

Submission to the
Productivity Commission Inquiry
Migrant Intake Into Australia

This submission seeks to draw out some advantages of the immigration mechanism proposed by Professor Gary S. Becker (Becker, 2011), and to point out aspects of Australia's current immigration policy that are open to improvement.

A policy of open borders with modest, prudent constraints, is desirable and beneficial to both our nation and to the immigrants who come here. Warren Buffet, reflecting on the prosperity of his American countrymen relative to those born in poorer countries, coined the term "ovarian lottery". A child born on one side of a border can have opportunities that far exceed a similar child born on the other side of what is, after all, an arbitrary line on the map.

The thrust of Becker's proposal is to replace quotas, points and lotteries with a fee. The fee becomes the chief factor regulating the number of new residents taken in. The fee may be paid by the applicant, or by a sponsor (such as an employer or a charity), or, in a small number of cases, such as refugees, by the government.

Becker puts forward a credible case that such a scheme would improve the average quality of migrant, since those who are willing to pay the fee are more likely to have a long term commitment to the country.

Australia's migration system should be an enabler of opportunity for those from poorer countries, while also allowing skills to be drawn from a global pool. The current system places too high a barrier against the most desirable immigrants and too low a barrier for those who would immigrate simply to take advantage of the benefits available. Meanwhile, the stake held by existing residents is not sufficiently well recognised. There is no guarantee that the dilution of social equity resulting from new immigrants will be met with a net contribution to our society.

The present system of allocating points for selected skills and personal characteristics is suboptimal in that it relies on bureaucratically assigned quotas and skill designations. Decisions made at a national level are based on poorer quality data than individuals and corporations who can carefully assess the costs and expected benefits. The fee-based visa system would select migrants more effectively as it would be based on organic demand within the community. It would be less susceptible to distortion caused by the political lobbying of special interest groups.

Anecdotal evidence frequently arises of migrants who qualify for residency then quickly take advantage of some category of pension or benefits, with little or no period of tax-paying work in between. Such behaviour is less attractive with a fee-based policy. The incentives are further aligned in favour of higher quality migrants by restricting access to welfare for new migrants.

The scheme under consideration, to allow immigrants to enter based on payment of a fee, provides a better way of solving these issues. For prospective immigrants with desirable skills, the way would not be impeded by quotas or a long process of qualification. Those who wish to take advantage of our benefits would at least need to contribute as a condition of entry, itself a disincentive for the most egregious cases. The fees paid will help to assuage the concerns of existing residents who feel resentful of new immigrants, while also providing a potentially sizable source of government funds.

The policy should recognise that many intending migrants would wish to bring their families. Furthermore, family units could be expected to have a more stable and longer-term commitment to

the nation. Rather than discouraging desirable applicants, the policy should allow for generous discounts for immediate family members.

The policy should provide exemptions for other special categories, such as spouse visas and applicants from countries with reciprocal residency rights. The author has experience to draw upon here, as the sponsor of a spouse – a citizen of the United Kingdom. We would have resented the imposition of a fee, beyond the usual processing fees, particularly since the UK had readily accepted us for residency (as a spouse-sponsored applicant). A large fee would have deterred our return to Australia.

Some considerations on the level of the fee

Primarily, the visa fee would be set at a level so as to regulate the desired intake level.

Would a fee at a level of several tens of thousands of dollars be too prohibitive to attract applicants? Anecdotal evidence suggest not. Consider the recent case in which a man paid \$30,000 to arrange a marriage of convenience in order to attain a residency visa. (ABC News, 2015). It is reasonable to expect that somewhat higher fees would remain attractive, given that they offer a visa with complete legitimacy.

We must, however, remember that Australian companies are competing with companies in other countries for talented and experienced staff. A visa fee could put our own companies at a disadvantage, if set too high. Supposing a scenario where the fee is paid by a sponsoring company, the company would amortise the cost over several years. A fee in the vicinity of \$50,000 would then be comparable with other hiring costs for skilled staff. The policy must allow for the fee (or at least, the portion yet to be amortised) to follow the migrant, should he or she choose to leave the company that originally paid the sponsorship.

Conclusion

A well-tuned fee-based policy would provide benefits for both intending migrants desirous of a life in our country, and for our communities and industries that wish to take advantage of this human capital. The policy is commended for full consideration.

References:

<http://www.abc.net.au/news/2015-05-12/woman-promised-30k-to-marry-indian-man-in-alleged-visa-scam/6464468>

Gary Becker's Paper:

<http://www.iea.org.uk/sites/default/files/publications/files/IEA%20Challenge%20of%20Immigration%20web.pdf>