

Chapter 6

Economics of immigration

- One quarter of the Australian workforce was born overseas.
- In 2007-08, 76.1 per cent of settlers who were in the labour force prior to migrating were skilled.
- Building and engineering professionals were the top occupation of migrants prior to coming to Australia for the second continuous year.
- Unemployment rates for migrants are closely related to proficiency in English, age, skill level and qualifications.
- Research shows that the employment outcomes for recently arrived migrants are better than previous migrants.
- Australia continues to gain in net terms from the movement of skilled people on a permanent or long term basis.
- Skilled migrants have a positive impact on Australian living standards and a highly beneficial impact on Commonwealth and State budgets.
- Temporary entrants to Australia such as tourists, students and Working Holiday Makers also contribute significant economic benefits.

Skill level of migrants

Skill level

The skill level of migrants is important in determining employment and settlement outcomes. In recent years, the government has emphasised attracting skilled migrants, recognising the important economic contribution they make. Research suggests that skilled migrants have substantially lower unemployment rates, an ability to find work more quickly and higher levels of income and expenditure. Employer sponsorship to a job also clearly enhances migrants' economic contribution to Australia.

A record 108 540 Skill Stream visas were issued in 2007-08, compared to 97 922 in 2006-07 and 97 336 in 2005-06.

The Skill Stream of the Migration Program has risen from 29.0 per cent in 1995-96 to 68.4 per cent of the total Migration Program in 2007-08. The planned intake for the 2008-09 year (133 500) continues to maintain the high proportion of skilled migrants in the program.

In general, Skill Stream applicants have to demonstrate a high level of skill, a strong employment history, good English language ability and be under 45 years of age. No skill requirements apply to Family Stream migrants.

Self identification of skill level by settler arrivals as stated on their inbound passenger cards indicates that, of those in the workforce prior to coming to Australia, Skilled Independent and Distinguished Talent migrants are most likely to be skilled.

Migrants in the workforce

Of the 149 365 settlers arriving in Australia in 2007-08, 46.4 per cent were in the workforce prior to migration. Of these, 11.6 per cent were in managerial and administrative occupations, 38.9 per cent in professional occupations, 12.4 per cent were associate professionals, and 13.2 per cent were tradespersons. These four groups contain all the skilled occupations. Semi-skilled migrants made up 17.0 per cent of those in the workforce prior to migration and the unskilled 1.8 per cent. The remaining 5.1 per cent who were in the workforce prior to migration were not in employment.

Overall, 76.1 per cent of settlers, who were in the labour force prior to migrating in 2007-08, were in skilled occupations.

Australia-born and migrants from Main English Speaking Countries (MESOC) are more likely to be employed than those from Non English Speaking Countries. Some 65.7 per cent of Australia-born and 65.9 per cent of MESOC born were employed, compared with only 53.4 per cent for NESOC born.

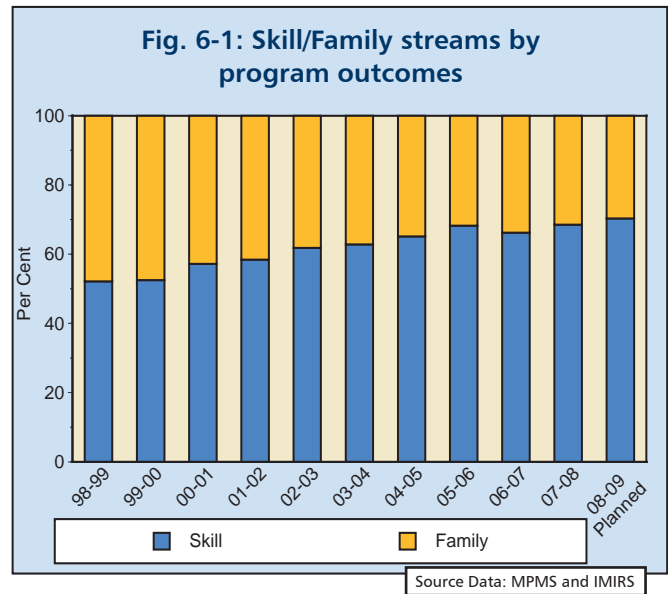


Fig. 6-2: Skilled levels of settler arrivals by eligibility category, 2007-08

Eligibility category	Settler arrivals	No. with skilled occupation	%
Independent	36 826	17 384	47.2
Dist. talent	114	53	46.5
SAS	6146	2473	40.2
ENS	4263	1697	39.8
Business skills	5370	2570	47.9
Family	38 404	11 911	31.0
NZ citizens	34 491	11 071	32.1
Humanitarian	9507	500	5.3

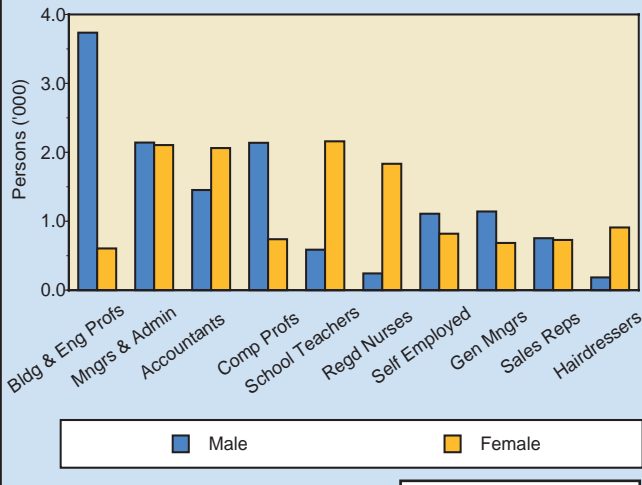
Source Data: OAD Statistics

Fig. 6-3: Settlers in workforce (prior to migration) 2007-08

Category	Number	%
Skilled settlers	52 705	76.1
Semi-skilled settlers	11 762	17.0
Unskilled settlers	1244	1.8
Not in employment*	3565	5.1
Total	69 276	100.0

* includes students, dependants etc.

Fig. 6-4: Top 10 settler arrival occupations by gender, 2007-08



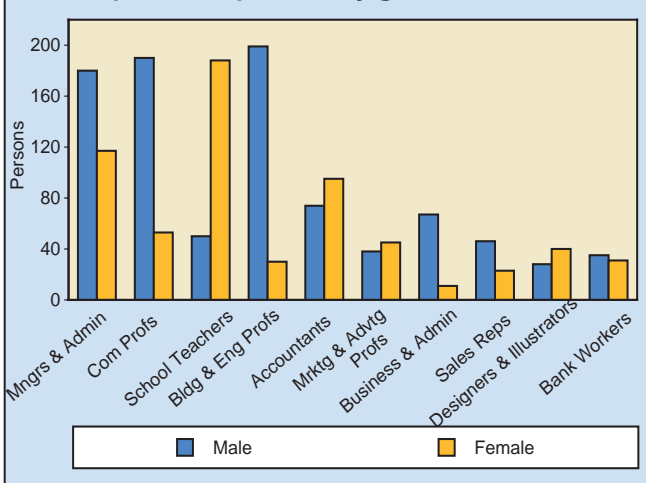
Source Data: OAD Statistics

Occupational profile

Australia continues to attract migrants with a wide variety of skills and occupations. The profile of the top occupations is similar to the last year's profile, where building and engineering professionals are the largest group (4340), followed closely by managers and administrators (4244), accountants (3515) and computing professionals (2877). Compared to 2006-07, the most notable movements are building and engineering professionals up by 20.2 per cent, and managers and administrators up by 21.9 per cent. The self employed category declined by 7.2 per cent compared with 2006-07.

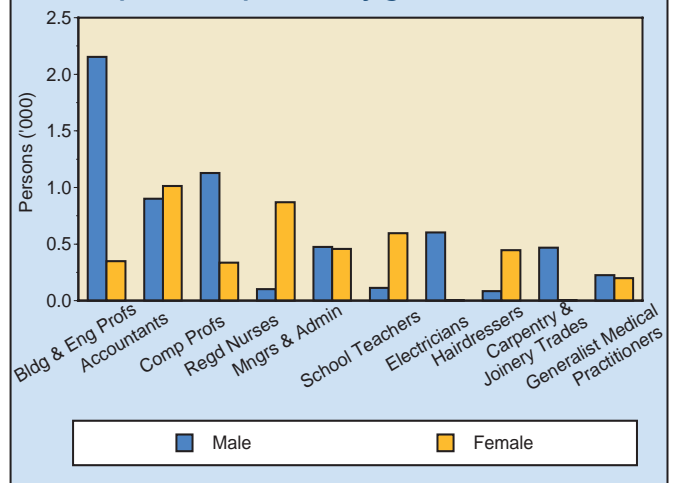
The occupational and gender profile of migrants varies across eligibility categories. Professional and management occupations are more likely to be represented in the Skill Stream categories.

Fig. 6-5: Skilled Australian Sponsored top 10 occupations by gender, 2007-08



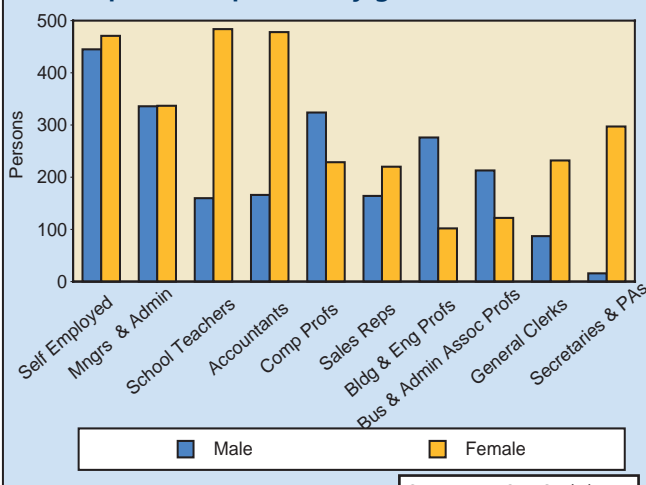
Source Data: OAD Statistics

Fig. 6-7: Skilled Independent top 10 occupations by gender, 2007-08



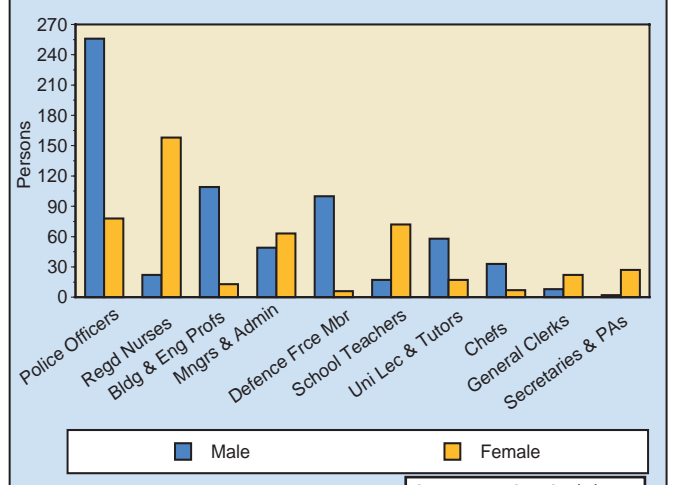
Source Data: OAD Statistics

Fig. 6-6: Family stream top 10 occupations by gender, 2007-08



Source Data: OAD Statistics

Fig. 6-8: Employer Nomination Scheme top 10 occupations by gender, 2007-08



Source Data: OAD Statistics

Labour market composition

Labour force by birthplace

In August 2008, the Australian labour force totalled 11 104 300 people: 8 161 600 Australia-born and 2 942 700 overseas-born. Of the overseas-born, 1 752 500 people were from non-English speaking countries (NESC) and 1 190 200 were from the main English speaking countries (MESC).

The Australia-born are more strongly represented in the workforce than migrants. The participation rate of the Australia-born was 68.2 per cent. The participation rates for NESC were 56.3 and for MESC 67.9 per cent. These differences partly reflect the older age structure of the overseas-born population compared to the Australia-born.

Migrant employment

In August 2008 the unemployment rate for all people born overseas was 4.1 per cent, compared with 3.7 per cent for those born in Australia. People born in English speaking countries had a lower unemployment rate (3.0 per cent) than the Australia-born and people born in non-English speaking countries had a higher unemployment rate (5.2 per cent). This pattern has been in evidence since 1992. Fig. 6-10 also suggests that the unemployment rate for people from non-English speaking countries is more strongly affected by changes in economic conditions.

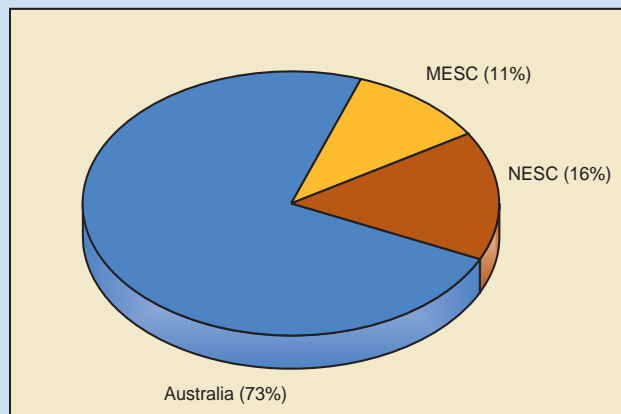
While employment has improved for Australia as a whole over the last eight years, the employment and participation rates of the newly arrived overseas-born have improved even more significantly.

Employment by industry

The overseas-born are most heavily represented in manufacturing industry. Some 34.6 per cent of all workers in manufacturing industry were born overseas. They are also strongly represented in accommodation, cafes and restaurants industries. (33.4 per cent of all workers) and communication services (32.8 per cent of all workers). Property and business services, health and community services, transport and storage, wholesale trade, finance and insurance industries have around 30 per cent overseas born people.

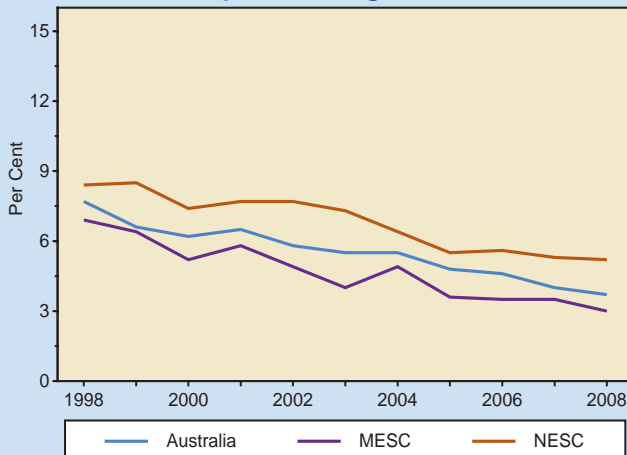
Migrants are least represented in agriculture, forestry and fishing (12.9 per cent of the workforce).

Fig. 6-9: Labour force by birthplace August 2008



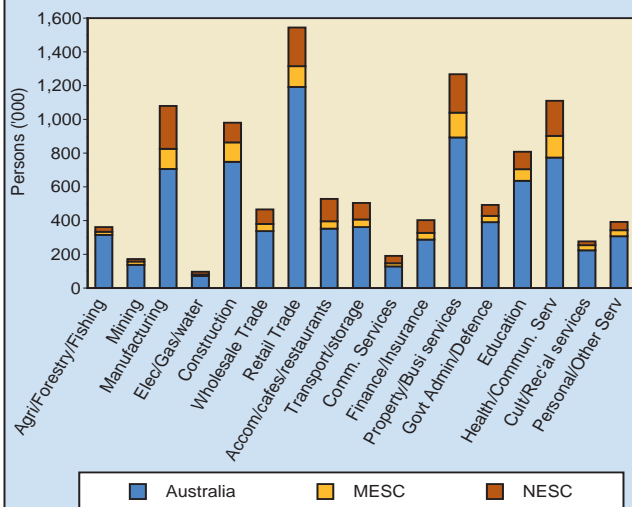
Source Data: ABS Labour Force (6291.0)

Fig. 6-10: Unemployment rates by birthplace at August 2008



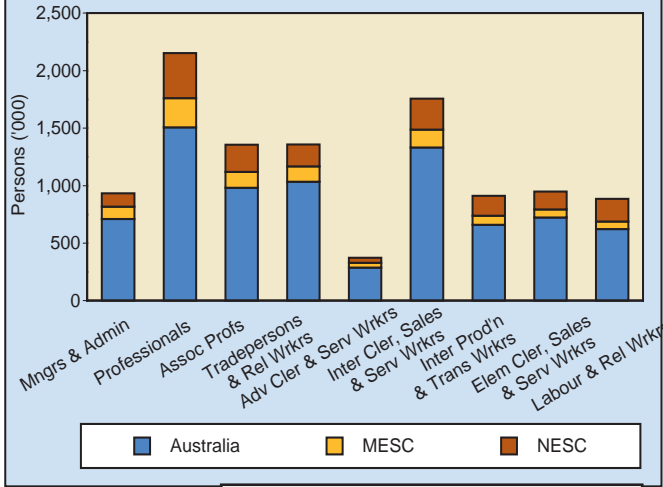
Source Data: ABS Labour Force (6291.0)

Fig. 6-11: Employment by industry and birthplace, August 2008



Source Data: ABS Labour Force (Unpublished Statistics)

Fig. 6-12: Employment by occupation and birthplace, August 2008



are in the workforce 16.9 per cent are in the intermediate clerical, sales and service workers occupation category, Approximately 15.0 per cent of working MESC and NESC migrants are in this category.

The associate professionals category comprises 72.5 per cent Australian born, 17.3 per cent NESC migrants and 10.2 per cent MESC migrants. Of NESC migrants who are in the workforce 13.3 per cent are employed as associate professionals. Among other migrants, 13.2 per cent of MESC and 12.5 per cent of Australian born are working in this occupation category.

Unemployment by skill level

The importance of skill is underlined by the much lower rates of unemployment for skilled people compared to those for unskilled over time (see Fig. 6-13).

'Skilled' comprises employed people in Australian Standard Classification of Occupations (ASCO) major groups 1-4, 'semi-skilled' in ASCO major groups 5-8 and 'unskilled' in ASCO group 9.

ASCO major groups:

Skilled:

1. Managers/Administrators
2. Professionals
3. Associate professionals
4. Tradepersons and related workers

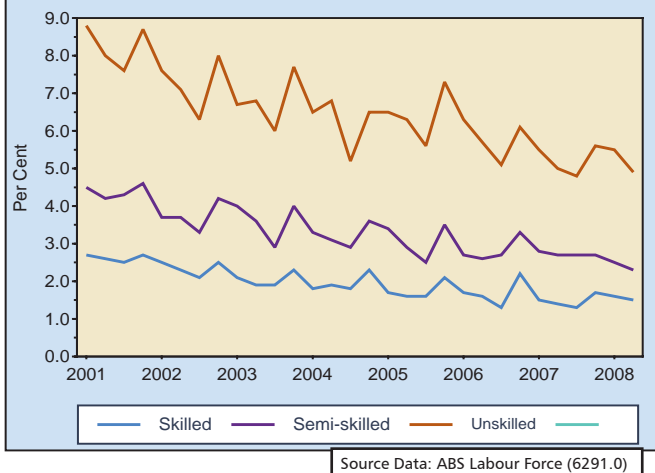
Semi-skilled:

5. Advanced clerical and service workers
6. Intermediate clerical, sales and service workers
7. Intermediate production and transport workers
8. Elementary clerical, sales and service workers

Unskilled:

9. Labourers and related workers

Fig. 6-13: Polarised nature of Australian unemployment rates



Employment by occupation

The overseas-born are more highly represented as professionals (30.0 per cent of all professionals employed in August 2008), labourers and related workers (29.7 per cent), intermediate production and transport workers (27.6 per cent) and associate professionals (27.5 per cent).

Some 24.2 per cent of MESC migrants and 22.2 per cent of NESC migrants who are in the workforce are employed as professionals. However, in the professionals category 70.0 per cent are Australian born, 18.2 per cent are NESC migrants and 11.8 per cent are MESC migrants.

The intermediate clerical, sales and service workers category has 75.8 per cent Australian born representation. NESC make up 15.2 per cent of this category and 9.0 per cent are MESC migrants. Of Australian born people who

Performance of recently arrived migrants

The Longitudinal Survey of Immigrants to Australia (LSIA) collects and disseminates information about recently arrived migrants. Its purpose is to assist in the monitoring and evaluation of immigration and settlement policies and programs.

Since the early 1990s there have been three LSIA:

- LSIA 1 surveyed migrants who arrived between September 1993 and August 1995.
- LSIA 2 surveyed migrants who arrived between September 1999 and August 2000.
- LSIA 3 surveyed migrants who arrived between December 2004 and March 2005.

LSIA 3 also has an onshore component, and includes migrants who were granted permanent visas in Australia between December 2004 and March 2005.

For all three LSIA migrants are surveyed at set intervals of around six months (wave 1) and 18 months (wave 2) after arrival/grant of onshore visa. LSIA 1 also included an additional survey period, 42 months after arrival.

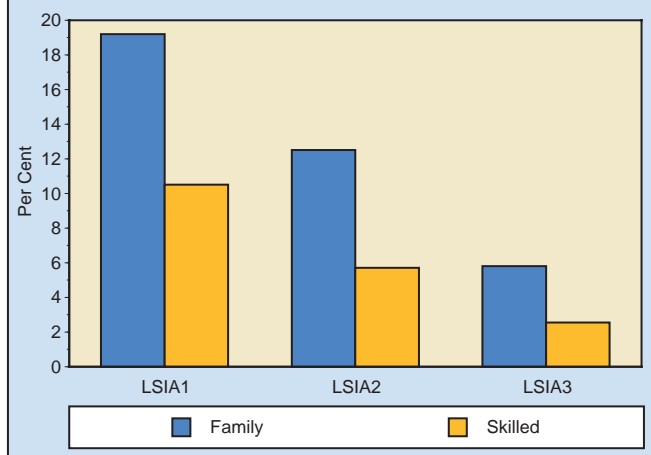
Labour market outcomes

Fig. 6-14 shows that the unemployment rates of Primary Applicants (PAs) have fallen substantially over the time that the LSIA has been conducted. For Skill Stream PAs, the unemployment rate at wave two of LSIA 3 was just three per cent. This is significantly better than the equivalent unemployment rates of 11.0 per cent for LSIA 1 and 6.0 per cent for LSIA 2. Family Stream PAs enjoyed similar improvements - with an unemployment rate for LSIA 3 of 6.0 per cent compared with 19.0 per cent for LSIA 1 and 13.0 per cent for LSIA 2.

Fig. 6-15 shows that participation rates also rose over this period. At wave 2, the participation rate of Skill Stream PAs for LSIA 3 was 90.0 per cent, compared with 84.0 per cent for LSIA 1 and LSIA 2. For Family Stream PAs, participation rates rose from 55.0 per cent for LSIA 1 and 62.0 per cent for LSIA 2 to 70.0 per cent for LSIA 3.

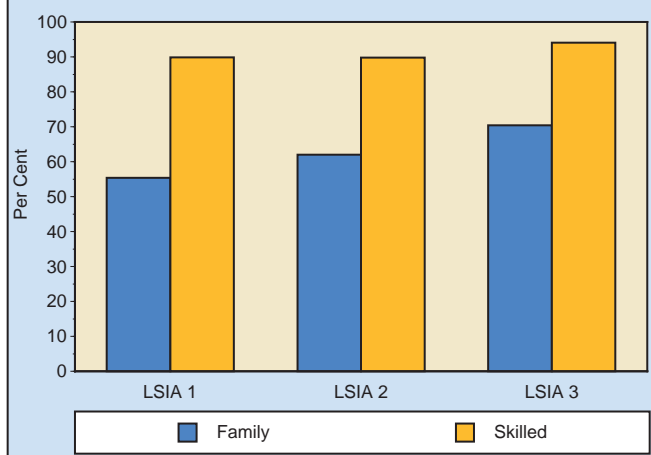
Research suggests that it was not so much the change in the state of the labour market, but more the change in the attributes of the migrants (ie the increased emphasis on skill and good English) that improved the employment outcomes for LSIA 2 and later LSIA 3.

Fig. 6-14: Unemployment rate at wave 2



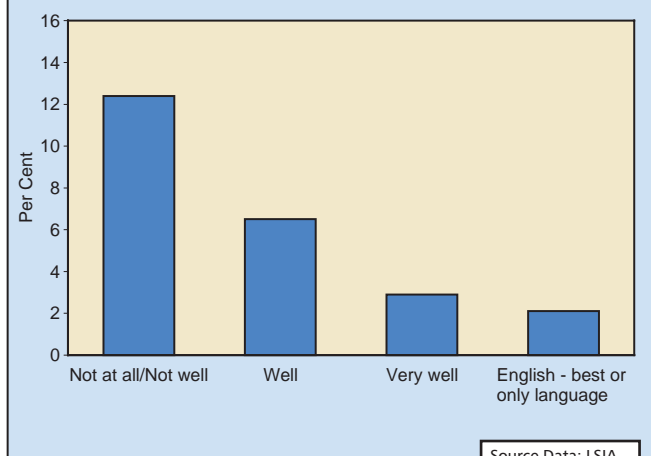
Source Data: LSIA

Fig. 6-15: Participation rate at wave 2



Source Data: LSIA

Fig. 6-16: Unemployment rate by English proficiency: wave 2 of LSIA 3



Source Data: LSIA

Fig. 6-17: Unemployment rate: wave 1 vs wave 2

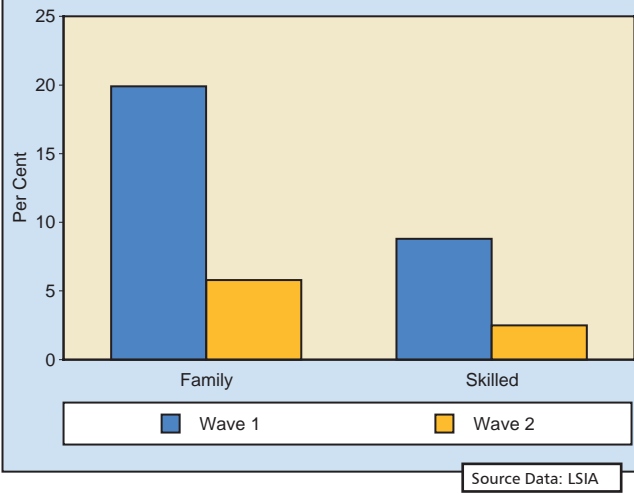


Fig. 6-16 further demonstrates this point using LSIA 3 data to show the importance of good English in finding a job. As can be seen from this figure, those with poor English have an unemployment rate of 12 per cent compared with six per cent for people speaking English well and only three per cent for people speaking English very well.

Another important factor affecting employment outcomes is time in Australia. Fig.6-17 illustrates this trend using data from LSIA 3. As can be seen, the unemployment rate for Skill Stream PAs fell from 9.0 per cent at wave 1 to 3.0 per cent at wave 2 – a figure lower than the national unemployment rate at the time of 4.7 per cent. Similarly the unemployment rate of Family Stream PAs fell from 20.0 per cent to 6.0 per cent.

Occupation

For skill stream migrants, an important indicator of successful settlement is employment in skilled occupations. Migrants working in skilled jobs will make greater use of their qualifications, enjoy higher earnings and experience higher levels of job satisfaction.

As can be seen from fig. 6-18, across the three LSIA, around 65-70 per cent of Skill Stream PAs were working in skilled jobs at wave 2. The slight decline in skilled occupations between LSIA 2 and LSIA 3 can be attributed to the addition in LSIA 3 of former overseas students who obtained their visa onshore. This particular subgroup of skilled migrants has little or no relevant work experience, lower levels of English and therefore has a lower proportion of Primary Applicants working in skilled occupations.

For Family Stream PAs, the proportion in skilled employment increased with each successive LSIA, from 14.0 per cent for LSIA 1 and 23.0 per cent for LSIA 2 to 28.0 per cent for LSIA 3.

Fig. 6-18: Likelihood of skilled employment

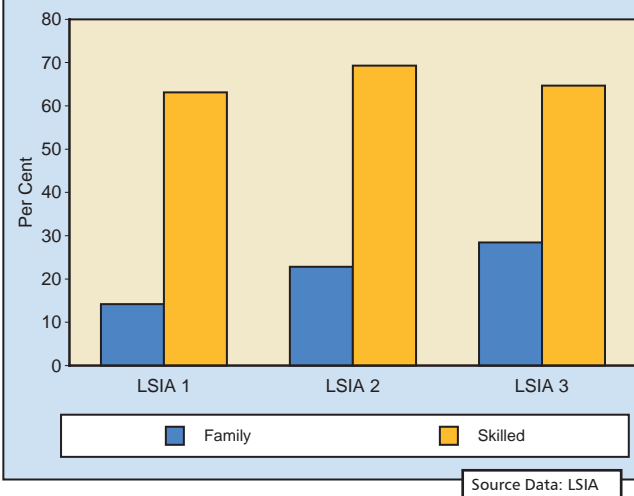
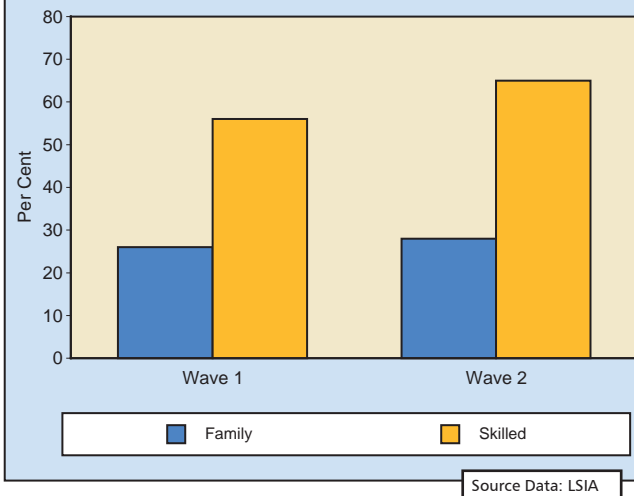


Fig. 6-19 uses LSIA 3 data to show that as migrants adapt to the Australian labour market the proportion of Primary Applicants in skilled jobs increases slightly.

Fig. 6-19: Likelihood of skilled employment

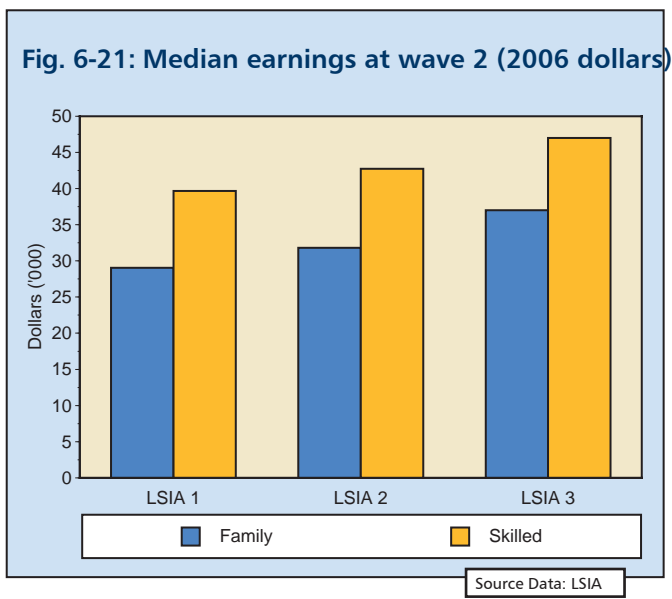
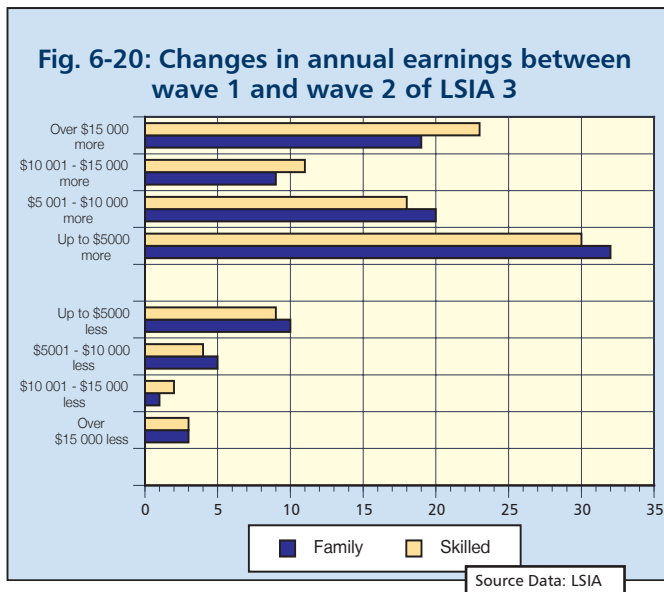


Income

Fig.6-20 shows that there were significant improvements in earnings for PAs between wave 1 and wave 2 of LSIA 3. Around half of those surveyed had an increase in earnings of more than \$5000 pa, while another one-third either had unchanged earnings or an increase in earnings of up to \$5000 pa. Only one in six actually reported a decrease in earnings over this period.

Compared with previous LSIA, the earnings of PAs for LSIA 3 was higher. Fig. 6-21 shows that in the case of Family Stream PAs, their median earnings of \$37 000 pa at wave 2 of LSIA 3, was about \$5000 higher than LSIA 2 and \$8000 more than LSIA 1 in real terms. The median earnings of Skill Stream PAs were \$47 000 pa compared with \$43 000 for LSIA 2 and \$40 000 for LSIA 1 in real terms.

Family Stream migrants are not selected on the basis of employability or skill. Therefore, the proportion of these migrants in skilled occupations is consistently less.



Economic benefits of migration

The economic benefits of immigration are highest when immigrants are young, skilled and have high labour force participation and employment rates. As illustrated in this chapter, Australia's immigration policies are delivering increasing numbers of migrants with these characteristics.

The Treasury's second Intergenerational Report (IGR2) released in 2007 shows that changes in these characteristics have positive demographic and economic benefits for Australia's future. IGR2 states that "The policy shift in recent years towards younger, skilled migrants is assumed to continue, partially offsetting the rate of population ageing". "Because the proportion of migrants of prime working age is higher than for the resident population an increase in migrant numbers leads to a rise in real GDP per person."

These findings support earlier work by Econtech which estimated that continuation of the 2002-03 Migration Program compared with no program will deliver an increase in living standards of \$852 per person (in 2000-01 prices) by 2021-22. This gain is due to the Skill Stream.

Students and Working Holiday Makers also generate significant economic benefits. Education is Australia's third largest service export industry after tourism and transportation. It contributes more than \$10.1 billion in export earnings annually. Research shows that based on an enrolment of 300 000 international students in Australia, more than 51 000 jobs for Australians are generated. Based on 80 000 arrivals of Working Holiday Makers, a net gain of about 8000 full-year jobs is achieved, and an estimated \$1.3 billion is created in export earnings. Recent increases in Working Holiday maker numbers can be expected to have further improved this result.

Meeting future demand for labour

Australian economic growth was strong for almost 15 years up until the end of 2007-08. The recent global financial crisis has brought a downturn in the economy that continues to impact on demand for skilled labour. In response, the Government is implementing a number of measures which will ensure that the Skilled Migration Program is drawn by the needs of industry and target skills in critical need across a number of sectors. While there will be cyclical changes to demand for skilled labour, including migrants, the underlying long term prospect is for gradually increasing demand for workers with the skills needed for Australia's continuing economic and social development. With a more flexible economy as a result of reforms, good macro-economic management settings and strong overseas demand for Australian products, prognostications are for that to continue for some time.

There has been increasing recognition that home-grown labour supply growth is in longer-term decline as baby-boomers retire, participation rates plateau and growth in young workers falls. From 1980 to 2008, Australia's labour supply grew by almost 66 per cent and its economy was geared to the expectation of continued substantial increases in labour supply, particularly increases of younger skilled workers. With a long term average NOM of around 180 000 per year the labour force would continue to increase at around the current rate (1.2 per cent) for the next twenty years. This would add nearly three million workers to the labour force by around 2027. Even at this level of NOM however, the growth rate of the labour force would fall considerably in the period 2027-2047. Hence, in the next 20 years, the only potential sources of new labour are some increased labour force participation rates and immigration. Therefore, a sustainable and well managed Migration Program is needed for Australia's future economic growth.

Brain gain

As our population ages and constraints in the domestic supply of young skilled workers become more apparent, the contribution of net overseas migration becomes increasingly important. At the same time the global mobility of skilled Australians is increasing rapidly. In 2007-08, 37 095 skilled Australian residents left to live overseas permanently and 56 411 left to live overseas long term (one year or more). Over the same period 54 821 skilled Australians returned from living overseas for one year or more. These movements resulted in a net loss of 38 685 skilled Australians.

This net loss of skilled Australian residents was more than offset by a net gain of 121 494 skilled people from overseas. This net gain was the result of 52 705 skilled overseas residents who arrived to live here permanently, 107 847 who came for one year or more and 39 058 who left after living in Australia for one year or more.

There was a net gain of 235 379 persons of working age (15 to 64 years old), including 108 884 persons aged 25 to 44 years old. The average age of a primary skilled migrant during 2007-08 was 34 years.

Impact on Commonwealth and state budgets

The Department of Immigration and Citizenship (DIAC) commissioned Access Economics to update its Migrant Fiscal Impact Model which provides a detailed profile of the

Fig. 6-22: Estimated fiscal Impact of 2007-08 Program - constant 2007-08 prices

Visa Category	Visas ('000)	Year 1 2007-08	Year 2 2008-09	Year 4 2010-11	Year 10 2016-17	Year 15 2021-22	Year 20 2026-27
Family-Parents	1	-4.8	-3.5	-3.9	-4.7	-9.2	-7.7
Family-Partner & Other	45.4	94.1	195.4	193.4	298.6	299.8	313.5
Family-Parents Contributory	3.5	89.8	-4.2	-4.3	-7.2	-29.3	-30.4
GSM-Sponsored	11.6	30.8	59.6	65.3	78.0	80.6	86.9
GSM-Independent	38.8	183.4	258.0	308.7	400.4	419.1	454.1
GSM-Independent (Student)	17.9	81.2	131.2	129.7	161.7	158.5	162.4
GSM-Regional Sponsored	9.8	37.8	43.3	59.3	60.7	63.0	68.6
Employer-Sponsored	23.8	327.3	340.1	341.2	355.8	358.2	360.7
Business Skills	6.6	32.5	38.9	31.0	39.6	35.5	29.5
Humanitarian or Refugee	13.0	-261.6	-93.1	-76.1	-14.5	15.5	55.8
Total	171.2	610.7	965.6	1047.4	1368.4	1391.7	1493.4

effect of new migrants to Australia on the Commonwealth government budget, both in terms of revenues and outlays.

The report shows that new migrants to Australia deliver hundreds of millions of dollars to the nation's budget every year. In net terms they contribute a lot more in taxes than they take in terms of services and welfare payments.

It also shows that the fiscal impact of migration grows over time in real terms even taking into account the net fiscal cost of the Humanitarian Program. The positive fiscal impact is particularly pronounced for skilled migrants, which reflects their high rate of labour market participation and higher incomes which in turn leads to a high level of direct

tax receipts. Skilled migrants help Australian employers fill critical labour gaps at a time many businesses are facing capacity constraints.

These very good results are because we are carefully choosing migrants who have skills in demand and are able to quickly settle into the Australian labour force. On the other hand they do not draw on most income support payments because by the time they otherwise become eligible (at least two years) they are well and truly settled into the labour force.

As the report shows, these outstanding results are also because of migrants having high incomes, high rates of labour force participation (generally well above the Australian average), strong levels of English proficiency and an age profile generally much younger than the average Australian population.

This report estimates that migrants who enter through the 2007-08 Migration Program will benefit the Commonwealth Budget and broader economy by \$610 million in the first year, growing steadily to reach \$1.5 billion after 20 years. The 2008 Update of the Migrants Fiscal Impact Model is available on the Department's website at <http://www.immi.gov.au/media/publications/research>

Among Skill Stream migrants the Employer Sponsored category are the standout in terms of net contribution, with a labour force participation rate of nearly 100 per cent by Primary Applicants and very high incomes.

Fig. 6-23: Net operating surplus per 1000 migrants constant 2007-08 prices

