

Dear Commissioners,

Thank you for the opportunity to comment on the Productivity Commission's draft report, 'Australia's Migrant Intake'.

The Migration Council Australia welcomes the draft report as an excellent addition for immigration researchers and policy makers in Australia. The report is robust, thorough and relies on a strong evidence base to highlight the many benefits of migration to Australia.

The report also helpfully highlights that there remains more work to do with regard to teasing out the full effects of migration to Australia, particularly with regard to the labour market and incentives around education and training policy.

As indicated in this submission, there are a number of recommendations the Migration Council Australia strongly supports.

If you wish to discuss this submission, our previous submission or any other matters, please do not hesitate to get in contact.

Kind regards,

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Supported Recommendations

Recommendation 7.1 and 7.2 regarding data and statistics:

In general, a more open disposition by the government towards administrative immigration data would be highly beneficial. An example of such data is the nomination data of the 457 visa program, to link up nominated salaries, occupations, industries and geography.

This is particularly important as other standard datasets like the HILDA survey, are not well suited for immigration analysis. Dedicated resources and processes for migration analysis are required.

Recommendations 9.1 through 9.4 regarding temporary migration:

These recommendations demonstrate how heavily underanalysed temporary migration has been as a matter of public policy. A more rigorous research agenda is required given both the current population of temporary visa holders and the flow of temporary visa holders. This may include dedicated funding for new surveys as well as new thinking about how to better connect temporary migrants to existing research methodologies.

Recommendation 12.1 on a system of visa pricing:

The Migration Council strongly supports the rejection of visa pricing as the primary determinant of assessing visa applications to Australia. The Council further congratulates the Commission on a strong evidence basis to support this rejection, including detailed modeling of the effects, clearly demonstrating how a visa framework relying on pricing would undermine the social and economic foundations of Australia's immigration framework.

The following sections highlight different parts of the draft report, including comments and notes:

Assessment framework

Draft finding 4.1

“Decisions about the level of immigration are the responsibility of the Australian Government.”

While this is undoubtedly true, and while the report touches on how employers and other actors such as universities have more impact in terms of immigration outcomes today than in the past, the ‘level’ of immigration is not determined by the Australian government. This is as many other actors play important roles in creating migration flows to Australia today.

This can be thought of in terms of ‘control’ and ‘management’. The Australian government used to have complete control and management of immigration flows, prior to sometime around the late 1980s. Today, there remains a strong management role however there is less control over the number of migrants who will come to Australia. Because of this, allocating terms such as ‘the level of immigration’ seems dated and misplaced.

Enhancing labour market outcomes

Draft finding 5.1

“No discernable effect of immigration on wages, employment and participation of incumbent works”

This may be true for average effects across the labour market as a whole but it is difficult to believe there is not some level of cohort effects, both from migrants with different backgrounds and incumbent workers across the labour market. This is particularly relevant given migrants to Australia are not homogenous. Data from the ABS, including general Census data and the Australian Census Migrant Integrated Dataset (ACMID), both show how different cohorts have different outcomes.

Further, there is an emerging literature on the effects of immigration on wages, employment and participation by incumbent workers. This excellent blog post by David Roodman outlines much of the literature (<http://davidroodman.com/blog/2014/09/03/the-domestic-economic-impacts-of-immigration/>). Roodman’s discussion covers various topics such as the substitution and complementation of migrants in a labour market as well as historical events that can help explain these processes. David Card’s Mariel study and Friedberg’s Israeli study in particular are notably for their results.

Unfortunately a large evidence and research base does not exist for these questions in a specifically Australian context. Therefore Australian specific factors – such as the geography, labour market, large stock and flow of

immigrants, amongst other factors – have to be considered alongside this research field. It may be the case that these factors mitigate or exacerbate the impact of migrants in the Australian labour market, on incumbents and other recent migrants.

In addition to these questions, sorting out other policy factors from immigration is difficult. For example, there is the contention that flexible labour markets allow for much more effective integration of migrants into labour markets.

“Preliminary evidence to suggest adverse outcomes in youth labour market”

There is an increasing literature on migration and OECD labour markets. Recent studies – such as Giovanni Peri and Mette Forged analysis of refugee flows to Denmark – suggest other factors such as education and training opportunities and the flexibility of labour markets are much more important than the composition of migrants on incumbent labour market outcomes. Their work suggests low-skilled refugee migrants to Denmark actually created upward wage pressure and skill mobility for less-skilled native workers, particularly younger workers.

There are a number of studies – starting with David Card’s mariel study – that find similar outcomes. Of course, different labour markets, geographies and time periods will have different outcomes and effects, however the emerging body of evidence points to a lack of hard evidence to support the contention that migration has adverse outcomes on the youth labour market.

Draft recommendation 5.1

Note that the recognition of overseas qualifications has been a long-running policy issue with very little traction in recent years. In light of this, dedicated resources for a team working across government jurisdictions and with multiple stakeholders is required as opposed to business as usual if outcomes are to be achieved.

Information request 5.1

‘Investment in skills negative affected by immigration’

It is important to note the spill-over benefits of migration for investment in skills. For example, in the survey of 457 visa holders commissioned by the Department of Immigration a number of years ago, about three-quarters of firms suggested they used 457 visa holders to train other staff members. This effect grows in line with company size, where larger, multinational companies appearing to use the program explicitly in part to import skills.

Information request 5.2

Attracting highly skilled migrants

A common refrain in emerging growth industries such as IT and Finance is issues with recruitment in other countries. Using government levers more effectively – such as dedicated promotion, outreach and advocacy officers in key diplomatic posts – is one idea. There are currently a range of migration officers however they focus predominantly on processing visas and compliance issues as opposed to attracting potential migrants.

Using the SkillSelect system more effectively to link employers and potential migrants – based on the existing infrastructure – is a low-resource intensive method to help attract highly skilled migrants.

New visa pathways – such as an entrepreneur visa – are less likely to have a significant impact. Evidence from other countries suggests these visas are very difficult to get right.

The Migration Council supports a methodology focused on numerous low-cost processes that can be trialed for effectiveness to attract highly skilled migrants. Some will succeed and some will fail however this is far superior to the status quo.

Managing the social and environmental impacts

Draft finding 6.1 (multiculturalism)

While there is widespread support and acceptance of multiculturalism, there are a number of points to note further.

The relationship between the economy and acceptance of migrants has yet to be fully tested in Australia since the introduction of temporary migration. Given Australia has not had a recession or a high unemployment rate since the introduction and formalization of large-scale temporary migration programs, there is the potential support for migration and multiculturalism may diminish in the face of a much weaker economic environment.

This is important to note as it may be that migrants and migration policy only have a secondary impact in terms of support and acceptance of migration and that other factors play a much more decisive role.

Experience of discrimination has trended up over recent years despite overall support for multiculturalism remaining high.

Draft finding 6.2, 6.3 and 6.4 (house and land prices, zoning, resources)

These issues are going to continue to increase in magnitude in the coming years. There has not been enough political and bureaucratic cross-jurisdictional infrastructure to manage the impact of migration on state and local government policy areas.

Bringing this into the open through transparent political processes and institutions can help mitigate the worst effects. This has not occurred in recent

times and contributes to the growing public perception that immigrants themselves are the sole cause of these issues.

Dedicated research on migration matters may assist sort out some of the competing impacts on an issue such as house pricing. Migration, the dollar, zoning, amongst others, each play a role however there is very little ability currently to sort through the different impacts.

Draft recommendation 6.1

‘Settlement service provision’

This is particularly important. The provision of settlement services has focused predominantly on humanitarian migrants. This worked well in the late 1970s and 1980s however today’s immigration framework is very different.

Formal government programs would better support the settlement of spouses of skilled migrants and family migrants. These groups have been largely excluded from formal support however this is dated and a hold over of past migration trends. Support would improve both their economic and social contribution to Australia.

Information request 6.1

On the AMEP:

Eligibility: spouses of long-term temporary workers. For example, NESB 457 visa spouses, if they spend more than 6 months in Australia, are more likely than not to become permanent residents. Research shows support at the start of settlement is much more effective than after settlement has occurred. Transitions out of AMEP to the SEE program could also be examined in terms of eligibility.

Evidence suggests English language is the single most important factor to improve the economic contribution of migrants in Australia. Therefore combining English language with a focus on employment – such as better integrating the current SLPET model in the broader AMEP – would have added benefit. This could include more specific targeting, for example of skilled professionals. Data from service providers indicates this can have a very positive outcome.

While others can speak in more detail, other options include providing more flexibility with the curriculum, expanding the options from simply the CSWE.

Given different migrant cohorts have widely variable outcomes – for example home language and age are two strong indicative factors – this needs to be accounted for more seriously. Targeting and a more individual system of eligibility may enhance program outcomes.

In addition to these policy notes, the following short section outlines several factors that may affect the cost of improving migrants' language proficiency. They include some objective factors, such as linguistic distance and age, and some subjective factors, such as motivation. These factors can prove determinant in how migrants learn English.

Various researches across multiple countries provide evidence on the deterministic effect of linguistic distance on the level of difficulty and cost of learning a second language (Adsera & Pytlikova 2012, Isphording & Otten 2012, Isphording & Otten 2014, Chiswick & Miller 2001, Isphording 2014). Linguistic distance is highly related to the statue quo in Australia.

Recent trends in migration show an increasing proportion of new arrivals are from Asian countries, whose languages general have a longer linguistic distance from English, compared with non-English European settlers. As a result, it can be assumed it costs more to raise the language proficiency today than it has in the past, if language targets remain similar. Another objective factor is age. Previous studies indicate the importance of age of arrival (Chiswick & Miller 2001, Carliner 2000, Isphording 2014). It may be the case today that the average age profile of migrants is older than in the past, resulting in more difficulty in relation to English proficiency.

Current English proficiency is another factor. Raising English proficiency of a migrant with competent English to proficient English is less costly than someone with vocational English. A migrant with a certain level of English tends to be willing to practice English outside of class, especially compulsory class, as well.

Education attainment, before or after arrival, also affects the cost of learning English (Chiswick & Miller 2001, Carliner 2000). As English is one of the most widely used languages today, many primary and high schools in migrant sending countries set English as a compulsory subject. Although the quality may vary, it does provide a good foundation of learning English. Post-migration education in Australia also likely has an impact for many temporary visa holders.

However, there is also evidence some students do have worse English proficiency after a few years of study, as they are integrated into groups where non-English languages are dominantly, most often from their home countries (Hawthorne 2010).

Managing temporary immigration programs

Information request 9.2

Caps on 457 visas

The Migration Council Australia does not support the use of caps on for the 457 visa program, with regard to either specific occupational caps or a total program cap.

It is extremely difficult for a government to accurately forecast or predict the inherent demand over a short-time period of 12 or 24 months with regard to different employers seeking skilled labour.

In a worst case scenario, a cap could lead to what is seen in the U.S. with the H1B program, where big labour hire firms distort the process and undermine the entire system. Caps will create adverse incentives and some inefficiencies if ceilings are reached.

Further, in isolation, this would distort other migration programs as employers seek methods to work around caps.

The Migration Council does support renewing the CSOL and seeking to better understand macro labour demand in Australia, across different industries and geographical regions.

Effective pathways for temporary and permanent migration

Draft recommendations 11.1

While in general, the Migration Council supports retaining separate processes for determining temporary and permanent immigration, there are some important caveats and notes.

It is likely over time, there will be an increasing number of people on temporary visas who are long-term residents unable to qualify for a permanent visa. These may be people on student visas who move from visa to visa or sponsored workers whose employers are unwilling to sponsor them for a permanent position.

Thinking about this – and discovering more about how many temporary visa holders have been in Australia for long-time periods – is important. For example, if less than one per cent of all 457 visa holders have been in Australia for less than 10 years, this does not appear to be an issue. However if this figure is between 1 to 5 per cent or even higher, there are serious policy questions to consider. What is the appropriate period of time for a migrant to be on a temporary visa? How should they transition to permanent residency, if at all?

As noted in draft recommendation 11.1, improving the monitoring of temporary visa holders will help assist in providing evidence to these types of questions. However there may be a role for considering the effects of temporary migration more closely for permanent migration policy.

Information request 11.1

Using the CSOL for both the 457 visa and the ENS ensures there are no gaps where migrants can fall in relation to different occupations.

The Migration Council supports more evidence and a more transparent process in determining the make up of the CSOL.

This should include a defined process for adding and removing occupations from the CSOL.