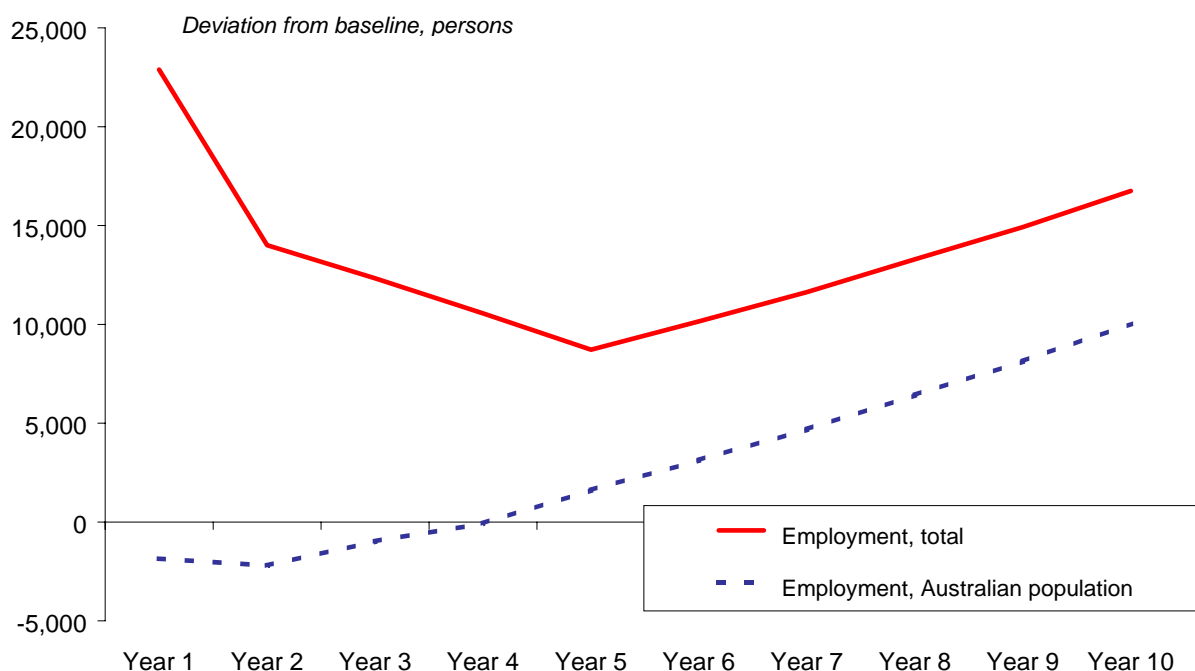


Chart 3.2 shows that at first, improvements to GDP are stronger than improvements to private consumption. The contribution sponsored temporary business residents make to lifting Australia's productivity allows more to be produced for a given quantity of inputs. Essentially, businesses can produce the same output with less inputs, and some respond at first by cutting inputs (including labour). Once businesses realise their competitive position has improved and they are able to sell more products/services, they expand their operations to produce and sell more, thereby delivering employment benefits to the Australian population over the longer term.

Chart 3.3
Employment in persons

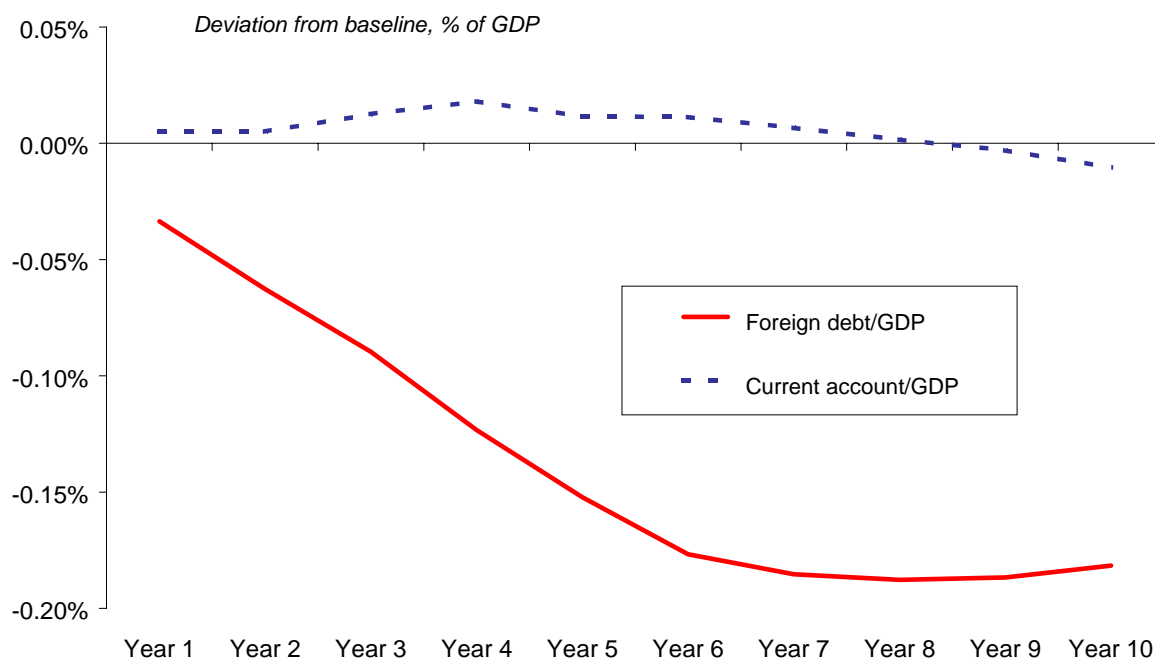


The data reported in section 0 shows that sponsored temporary business residents to Australia often transfer a considerable amount of funds with them, which reduces Australia's net foreign debt. The scenario modelled includes the transfer of funds from those sponsored temporary business residents who become permanent, and so keep their funds in Australia. There may also be some benefit from sponsored temporary business residents who transfer funds to Australia on arrival and from Australia on departure – they increase Australia's net wealth for the time the funds are here. However, information is not available on such transfers, so they are excluded from this modelling analysis. This may understate the benefits shown to this scenario.

As also shown in Section 0, sponsored temporary business residents transfer some of their income to friends and family overseas. This is a net cost to Australia, as it finances consumption that could otherwise occur within Australia. Such transfers increase Australia's net income deficit, which in turn adds to Australia's foreign debt.

Of these two effects, the former (transfers in) is significantly larger and so leads to a considerable reduction in Australia's net foreign debt.

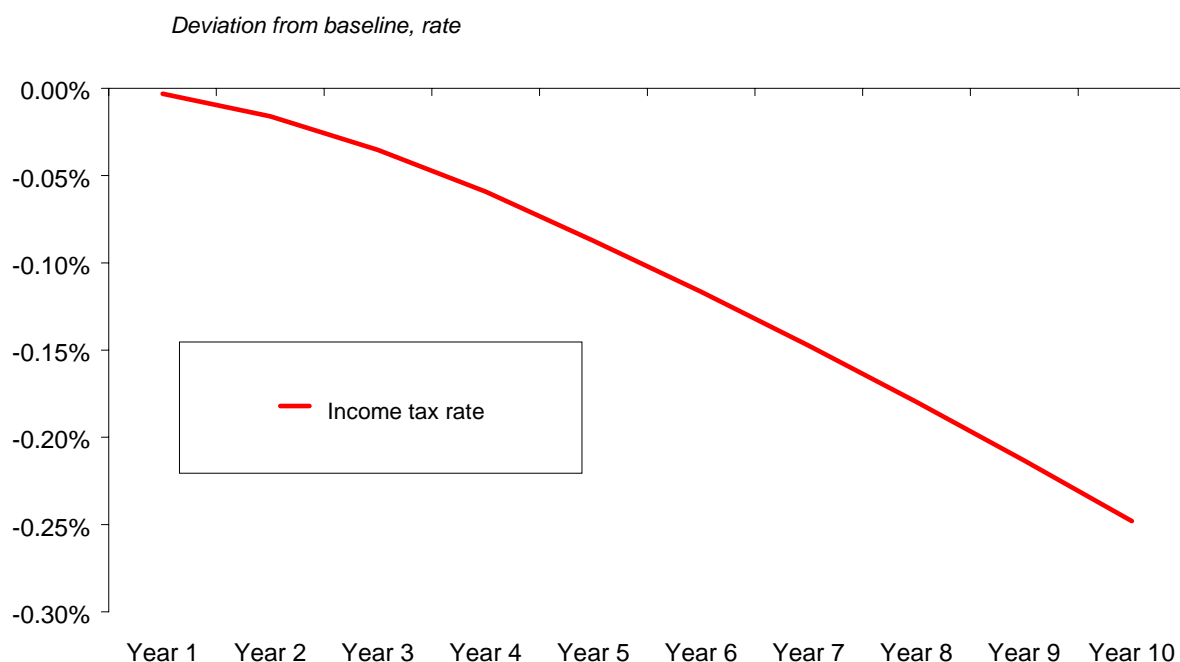
Chart 3.4
Net foreign debt and current account—percentage of GDP



Note that in addition to the funds transferred themselves, benefits accrue to Australia's foreign debt from the heightened economic activity generated by the sponsored temporary business residents, as well as their contribution to productivity. This allows more to be produced and in a more productive manner, including for export, which helps to improve Australia's balance of trade and reduces the need to take on additional debt. (An offset is that there are also more imports associated with the presence of the sponsored temporary business residents). These gains to foreign debt are limited as Australia's exchange rate starts to appreciate in response to the improved current account. The latter, however, improves the ability of all Australians to buy goods and services from overseas, as well as from Australia.

The scenario modelled takes into account the benefits estimated to accrue to the Commonwealth Budget, as reported in the first part of this study (along with an estimate of the benefits to State government budgets). These benefits of a higher net operating surplus for governments, for a given Budget balance, allows government to either increase spending or reduce taxes. The assumption used in the AEM model is that governments eventually use their surplus to reduce income tax. The reduction in the tax burden provides a benefit to the wider community, allowing private consumption to rise and so generate further activity and jobs.

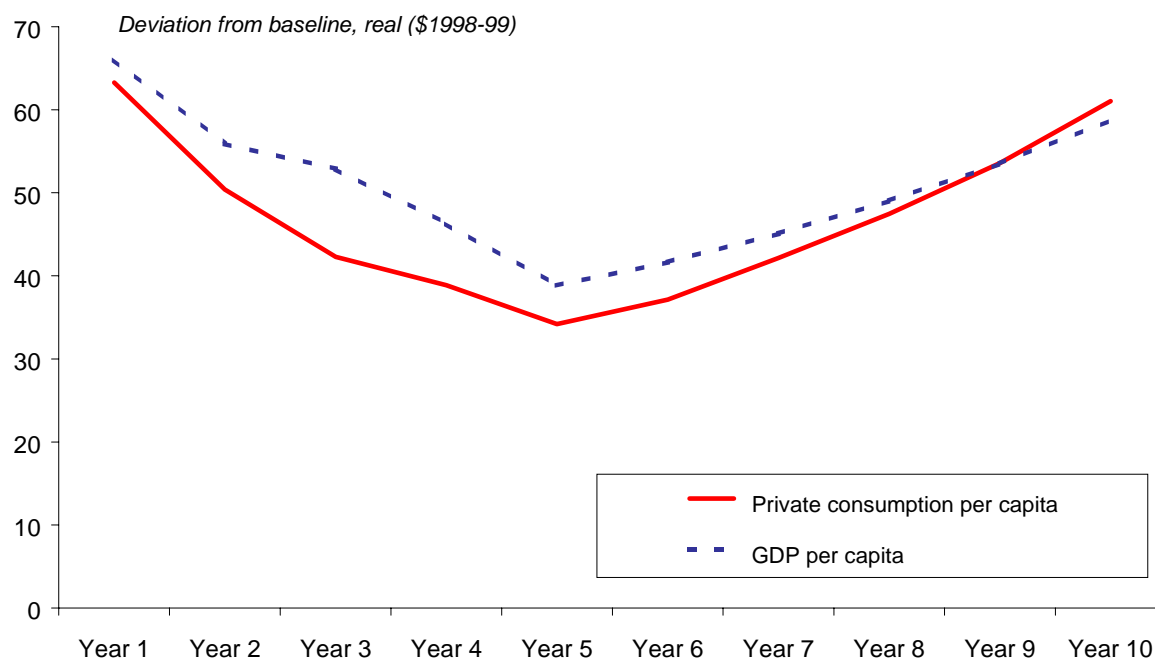
Chart 3.5
Rate of income tax



3.1. Sensitivity analysis—what if displacement were higher?

This section reports the results of a sensitivity analysis which increases the number of sponsored temporary business residents assumed to ‘displace’ Australian residents in employment. As discussed in Section 1.1.1, the previous scenario reports for 100 per cent of principal applicants filling new positions (as is the intent of the program), while 50 per cent of employed spouses and other adults fill new positions. This sensitivity analysis presents results from a worst case scenario where 90 per cent of principal applicants fill new positions and 10 per cent ‘displace’ Australian residents, while 40 per cent of employed spouses and other adults fill new positions with 60 per cent ‘displacement’.

Chart 3.6
Private consumption and GDP per capita, full benefits—sensitivity analysis



The three charts here indicate that, while the levels of benefit are a little lower, this scenario still delivers significant benefits to the Australian population, with those benefits also growing stronger over time. Private consumption per capita for the Australian population is \$37 higher in real terms for this sensitivity analysis in year 10, compared to \$43 higher for the main scenario.

Chart 3.7
Private consumption and GDP per capita, Australian population benefits—sensitivity analysis

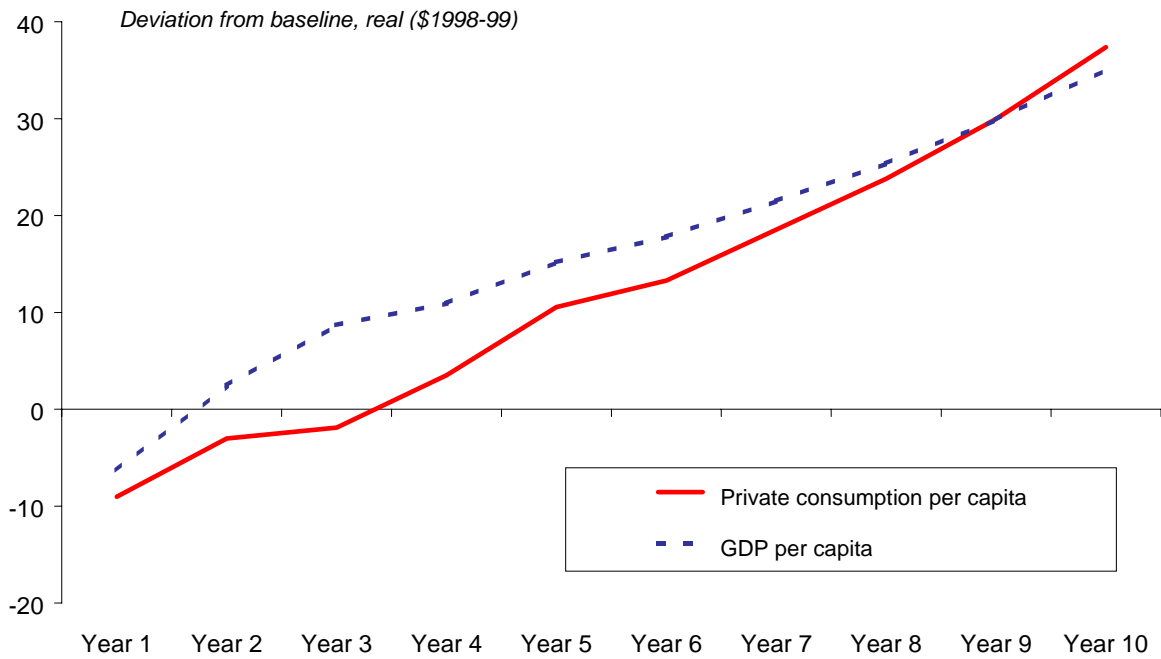


Chart 3.8
Employment in persons—sensitivity analysis

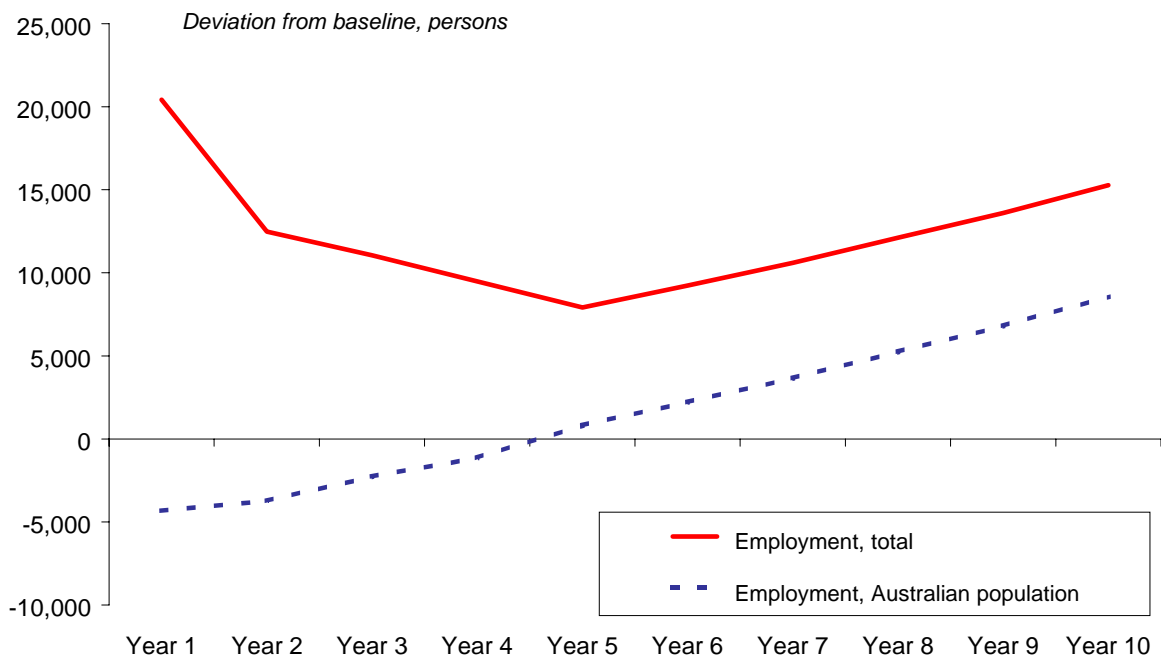


Table 4
Summary of benefits—main scenario

Deviation from baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Full benefits										
Employment in persons	22 890	14 010	12 330	10 550	8 720	10 150	11 630	13 290	14 920	16 750
Private consumption per capita (\$ real)	72.2	56.9	47.6	43.5	37.9	41.0	46.4	52.2	58.9	67.0
GDP per capita (\$ real)	75.2	63.0	59.5	51.9	43.2	46.2	50.0	54.2	59.2	64.9
Benefits to temp. business residents										
Employment in persons	24 743	16 213	13 305	10 626	7 102	7 025	6 948	6 871	6,793	6 713
Private consumption per capita (\$ real)	38 015	47 245	49 035	50 408	51 123	52 014	51 602	51 890	51 889	52 139
GDP per capita (\$ real)	38 015	47 245	49 035	50 408	51 123	52 014	51 602	51 890	51 889	52 139
Benefits to Australian population										
Employment in persons	-1 853	-2 203	-975	-76	1 618	3 125	4 682	6 419	8 127	10 037
Private consumption per capita (\$ real)	-0.1	3.5	3.4	8.1	14.2	17.1	22.8	28.5	35.3	43.3
GDP per capita (\$ real)	2.9	9.6	15.3	16.5	19.5	22.4	26.4	30.6	35.6	41.2

Table 5
Summary of benefits—sensitivity analysis

Deviation from baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Full benefits										
Employment in persons	20 420	12 490	11 050	9 490	7 920	9 240	10 610	12 120	13 600	15 280
Private consumption per capita (\$ real)	63.3	50.4	42.3	38.9	34.2	37.1	42.1	47.5	53.6	61.1
GDP per capita (\$ real)	66.0	55.9	52.9	46.3	38.8	41.6	45.1	49.0	53.5	58.8
Benefits to spons. temp. business residents										
Employment in persons	24 743	16 213	13 305	10 626	7 102	7 025	6 948	6 871	6 793	6 713
Private consumption per capita (\$ real)	38 015	47 245	49 035	50 408	51 123	52 014	51 602	51 890	51 889	52 139
GDP per capita (\$ real)	38 015	47 245	49 035	50 408	51 123	52 014	51 602	51 890	51 889	52 139
Benefits to Australian population										
Employment in persons	-4 323	-3 723	-2 255	-1 136	818	2 215	3 662	5 249	6 807	8 567
Private consumption per capita (\$ real)	-9.0	-3.0	-1.9	3.5	10.5	13.3	18.5	23.8	30.0	37.4
GDP per capita (\$ real)	-6.3	2.5	8.7	10.9	15.2	17.8	21.5	25.4	29.9	35.1

Table 6
Economic impacts—main scenario

Deviation from baseline % change unless otherwise specified	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Private consumption	0.36%	0.27%	0.22%	0.20%	0.17%	0.18%	0.20%	0.22%	0.24%	0.27%
Private consumption (\$m real)	1 407	1 121	948	873	768	839	952	1 073	1 213	1 384
Private dwelling investment	0.00%	0.05%	0.15%	0.05%	-0.05%	0.00%	0.02%	0.04%	0.05%	0.06%
Private bus. fixed investment	0.01%	0.02%	0.08%	0.03%	0.04%	0.04%	0.04%	0.05%	0.05%	0.07%
Gross domestic product	0.22%	0.18%	0.17%	0.14%	0.12%	0.12%	0.13%	0.13%	0.14%	0.15%
GDP (\$m real)	1 467	1 242	1 184	1 042	876	946	1 025	1 115	1 219	1 340
Consumer price index	-0.04%	-0.09%	-0.08%	-0.08%	-0.06%	-0.02%	0.00%	0.03%	0.05%	0.08%
Average earnings	0.00%	-0.03%	-0.04%	-0.05%	-0.05%	-0.04%	-0.03%	-0.02%	0.00%	0.02%
Real wages	0.03%	0.06%	0.04%	0.03%	0.01%	-0.02%	-0.03%	-0.05%	-0.05%	-0.06%
Employment	0.25%	0.15%	0.13%	0.11%	0.09%	0.10%	0.12%	0.13%	0.14%	0.16%
Employment in persons	22 890	14 010	12 330	10 550	8 720	10 150	11 630	13 290	14 920	16 750
Nominal 90-day bill rate	-0.02%	-0.07%	0.00%	0.00%	0.01%	0.04%	0.03%	0.03%	0.03%	0.03%
Real 90-day bill rate	0.00%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Nominal 10-year bond rate	0.00%	-0.02%	-0.01%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%
Nominal TWI exchange rate	0.03%	0.00%	0.00%	0.02%	0.01%	0.00%	0.00%	0.00%	-0.01%	-0.02%
Real TWI exchange rate	0.00%	-0.08%	-0.08%	-0.06%	-0.05%	-0.02%	0.00%	0.02%	0.04%	0.06%
Exports of goods & services	0.01%	0.03%	0.05%	0.06%	0.07%	0.07%	0.08%	0.09%	0.09%	0.10%
Imports of goods and services	0.00%	0.01%	0.01%	0.00%	0.04%	0.05%	0.07%	0.10%	0.13%	0.16%
B.O.P. on goods & services (value)/GDP	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	-0.01%	-0.02%
B.O.P. on current account/GDP	0.01%	0.00%	0.01%	0.02%	0.01%	0.01%	0.01%	0.00%	0.00%	-0.01%
Foreign debt	-0.19%	-0.23%	-0.30%	-0.39%	-0.42%	-0.43%	-0.43%	-0.41%	-0.39%	-0.34%
Foreign debt in \$m (nom.)	-540	-680	-960	-1 250	-1 470	-1 620	-1 660	-1 640	-1 580	-1 400

Table 7
Economic impacts—sensitivity analysis

Deviation from baseline % change unless otherwise specified	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Private consumption	0.31%	0.24%	0.20%	0.18%	0.15%	0.16%	0.18%	0.20%	0.22%	0.25%
Private consumption (\$m real)	1 234	993	841	781	693	760	864	976	1,104	1,260
Private dwelling investment	0.00%	0.04%	0.13%	0.04%	-0.04%	0.00%	0.02%	0.03%	0.05%	0.06%
Private bus. fixed investment	0.01%	0.02%	0.07%	0.03%	0.04%	0.04%	0.04%	0.04%	0.05%	0.06%
Gross domestic product	0.20%	0.16%	0.15%	0.13%	0.10%	0.11%	0.11%	0.12%	0.13%	0.14%
GDP (\$m real)	1 287	1 101	1 052	930	787	852	925	1 008	1 103	1 213
Consumer price index	-0.04%	-0.08%	-0.07%	-0.07%	-0.05%	-0.02%	0.01%	0.03%	0.05%	0.08%
Average earnings	0.00%	-0.03%	-0.04%	-0.04%	-0.04%	-0.04%	-0.03%	-0.01%	0.00%	0.02%
Real wages	0.03%	0.05%	0.03%	0.03%	0.01%	-0.02%	-0.03%	-0.04%	-0.05%	-0.06%
Employment	0.22%	0.13%	0.11%	0.10%	0.08%	0.09%	0.10%	0.12%	0.13%	0.15%
Employment in persons	20 420	12 490	11 050	9 490	7 920	9 240	10 610	12 120	13 600	15 280
Nominal 90-day bill rate	-0.01%	-0.07%	0.00%	0.00%	0.01%	0.03%	0.03%	0.03%	0.02%	0.03%
Real 90-day bill rate	0.00%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Nominal 10-year bond rate	0.00%	-0.02%	-0.01%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%
Nominal TWI exchange rate	0.03%	0.00%	0.00%	0.02%	0.00%	0.00%	0.00%	0.00%	-0.01%	-0.02%
Real TWI exchange rate	0.00%	-0.07%	-0.07%	-0.05%	-0.05%	-0.02%	0.01%	0.02%	0.04%	0.06%
Exports of goods & services	0.01%	0.02%	0.04%	0.05%	0.06%	0.07%	0.07%	0.08%	0.09%	0.09%
Imports of goods and services	0.00%	0.01%	0.01%	0.01%	0.04%	0.05%	0.07%	0.09%	0.12%	0.15%
B.O.P. on goods & services (value)/GDP	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	-0.01%	-0.02%
B.O.P. on current account/GDP	0.00%	0.00%	0.01%	0.02%	0.01%	0.01%	0.01%	0.00%	0.00%	-0.01%
Foreign debt	-0.18%	-0.23%	-0.30%	-0.37%	-0.41%	-0.41%	-0.41%	-0.39%	-0.37%	-0.32%
Foreign debt in \$m (nom.)	-530	-680	-940	-1 210	-1 420	-1 560	-1 590	-1 560	-1 500	-1 330

4. Appendix—Data Issues

4.1. Skills of sponsored temporary business residents

DIMIA provided Access Economics with data on the occupations of principal applicant sponsored temporary business residents, classified at the 6-digit ASCO level. The data covered successful visa applications in 2000–01, and the occupations were as submitted to DIMIA by employers. As discussed in the sponsored temporary business residents Budget impact report, the information on occupations was used to refine our estimates of the distribution of earnings among sponsored temporary business residents, and specifically, to revise upwards the average earnings of sponsored temporary business residents in lower income quintiles.

The six digit data can be summarised into broad ASCO groups so as to illustrate the spread of principal applicant sponsored temporary business residents among the occupations. Table 8 describes the occupations of principal applicants under temporary business visas.

Table 8

Composition of temporary business resident principal applicants by ASCO sub-major group, 2000–01 (sorted by numbers of applicants)

Adults, Australia, persons, full-time total, total managerial status		
2-digit ASCO code	Description of occupational category	Number of persons
22	Business and Information Professionals	9 436
12	Specialist Managers	3 362
23	Health Professionals	1 499
21	Science, Building and Engineering Professionals	1 465
33	Managing Supervisors (Sales and Service)	1 285
11	Generalist Managers	1 246
25	Social, Arts and Miscellaneous Professionals	840
32	Business and Administration Associate Professionals	465
63	Intermediate Service Workers	385
39	Other Associate Professionals	327
49	Other Tradespersons and Related Workers	309
44	Construction Tradespersons	265
99	Other Labourers and Related Workers	260
45	Food Tradespersons	250
41	Mechanical and Fabrication Engineering Tradespersons	214
31	Science, Engineering and Related Associate Professionals	207
61	Intermediate Clerical Workers	185
42	Automotive Tradespersons	172
43	Electrical and Electronics Tradespersons	93
62	Intermediate Sales and Related Workers	86
71	Intermediate Plant Operators	86
82	Elementary Sales Workers	82
13	Farmers and Farm Managers	69
46	Skilled Agricultural and Horticultural Workers	68
24	Education Professionals	62
34	Health and Welfare Associate Professionals	57
81	Elementary Clerks	53

Adults, Australia, persons, full-time total, total managerial status		
2-digit ASCO code	Description of occupational category	Number of persons
51	Secretaries and Personal Assistants	51
59	Other Advanced Clerical and Service Workers	42
79	Other Intermediate Production and Transport Workers	26
72	Intermediate Machine Operators	23
92	Factory Labourers	16
83	Elementary Service Workers	11
73	Road and Rail Transport Drivers	2
91	Cleaners	2
	Total	23 001

Source: Employer nomination forms for principal applicants submitted to DIMIA, 2000–01.

The numbers in Table 8 indicate that most sponsored temporary business residents are employed as business and information professionals, and as specialist managers. A high proportion are also engaged as generalist managers, science, building and engineering professionals, health professionals and managing supervisors. The number of principal applicant sponsored temporary business residents appears higher from employer nominations data (23 001), than from visa grants statistics (21 207) discussed in Section 2. The difference between the two sources may partly reflect timing issues, an example of which is that not all employer nominations may be exercised in the year in which approval is granted. However, to ensure consistency in the analysis, the occupations data was scaled down to a total of 21 207.

We can compare the occupational structure of sponsored temporary business residents with a distribution by occupation of the Australian resident working population, using more aggregated ASCO 1–digit level data. This is illustrated in Table 9. The table shows total Australian employment (full–time and part–time) classified by ASCO major group. As might be expected, the proportion of sponsored temporary business residents employed as professionals, managers and administrators is significantly higher than the proportion for the population as a whole. This suggests that, in the main, sponsored temporary business residents are skilled and probably experienced persons. There are very few sponsored temporary business residents engaged in clerical, sales and service roles, as intermediate production and transport workers, or as labourers.

Table 9
Temporary business residents and Australian Residents (occupations by ASCO group)

ASCO Code	Occupational category	Sponsored temporary business residents		Australian residents	
		No. of persons	% distribution	No. of persons	% distribution
		Number		Thousands	
2	Professionals	13 302	57.8	1 629.4	18.5
1	Managers and Administrators	4 677	20.3	583.9	6.6
3	Associate Professionals	2 341	10.2	994.6	11.3
4	Tradespersons and Related Workers	1 371	6.0	1 187.6	13.5
6	Intermediate Clerical, Sales and Service	656	2.9	1 554.5	17.6
9	Labourers and Related	278	1.2	852.6	9.7
8	Elementary Clerical, Sales and Service	146	0.6	860.9	9.8
7	Intermediate Production and Transport	137	0.6	790.9	9.0
5	Advanced Clerical and Service	93	0.4	370.0	4.2
	Total	23 001	100	8 824.4	100

Source: Employer nomination forms for principal applicants submitted to DIMIA, 2000–01. Survey of Employment Conditions and Earnings, ABS, May 2000.

The occupations in which sponsored temporary business residents are predominantly employed also tend to be associated with higher than average earnings. Table 10 shows the average weekly earnings for Australian residents in different occupations, as recorded by the ABS from its Survey of Earnings and Employment Conditions. The data shows that professionals, managers and administrators tend to have the highest levels of remuneration, among all the occupations. As discussed, these are also the occupations in which positions become available that sponsored temporary business residents may be required to fill.

Table 10
Average weekly earnings by occupation

ASCO Code	Occupational category	Full-time & part-time		Full-time	
		Average weekly earnings	Annual earnings	Average weekly earnings	Annual earnings
		\$ nominal	\$ nominal	\$ nominal	\$ nominal
1	Managers and Administrators	1 257.5	66 374	1 307.9	69 035
2	Professionals	844.6	44 580	1 001.6	52 867
3	Associate Professionals	770.0	40 643	840.1	44 343
7	Intermediate Production and Transport	660.3	34 853	760.7	40 152
4	Tradespersons and Related Workers	689.8	36 410	735.2	38 806
5	Advanced Clerical and Service	588.6	31 068	687.3	36 278
6	Intermediate Clerical, Sales and Service	505.4	26 676	658.2	34 742
9	Labourers and Related	454.0	23 963	653.2	34 478
8	Elementary Clerical, Sales and Service	344.8	18 200	592.9	31 295

Source: Employee Earnings and Hours, ABS 6306.0, May 2000

Another relevant consideration is that principal applicant sponsored temporary business residents are more likely to be male than female. Principal applicants are invariably the main income earners in migrating families, and they are the individuals who form the basis for assessment of the visa application. In 2000–01, it is estimated that 76 per cent of principal applicant sponsored temporary business residents were male, while only 24 per cent were female. Earnings disparities between the sexes are prevalent in Australia as elsewhere, with males generally earning higher incomes. The preponderance of males among principal applicant sponsored temporary business residents therefore contributes to the phenomenon of higher average earnings overall.

To gain a fuller understanding of the skills which sponsored temporary business residents impart to Australian business, the 6–digit occupations data from employer nominations was compared with 6–digit employment vacancy data from the Skilled Vacancy Survey (SVS) produced by DEWR/SB. As discussed in the introductory section, we used seasonally adjusted monthly data from the SVS and summed the readings to derive an annual total for 2000–01. This gave an aggregate of 55 543 job vacancies in 126 occupations, ranging from food technologists (ASCO code 211111) to optical mechanics (ASCO code 499911). The SVS is restricted to occupations in three ‘major’ ASCO groups, namely professionals, associate professionals and tradespersons. There is no coverage of managers and administrators, while the other occupational groups such as clerical, sales and service, production and transport workers, and labourers are similarly excluded.

Table 9 shows that there are 17 014 sponsored temporary business residents in ASCO groups 2, 3 and 4 (representing professionals, associate professionals and tradespersons respectively). However, it was apparent from an analysis of the detailed information that the range of occupations was much broader in the employer nominations data than in the SVS. Sponsored temporary business residents were spread over 610 occupations in the professions, associate professions and trades; compared with the aforementioned 126 occupations in the SVS. The relatively low coverage of the SVS in terms of the number of occupations suggests that:

- Sponsored temporary business residents do indeed fill specialist positions for which no existing Australian residents are available;
- Job vacancies in particular occupations, notably highly skilled occupations, are not advertised in metropolitan newspapers. These vacancies are posted in specialist journals or else not at all. If vacancies are not advertised, then other methods are presumably used to recruit specialist personnel; and
- Within the SVS, there is the possibility of a misallocation of advertisements to particular occupations. This would lead to under–coverage of some occupations in the SVS and over–reporting of others. The incorrect identification of occupations being advertised is more likely to occur where advertisements are oblique and lack a suitable description of the job characteristics.

4.2. Transfer of funds to/from overseas

The Longitudinal Survey of Immigrants to Australia (LSIA) was used to derive information on flows of funds attributable to sponsored temporary business residents. We extracted data from the LSIA for visa category 121, which is, in effect, the permanent counterpart for temporary 457 business residents. Visa category 121 is the Employer Nomination Scheme, a migration stream that allows permanent business migrants to enter Australia with the support of their employers. It is the closest proxy available in the LSIA for sponsored temporary business residents. When the LSIA was initiated in 1994, there were ten different visa categories, (from 121 to 130), which came under the broad grouping of permanent business

migrants. However, we only considered data for category 121 because the other nine visa categories include self-sponsored business migrants, senior executives and distinguished talent individuals, none of whom constitute the current study. The sample of principal applicants in visa category 121, using appropriate population weights is 1 675 persons.

The LSIA sought information from principal applicant sponsored temporary business residents about the transfers of financial and personal assets into and out of Australia. Principal applicants were asked to provide information on behalf of themselves and their spouses or partners. During the first wave interviews, questions were posed in two different sections of the questionnaire, one requesting information on financial assets and transfers, and the other seeking information on financial help given or received, including to and from overseas sources. For the second and third wave interviews, the questions on financial transfers and financial help were merged into a single section of the survey form.

A summary of the responses from Wave 1 is shown in Table 11. The table shows the proportion of category 121 permanent business migrants who responded in the affirmative to questions about asset movements. Following the convention established in DIMIA's Commonwealth Budget Impact financial model, the responses from Wave 1 were assumed to apply to the first year after arrival in Australia.

Table 11
Transfers of financial assets by permanent business migrants within the first year after arrival

Visa category 121	Proportion of permanent business migrants shifting assets approximately six months after arrival in Australia.				
	Inward funds transfers	Outward remittances of funds	Inflows from 3 rd parties overseas*	Money sent to relatives	Money sent to business associates
'Yes'	32.2%	5.8%	6.8%	9.9%	2.7%
'No'	66.8%	93.9%	92.9%	90.1%	97.1%
'Don't know'	1.0%	0.3%	0.3%	0.0%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
			* excludes 3rd party domestic inflows		

Source: LSIA Wave 1 data for visa category 121. Almost all permanent business migrants transferred funds and other assets to Australia upon arrival. The responses in the table relate to their experiences after the first six months. Third parties overseas include overseas governments, friends and family resident abroad.

The nominal values of assets transferred by permanent business migrants are shown in Table 12. Asset values have been indexed from 1994–95 prices to a 2001–02 base year using the CPI. The indexation is based on an assumption that from 1994–95 to the present, newly arriving permanent business migrants have increased the value of their transfers to Australia at the same rate as inflation. The amounts shown are mean values for all permanent business migrants in visa category 121, including those who stated 'zero' for asset transfers, but excluding respondents who gave 'nil responses' or who indicated that they 'didn't know'.

Table 12
Values of assets transferred within the first year

Mean value of assets per migrating unit						
	Transfers into Australia			Other overseas transactions		
	Upon arrival	6–months after arrival	Remittances overseas	Inflows from friends, family, govts. o/seas	Money sent to relatives	Money sent to business associates
				6–months after arrival	6–months after arrival	6–months after arrival
Funds	\$49 006	\$17 716	\$365	–	–	–
Personal effects	\$30 982	\$6 047	\$0	–	–	–
Capital equipment	\$1 508	\$86	\$0	–	–	–
Total	\$81 496	\$23 849	\$365	\$732	\$291	\$92

Source: LSIA Wave 1 data for visa category 121.

It is apparent from Table 12 that while there is a large inflow of funds accompanying the arrival of permanent business migrants to Australia, there is also a small outflow, approximately six months after arrival, as permanent business migrants remit funds overseas to relatives and business associates. Money sent abroad may help to support family members and relatives who have not migrated to Australia. Table 11 shows that the proportion of permanent business migrants who transfer funds overseas, after six months of residency in Australia, is low.

The LSIA was further interrogated to obtain information on asset transfers for Wave 2 and Wave 3. Following the practice in the Commonwealth Budget impact financial model, Wave 2 results were applied to the second year after arrival, while Wave 3 results were applied to the fourth year².

Table 13
Transfers of financial assets by permanent business migrants in the second year after arrival

Visa category 121	Proportion of permanent business migrants shifting assets approximately 1.5 years after arrival in Australia.			
	Inward funds transfers	Outward remittances of funds	Inflows from 3 rd parties overseas*	Money sent to relatives
'Yes'	27.3%	7.7%	8.2%	16.3%
'No'	63.2%	82.8%	82.3%	74.2%
'Don't know'	9.5%	9.5%	9.5%	9.5%
Total	100.0%	100.0%	100.0%	100.0%
			* excludes 3rd party domestic inflows	

Source: LSIA Wave 2 data for visa category 121. Almost all permanent business migrants transferred funds and other assets to Australia upon arrival. The responses in the table relate to their experiences midway through their second year. Third parties overseas include overseas governments, friends and family resident abroad.

² The first wave of LSIA interviews commenced in March 1994. The second wave of interviews began in March 1995, and the third wave in March 1997. Each wave of interviews was spread over a two-year period.

Table 13 suggests that the majority of permanent business migrants do not bring financial assets into Australia in the second year after arrival. A minority of permanent business migrant families receive funds from overseas sources such as relatives. At the same time, there is a small increase in the proportion of permanent business migrants remitting funds overseas, with 7.7 per cent stating that they transferred money abroad, up from 5.8 per cent in year one.

The mean values of assets transferred during the second year are summarised in Table 14. The mean values, shown in 2002–03 prices, have been calculated over all migrating units in the LSIA, including those that did not transfer funds, but excluding those that gave ‘not stated’ or ‘don’t know’ responses. It is apparent that in year two, the value of assets brought into Australia has been significantly reduced from year one. However, there is an increase in remittances abroad, from an average of \$365 to \$627. Money sent to relatives has also risen from \$291, on average, to \$754.

Table 14
Values of assets transferred within the second year

Mean value of assets per migrating unit					
	Transfers into Australia		Other overseas transactions		
	Transfers into Australia	Remittances overseas	Inflows from friends, family, govts. o/seas	Money sent to relatives	Money sent to business associates
	after 1.5 years	after 1.5 years	after 1.5 years	after 1.5 years	after 1.5 years
Funds	\$19 577	\$627	–	–	–
Personal effects	\$1 321	\$13	–	–	–
Capital equipment	\$36	\$0	–	–	–
Total	\$20 934	\$639	\$1 219	\$754	\$0

Source: LSIA Wave 2 data for visa category 121.

The Wave 3 data showing the proportions of permanent business migrants engaging in various forms of asset transfer is presented in Table 15. As might be expected, the share of permanent business migrants bringing funds into Australia has fallen to 17.2 per cent in year four from 27.3 per cent in year two. There is a large share of ‘not stated’ responses, although this partly reflects attrition of permanent business migrants from Waves 2 to 3³. The proportion of permanent business migrants remitting funds overseas has also fallen, from 7.7 per cent in year two to 3.0 per cent in year three, though this result may also be affected by the large share of ‘not stated’ responses. The share of permanent business migrants sending money to relatives overseas has fallen from 16.3 per cent in year two to 9.3 per cent in year four.

³ Conventional practice when examining the LSIA is to use the standard Wave 1 weight for the full reference period applied to those respondents interviewed in all three waves. This is known to produce biased estimates but the extent of bias is not considered serious. Separate calibrated weights for each of the three waves of data have only recently become available.

Table 15
Transfers of financial assets by permanent business migrants in the fourth year after arrival

Visa category 121	Proportion of permanent business migrants shifting assets approximately 3.5 years after arrival in Australia.			
	Inward funds transfers	Outward remittances of funds	Inflows from 3 rd parties overseas*	Money sent to relatives
'Yes'	17.2%	3.0%	8.2%	9.3%
'No'	54.9%	69.3%	91.8%	90.0%
'Don't know'	27.9%	27.7%	0.0%	0.7%
Total	100.0%	100.0%	100.0%	100.0%
			*excludes 3rd party domestic inflows	

Source: LSIA Wave 3 data for visa category 121. Almost all permanent business migrants transferred funds and other assets to Australia upon arrival. The responses in the table relate to their experiences midway through their fourth year. Third parties overseas include overseas governments, friends and family resident abroad.

The mean values of asset transfers in Wave 4 are shown in nominal terms (2004–05) in Table 16. Personal money transfers into Australia have diminished marginally from Wave 2, while overseas remittances have fallen more significantly. Interestingly, money coming in from friends, family and governments overseas has increased from Wave 2, although the sums involved (\$1 894 per annum) are still relatively small as a fraction of total income. It is likely that these funds inflows represent occasional gifts and *ad hoc* transfers rather than a regular source of income. The amount of money sent to relatives has risen from \$754 in Wave 2 to \$1 189 in Wave 4. In many cases, these comparatively small exchanges of money are again likely to represent reciprocating gifts rather than a regular stream of payments.

Table 16
Values of assets transferred within the fourth year

Mean value of assets per migrating unit					
			Other overseas transactions		
	Transfers into Australia	Remittances overseas	Inflows from friends, family, govts. o/seas	Money sent to relatives	Money sent to business associates
	After 3.5 years	after 3.5 years	after 3.5 years	After 3.5 years	After 3.5 years
Funds	\$18 542	\$488	–	–	–
Personal effects	\$543	\$0	–	–	–
Capital equipment	\$17	\$0	–	–	–
Total	\$19 103	\$488	\$1 894	\$1 189	\$0

Source: LSIA Wave 3 data for visa category 121.