



Migration Institute
of Australia

SUBMISSION

Migrant Intake into Australia Submission to the Productivity Commission



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The Migration Institute of Australia (MIA) the professional association of Registered Migration Agents, holds interests in all areas of migration legislation and policy development and appreciates the opportunity to provide input into the ...

Migration is an important factor in ensuring Australia's continued prosperity and place in the global economy. Migration increases overall population, promotes global business and creates new opportunities for business and Australians.

This growth in opportunities in turn promotes Australia as a migration destination and increases its attractiveness to the 'best and brightest' applicants.

The MIA provides the following recommendations for the appropriate migrant intake into Australia to ensure Australia's continued prosperity and economic growth into the future for the benefit of all Australians.

Recommendations

Recommendation 1

The MIA recommends that Australia's migration programs maintain the current commitment of supporting the long term growth and economic prosperity of this country.

Recommendation 2

The MIA recommends that Australia's migration program continues to be based on objectives that enhance the economic benefit, social cohesion and support the humanitarian ideals of this country.

Recommendation 3

The MIA recommends that the Australian migration program continues to focus on skilled migration as the primary focus for permanent and temporary employment and driver of the Australian economy

Recommendation 4

The MIA recommends that the points test continues as a mechanism to adjust and control the entry of migrants to Australia.

Recommendation 5

The MIA recommends that increased places be provided for humanitarian stream migration to reduce the costs associated with the border enforcement, detention, relocation and processing of asylum seekers and refugees.

Recommendation 6

The MIA recommends that increased places be provided for family stream migration in recognition of the economic benefit, social cohesion and cultural benefits these migrants also bring to Australia's economy.

Recommendation 7

The MIA recommends that further investigation be conducted into the impact on urban amenity from migration to specific metropolitan and regional areas of Australia

Recommendation 8

The MIA recommends that the incentives for settlement in specific areas or regions be encouraged through the migration program to minimise potential negative impacts on urban amenity.

Recommendation 9

The MIA recommends that further investigation be conducted into the environmental impacts of migration on specific metropolitan and regional areas of Australia.

Recommendation 10

The MIA recommends that the incentives for settlement in specific areas or regions be encouraged through the migration program to minimise potential negative impacts on Australia's environment

Recommendation 11

The MIA recommends that current temporary migration program settings be maintained.

Recommendation 12

The MIA recommends that the fees and charges levied on visa applicants be reasonable, equitable and support the objectives of the migration program.

Recommendation 13

The MIA recommends that visa application fees and charges levied on applicants be used to provide improved service standards and reduce visa processing waiting periods.

Recommendation 13

The MIA recommends that the ability to pay an entry charge not be used as the primary criteria for obtaining an Australian visa.

Recommendation 14

The MIA recommends that the visa application fees and charges levied on visa applicants not be used to raise revenue to address Australia's general economic deficits.

Recommendation 15

The MIA recommends that Subclass 405 Investor Retirement visa be permitted to convert their temporary status to permanent residency by the payment of a second visa application charge, set at the same amount as the second visa application charge for contributory parent visas.

Recommendation 16

The MIA recommends that the current access to government funded benefits for temporary and permanent visa applicants continue.

Recommendation 17

The MIA recommends that the integrity of Australia's migration program continue to be protected through the mechanisms of the current skilled, family and humanitarian streams

Recommendation 18

The MIA recommends that the important student visa program and international education export market be protected by maintaining attractive pathways to skilled migration and permanent residency for international students who study in Australia.

Recommendation 19

The MIA recommends that the complex role of providing immigration advice and immigration assistance continues to be regulated to protect consumers and applicants.

Recommendation 20

The MIA recommends that providing immigration advice and immigration assistance remain the role of Registered Migration Agents and migration lawyers.

Recommendation 21

The MIA recommends that Registered Migration Agents and Accredited Immigration Specialist lawyers not become responsible for the sourcing of finance for entry charges for Australian migration.

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Scope of Enquiry

1. The benefits and costs that the intake of permanent entrants can generate with respect to:
 - (a) the budgets and balance sheets of Australian governments, including from:
 - (i) entry charges;
 - (ii) government services used (including public health, education, housing, social and employment services) now and in the future;
 - (iii) taxes paid now and in the future;
 - (iv) the dilution of existing, government-held assets and liabilities across a larger population; and
 - (b) the income, wealth and living standards of Australian citizens, including with respect to:
 - (i) impacts on the salaries and employment of Australian citizens, knowledge and skill transfer, productivity, foreign investment, and linkages to global value chains;
 - (ii) cultural, social and demographic impacts; and
 - (iii) agglomeration, environmental, amenity and congestion effects.
2. An examination of the scope to use alternative methods for determining intakes – including through payment – and the effects these would have. This should include examination of a specific scenario in which entry charges for migrants are the primary basis for selection of migrants, such that:
 - (a) there would be no requirements relating to skills and family connections;
 - (b) qualitative requirements relating to health, character and security would remain;
 - (c) all entrants would have the right to work;
 - (d) entrants would have limited access to social security or subsidised education, housing or healthcare; and
 - (e) the charge could be waived for genuine confirmed refugees, whose entry would remain subject to current constraints.

The scenario should examine the way in which the above charges could be set, and what they might be, to maintain the current levels of the migrant intake or to maximise the benefits for Australian citizens. The scenario should also examine the impacts of such charges – based on assessment of the factors listed in (1) above and also taking account of:

- (f) opportunities for Australian citizens to be altruistic towards foreigners including refugees;
 - (g) the administration and compliance costs associated with immigration, including costs associated with criminal behaviour and the use of migration agents; and
 - (h) interactions with citizenship criteria and existing and potential bilateral agreements.
3. The benefits and costs of temporary migration with an examination of the use of charges as the primary basis for regulating the level and composition of this migration, having regard to:
- (a) complementarity with the Australian workforce; and
 - (b) achieving flexibility in responding to structural and cyclical adjustments in the Australian economy.
4. Mechanisms for achieving an optimal interaction between temporary and permanent migration noting that temporary migration is an established pathway to permanent migration.

Introduction

Permanent and temporary migration is a key contributor to Australia's economic, demographic, cultural and social needs.¹ It is an increasingly significant factor in meeting a range of Australia's future needs including demands for labour to develop this economy. In the face of an ageing local population, migration assists in maintaining the labour force and improving living standards. Nevertheless, these factors must be balanced against those of Australia's existing population and the social and environmental impacts of the increasing immigrant population.

In its more recent history, Australia's immigration arrangements have evolved from the 1980s system, which sometimes lacked program integrity and clear policy direction, to the more economically rational focus on predominantly skilled and business related migration. While the lower priority given to family reunion visa classes causes distress with some members of the community, the economic benefits of the emphasis given to skilled migration can be clearly discerned in government balance sheets, as in earlier migration programs a relatively high proportion of family reunion migrants required welfare support. The lack of legislative regulation before the Migration Regulations were instituted in 1994, provided a program that lacked certainty because of its discretionary nature.

The Migration Institute of Australia as the peak professional association for Registered Migration Agents in Australia for almost 25 years is able to provide a well informed and long term perspective on migration practices and various previous policy settings. However, some questions posed in the Issues Paper fall outside the scope of the MIA's core business and resources, such as those requiring sophisticated economic modelling the MIA will not comment on those issues.

¹ Department of Immigration and Border Protection, Annual Report 2013-14, p39

Immigration policy

Objectives of immigration policy

The objectives of contemporary immigration policies are generally designed around concepts of economic benefit, social cohesion and humanitarian support.

- Economic benefits tend to focus on economic growth, impacts on labour markets and public finances and the distribution of income.
- Social cohesion looks to a discernible national identity, national security, shared values and the rights of individual citizens
- Human rights immigration policies are shaped by international obligations and conventions and the expectations of both internal and external stakeholders

Objectives of Australia's immigration policy

Australia's immigration policy seeks to meet this range of objectives. The stated object of the *Migration Act* is to 'regulate, in the national interest, the coming into, and presence in, Australia of non-citizens'.²

The Department of Immigration and Citizenship (DIAC) noted in 2011 ...'today, the goal of immigration, settlement and citizenship policy is no longer seen in the simple terms of opening a gate to help populate the nation. It is about building Australia's future through the well-managed entry and settlement of people. Policies and programs aim to both manage complex migration flows to and from Australia, while optimising their economic and social impact in the national interest'.³

In its 2013-2014 Annual Report, the Department of Immigration and Border Protection (DIBP) stated 'permanent migration and temporary entry is a key contributor to Australia's economic, demographic, cultural and social needs' and provides a list of objectives for the current program. Four of these six objectives focus on responding to and supporting Australia's economic, labour and business needs:

- the delivery of the annual Migration Programme within the parameters set by government to respond to Australia's labour and demographic needs whilst maintaining programme integrity
- implementation of strategies to strengthen the economic, budgetary, cultural and social benefits from both permanent migration and temporary entry
- the strengthening of the government's ability to develop evidence-based policy addressing population and migration issues

² *Migration Act 1958* (Cth) s 4.

³ Joint Standing Committee on Migration, *Inquiry into multiculturalism in Australia*, DIAC, Submission No. 150, May 2011, http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=mig/multiculturalism/subs.htm

- the ongoing review and improvement of Australia’s temporary entry arrangements to better meet the needs of business, education and tourism
- the delivery of the permanent skilled migration programme in a way that supports the Australian economy, business, and the education and training of Australians
- a robust family migration programme which brings benefits to individual families and the wider Australian community.⁴

The current composition of Australia’s migration program is primarily aligned with the objective of improving the economic wellbeing of the Australian community through its emphasis on skilled migration, with skilled visas accounting for around 67.7% of those granted. Australia was a world leader with the introduction of its skilled migration program and research into immigration policy.⁵ International comparisons in the table below for 2006 showed Australia was well ahead of most other similar economies in devoting the majority of its program to skilled applicants. In that year, skilled (work) visas accounted for 66% and family visas 25% of all visa grants. This proportion has changed little in the intervening years and countries such as Canada and the UK have now modelled their immigration programs along similar lines.

	Number (000)	% work	% family	% humanitarian	% other
UK	343.2	53.2	31.8	8.9	6.0
Germany	216.0	70.3	23.3	2.8	3.6
Italy	204.3	53.2	41.7	3.1	2.0
France	169.0	26.1	59.0	4.4	10.5
Canada	251.6	22.1	60.8	17.0	0.1
US	1,266.3	5.6	70.3	17.1	7.0

International comparison of migration program streams 2006⁶

Australia’s migration objectives related to the family and humanitarian streams are much less robust. While benefits to individuals and families appear self-evident, the benefits to the broader Australian economy and population are more difficult to measure and assess⁷. Nevertheless, there have been studies that have defined and

⁴ Department of Immigration and Border Protection, *Annual Report 2013-14*, p39

⁵ Salt J, in *Skilled migration to Australia*, E-Brief, issued 5 June 2006, [http://www.apb.gov.au/About Parliament/Parliamentary Departments/Parliamentary Library/Publications Archive/archive/Skilledmigration](http://www.apb.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/Skilledmigration)

⁶ Becker G, *The Challenge of Immigration – A Radical Solution*, 2011, p 25

⁷ *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, Eds, UNE, 2007, p 4

attempted to measure the social costs and benefits of migration to Australian society and found the impacts to be positive.⁸

Current public dialogue suggests that a significant number of Australians do not believe humanitarian considerations are adequately reflected in that current program's objectives. The numbers of humanitarian places available in the migration program have not risen significantly for decades. The number of visas allocated across humanitarian categories has only risen by 1,750 places, from 12,000 in 1991-92, to 13,750 places in the 2013-14 migration programs. Worldwide pressures are pointing to a global crisis in this area.

Recommendation 1

The MIA recommends that Australia's migration programs maintain the current commitment of supporting the long term growth and economic prosperity of this country.

Recommendation 2

The MIA recommends that Australia's migration program continues to be based on objectives that enhance the economic benefit, social cohesion and support the humanitarian ideals of this country.

Impacts of immigration

Demand for Migration

Measuring the demand for migration is complex. At the most basic level it can be divided into the demand from both the receiving country and that of the individual migrants'. Demand factors for both groups can essentially be categorised as economic, social, political or environmental, or a combination of these.

A desire for economic growth and sustainability forms the basis of most countries' migration policies at this time and depend on attracting a skilled and educated workforce to achieve these goals. The OECD reports that the migration of talent now plays an important role in the shaping of skilled labour forces, with OECD countries the net beneficiaries. Historically, Australia has been particularly successful in attracting strong positive net flows of tertiary educated migrants. However, Australia is now facing severe competition from similar advanced economies, particularly in Europe, Japan and Canada, who are also facing falling fertility rates and rapidly shrinking working aged populations.⁹ In 2006 over 80 countries were found to have below replacement levels of births.¹⁰ The effect of this global shortfall in potential skilled migration applicants is already becoming apparent. Under Australia's current skilled migration system applicants with specific occupations are identified as eligible

⁸ For example: *The Social Costs and Benefits of Migration into Australia*, Carrington K., McIntosh A & Walmsley J, Eds, UNE, 2007, p 4

⁹ Kuptsch, C, *Competing for Global Talent*, International Labour Organisation, Institute for labour Studies, 2006

¹⁰ Becker G, *The Challenge of Immigration – A Radical Solution*, 2011, p 21

to apply for skilled migration, other occupations that are in over supply in Australia or deemed to be insufficiently skilled are not approved for migration purposes. In the 2014-15 migration program 146,060 specific migration places were set aside for these desired occupations. To date with less than two weeks remaining of the current migration program year, only 27,011 places or 18.5% of those places have been allocated.¹¹

While research suggests that Australia has certain inherent advantages in this competition, namely its climate and lifestyle,¹² changes to Australia's migration programs have the potential to negatively impact on the ability to attract sufficient numbers of skilled migrants. This highly sought after group of migrants will assess the costs and benefits of the various countries that are encouraging them to migrate and add their human capital to these economies.¹³ Projections show that without migration Australia's aggregate labour force participation would grow by only 0.3% per annum to 2020. With a net overseas migration of 180,000 persons, this would increase by 1.3% per annum.¹⁴ The flow-on effect of major changes to the current migration objectives for the Australian economy and local population could be disastrous.

The flow of talent into a country is also affected by an ability to attract foreign students as 'probationary immigrants'. The ability to move from student to eventual permanent resident is a defining feature of the choice of destination.¹⁵ Australia has performed superbly in this respect, with international education services contributing around \$17 billion to the Australian economy in 2014 and this continues on a high-growth trajectory. The sector represented around 27 per cent of all services exports and close to 5 per cent of total Australian exports.¹⁶ A country's migration policies as well as its academic and economic structures are central to the ability to gain and retain this talent.

Recommendation 3

The MIA recommends that the Australian migration program continues to focus on skilled migration as the primary focus for permanent and temporary employment and driver of the Australian economy

At the individual level the demand for family reunion visas far outstrips available places in current migration programs. While DIBP profess a commitment to social contribution of migrants with the desire for family reunion, it emphasises the need to balance this with the economic objectives of the migration program.¹⁷ Waiting times for partner visas allocation are currently from 12 to 15 months or longer for

¹¹ DIBP website, Occupational ceilings: www.immi.gov.au/Work/Pages/SkillSelect/SkillSelect.aspx

¹² *Evaluation of the General Skilled Migration Categories*, Birrell, Hawthorne and Richardson, 2006, pp 10-11, www.immi.gov.au/media/publications/research/gsm-report/terms_and_intro.pdf

¹³ *Ibid*, pp 10-11.

¹⁴ *Precis of proceedings, DIAC Colloquium on the Economic and Physical Impacts of Migration*, 2010, p2

¹⁵ Kuptsch, C, *Competing for Global Talent*, International Labour Organisation, Institute for labour Studies, 2006.

¹⁶ *International Education Services*, Productivity Commission, 2015, p 4.

¹⁷ DIBP Annual Report 2013-14, p 56

highly compliant 'decision ready' applications. These extended waiting periods are occurring at a time when the Government has dramatically increased offshore partner visa application fees by **156%** in the last 24 months.¹⁸ The increase was justified on the grounds that it would be used to 'fund whole-of-government policy priorities'.¹⁹ Those in long waiting queues would not have been impressed when DIBP announced 'this price increase is part of a range of measures being made by the Australian Government to repair the budget and fund policy priorities'.²⁰

In late 2014 the Government attempted to close the family visa categories of the non-contributory Parent visas (subclasses 804 and 103), Carer (subclasses 836 and 116), Remaining Relative (subclasses 835 and 115) and Aged Dependent Relative (subclasses 838 and 114). The explanation provided was that the extensive waiting lists for these visas made them unsustainable. At that time the waiting periods stood at around 30 years for Parent, 6 years for Carer and 25 years for Aged Dependent and Remaining Relative visas. There was considerable public outcry over this decision, where there had previously been much less objection to the length of the waiting period, as there was at least some possibility of eventually joining their families in Australia

The length of these waiting lists resulted from the very low number of visa places provided in each migration program year for these visa categories.²¹ The 2013-14 migration program allocated only 2,250 or 1.2% of places to non-contributory parent visas and just 585 or 0.3% of places to the combined remaining classes. A disallowance motion in the Senate succeeded in overturning the decision and the visas classes were reopened. There was some reallocation of family stream visas to the Carer stream, but the Parent queue remains at 30 years and the Aged Dependent and Remaining Relative queue has blown out to **56 years**.²²

Although humanitarian visas are not included in the migration program statistics, the pressure on the humanitarian program remains extreme, again due to the small number allocated per year and the current Government's asylum seeker policies. It must be noted that an inordinate amount of Government spending, calculated to total \$3.4 billion,²³ is expended on humanitarian stream related matters, including the prevention of asylum seeker entry. This would appear far in excess of what an ordered and increased humanitarian settlement program might cost the nation.

¹⁸ For example on 30/6/13 the cost for Subclass 100/309 Offshore applications was \$2680, on 1/7/15 this will rise to \$6865.

¹⁹ MIA Media Release, 18 Dec 2014;

²⁰ DIBP fact Sheet: Increase in Partner Visas Application Charges 1 January 2015,

<http://burma.embassy.gov.au/files/rang/Partner%20visa%20Handout%20NatComms%20cleared%20.pdf>

²¹ Annual Report 2013-14: <https://www.immi.gov.au/media/statistics/statistical-info/visa-grants/migrant.htm>

²² DIBP website: <http://www.immi.gov.au/Live/Pages/family/other-family-visa-queue.aspx>

²³ Calculated from the DIBP Annual Report 2013-14: (Administered Costs) Offshore asylum seeker management \$2.7 billion; Onshore detention network \$85 million; Refugee and humanitarian assistance \$38.6 million; (Departmental Costs) Offshore asylum seeker management \$441 million; Refugee and humanitarian assistance \$76 million; Onshore detention network \$33 million.

Costs and benefits of migration to Australia

The economic impacts of migration on Australia have been extensively researched by successive immigration departments, the Productivity Commission, economists, demographers and academics.²⁴ The social impacts of migration are less well researched but are receiving increasing attention. Overall, research has shown that the benefits of migration have been found to far outweigh the costs in these studies.

Skilled migration has overwhelmingly been found to have positive impacts on the Australian economy. The recently released *The Economic Impact of Migration Report*, commissioned by the Migration Council of Australia (MCA), provides the most sophisticated economic modelling to date.²⁵ The MCA report, based on a projected population of 38 million by 2050, predicts migration will contribute 1.6 trillion dollars to Australia's GDP, add 15.7% to workforce participation rates, 21.9% to after tax real wages for low skilled workers and 5.9% in GDP per capita.²⁶

The current focus of the migration program on skills and education, increases this net fiscal contribution of migrants. Inflows of human capital improve knowledge flows and collaboration with sending countries, drives research and development, increases enrolments in graduate programmes and provides for potential company and job creation by immigrant entrepreneurs.²⁷ An improved employment to population ratio drives higher consumption while migrants draw less on government service provision and contribute a net fiscal benefit via taxes paid.²⁸

Migrants contribute to the productive diversity of Australia through investment in housing, the transformation of urban areas, in the creation of new businesses and the supply of products. Recent migrants also create demand for a range of goods and services, and infrastructure such as roads, schools and water supplies. It is also argued that increased migration puts undue pressure on these resources, causing housing shortages and resultant price rises. Paradoxically, it is when Australia's economy is growing strongly that migration increases and these migrants are blamed for the shortfalls in existing infrastructure and services. It is then argued that they should provide the additional income required to pay for this infrastructure and services to be increased, even though these are planning issues should have been addressed over the long term.²⁹

²⁴ See for example: multiple Access Economics reports and modelling for the Department of Immigration; Productivity Commission: *Economic Impacts of Migration and Populations Growth 2006*; numerous commissioned reports and research produced by Graeme Hugo, Bob Birrell, John Salt, Mark Cully and many others.

²⁵ Migration Council of Australia, *The Economic Impact of Migration*, 2015, p 3

²⁶ *ibid*, p 2

²⁷ OECD: *The Global Competition for Talent: Mobility of the Highly Skilled*, 2008 p 9
<http://www.oecd.org/sti/inno/41362303.pdf>

²⁸ Migration Council of Australia, *The Economic Impact of Migration*, 2015, p 25-26

²⁹ *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, UNE, 2007, p 150

Benefits to individuals, as well as to Australia are realised when human capital is enhanced through the new skills bought by migrants and when social capital is enriched by the stimulation provided through increased cultural diversity.³⁰ While the benefits of migration may accrue personally to the individual migrant, these may also be wrought at a high cost to the individual. For those migrants who make an economically rational choice to migrate, the cost of migration in the shorter term is the price paid for the longer term gain. For the skilled migrant, the benefits usually accrue more rapidly than they do for those who arrive via the other visa streams.

Overall family migrants contribute not only to the economy, but also to the broader community.³¹ DIBP reports a substantial economic contribution is also made by family stream migrants through their participation in the workforce, although the level of individual contributions varies with the migrant's visa category, country of origin and skills profile.³² The majority of partner visa entrants have been found to have post-school qualifications, proficient English language abilities and have been employed before migration.³³ The contribution to the Australian economy of parents, aged parents or other family entrants is less obvious, but through family support, such as caring for children and elderly family members they reduce the cost of government subsidised assistance and allow working age family members to participate in the workforce.³⁴

The negative impacts or cost of migration may persist longer for those who are pushed to migrate for political or humanitarian reasons and some of that cost, both economic and social, may be borne by the wider community.³⁵ Humanitarian migrants generally arrive in Australia with less education, lower English language levels, and less employment experience than other groups. They find it more difficult to access paid employment. Over time they learn English and have been found to have a greater propensity to engage in further education and training once in Australia.³⁶ For this group the benefits of migration accrue to the second generation, they encourage their children to strive and to pursue better opportunities in life, which in turn contributes to the wider economy.³⁷

The MCA modelling highlights the distributional effect of economic migration gains made by the individual migrant, with these benefits also flowing to existing Australian residents. The predominant benefit of migration for existing residents arises because while new migrants add only 30.7% to the size of the population, they add 40.7% to GDP, draw on less government services and contribute a net fiscal

³⁰ Ibid, p 3

³¹ DIBP commissioned study: *Contribution of Family Migration to Australia*, Khoo S, McDonald P & Edgar B, ANU, 2013, p 7

³² Ibid, p 73

³³ Ibid, p 5

³⁴ Ibid, p 74

³⁵ Social costs and benefits of migration into aust p 3

³⁶ DIBP commissioned study: *Contribution of Family Migration to Australia*, Khoo S, McDonald P & Edgar B, ANU, 2013, p 74

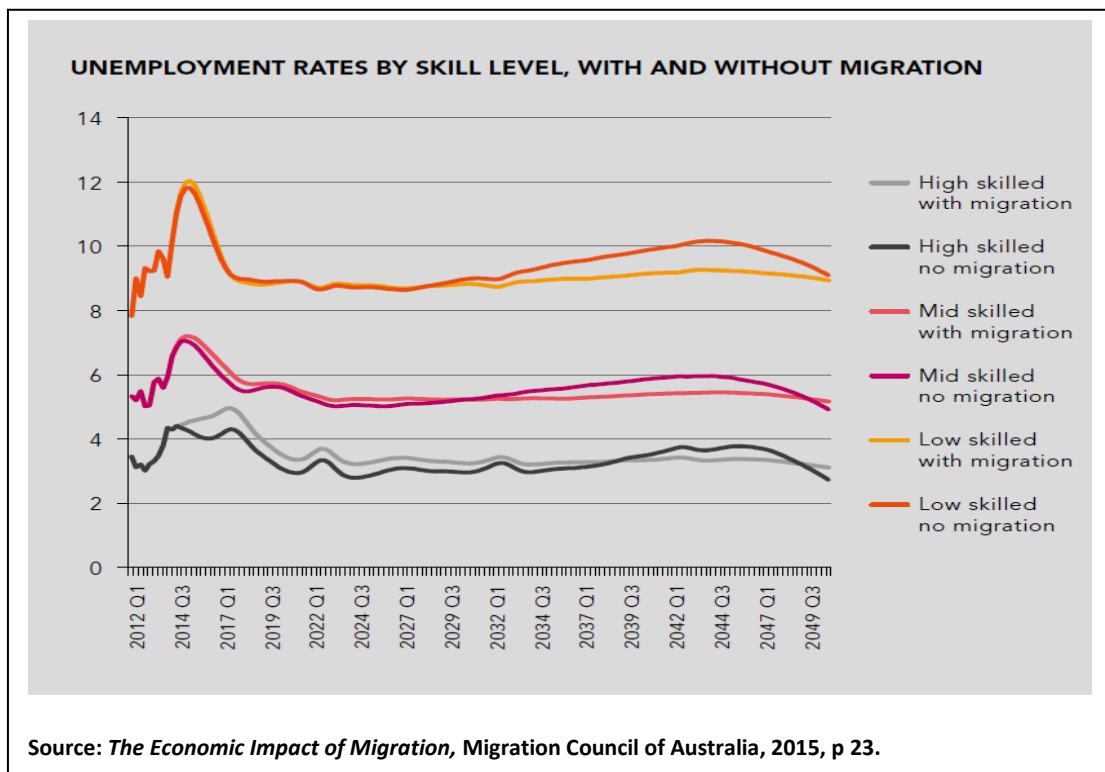
³⁷ *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, UNE, 2007, p

benefit through paying taxes. This distributional effect creates significant increases in wages and living standards for existing residents.³⁸

Impact on wages and other income

Migration enlarges the economy, boosting demand for workers of all skill levels. The MCA modelling demonstrated migration has a positive impact in increasing net wages by 9.7% overall. Additionally, it was found that the benefits had a distributional effect, accruing more strongly and generating more opportunities for lower to middle income workers. Under this modelling the effect of migration on wages to 2050 was predicted to increase by 11% for middle income workers and by 21.0% for lower skilled workers.³⁹

This modelling also refutes the commonly held misconception that migrants take jobs from Australians. While there is evidence that lower skilled unemployment is higher than for other levels in this model, this is simply a structural feature of the labour market, not migration. The effect over time of migration on unemployment is essentially neutral.⁴⁰



³⁸ Migration Council of Australia, *The Economic Impact of Migration*, 2015, p25-26

³⁹ Migration Council of Australia, *The Economic Impact of Migration*, 2015, p 25-26.

⁴⁰ Ibid, p25-26

Impact on government budgets and balance sheets

When the positive economic impacts of migration are broken down into government benefits (tax contributions) and government costs (welfare provided), it is found that while migrants contribute less than Australian born residents in terms of taxes, they also on average use less government support than Australian born residents. Additionally, payments such as pensions and social welfare are delayed as the majority of these migrants are generally younger and skilled (employable), with 63% of this intake aged between 25 and 44. The fixed costs of government funded infrastructure, such as that for telecommunications are also reduced, when shared across an increased population⁴¹. The MCA modelling shows that this fiscal position is likely to rise strongly over time.⁴²

However, the different visa streams provide differing effects, with students, temporary skilled and permanent skilled entrants showing a large positive effect on the economy and working holiday makers and other points tested visas making smaller positive contributions. Family and humanitarian migrants initially have a negative economic impact, as they settle into their new lives and may not be economically productive during this period.⁴³

As government budgets and balance sheets improve over time from migration, taxes can be lower, which in turn increases household consumption. Without migration and with a rapidly aging population draining government resources, taxes would need to be increased substantially.⁴⁴

The current migration program is an important lever of economic policy for government:

- program numbers can be reduced when the economy contracts or increased when the labour market requires more workers
- the program can target skills in demand and seek to distribute migrants to regions or to employers in need
- the program can also balance, and if necessary rebalance, economic driven programs such as skilled migration with social driven needs such as family reunion and humanitarian programs

The Government could lose these important levers of economic management if the migration program was reformed.

Recommendation 4

The MIA recommends that the points test continues as a mechanism to adjust and control the entry of migrants to Australia.

⁴¹ Ibid, p 3, 27.

⁴² Ibid, p 25-26

⁴³ Migration Council of Australia, *The Economic Impact of Migration*, 2015, p 17

⁴⁴ Ibid, p 20

Administrative and compliance costs associated with immigration

The Productivity Commission's Issues Paper notes Australia currently processes around 190,000 visa applications under the non-humanitarian permanent migration program at a cost of approximately \$587 million per annum or around \$3,000 per migrant.⁴⁵ International comparisons are likely to show Australia's processing costs under this visa program to be very competitive. However, applicants under these permanent migration streams pay visa application charges of \$1.7 billion, which appears to be almost three times the actual cost of processing their visa applications.

By comparison, Australia currently processes 13,700 visa applications under the humanitarian migration program at a cost of approximately \$3.4 billion per annum.⁴⁶ This averages around \$246,000 per migrant, close to 100 times the cost of processing applicants under the non-humanitarian program.⁴⁷

Recommendation 5

The MIA recommends that increased places be provided for humanitarian stream migration to reduce the costs associated with the border enforcement, detention, relocation and processing of asylum seekers and refugees.

The Productivity Commission has been asked to examine whether a simplified market based allocation of migration program places would be preferable to the current system. A move to reduce administrative costs may have in part prompted this proposition, however, the administrative requirements associated with the processing of Significant Investor Visas (SIV) should provide sufficient warning to abandon this idea. The demonstration of the source of funds for these five million dollar visas require an inordinate level of financial scrutiny to establish the funds used to 'purchase' these visas are unencumbered and legally acquired. Checks on sources of funds require detailed checks of each applicant's: historical employment records; historical bank statements; real estate ownership; business ownership; performance and profit distribution; statements issued by stock and bond trading companies; or trust deeds. Deeds of gift from friends or relatives, where funds to purchase a migration place are gifted, need to be verified. This intensive scrutiny is essential to maintain the integrity of the program, prevent organized crime becoming involved and to maintain public confidence.

The imposition of such a requirement across the entire migration program would significantly increase the administrative costs of processing visa applications for migration to Australia. The proposition to remove the current visa criteria requirements such as skills assessment and English language testing and replacing them with a purely market based approach is highly undesirable and should be avoided.

⁴⁵ This cost includes processing 3.9 million visitor visas and 630,000 temporary visas. This cost has not been separated from the total Visa and migration program cost of \$587 million.

⁴⁶ A total of the following costs from DIBP Annual Report 2014: (Administered Costs) Offshore asylum seeker management \$2.7 billion; Onshore detention network \$85 million; Refugee and humanitarian assistance \$38.6 million; (Departmental Costs) Offshore asylum seeker management \$441 million; Refugee and humanitarian assistance \$76 million; Onshore detention network \$33 million.

⁴⁷ \$3.4 billion divided by 13,750 places

There are other ways to reduce the administrative costs associated with the current migration program. The implementation of online applications and the reduction in visa classes must already have had some measurable impact on departmental operation costs. However, to date, not all visas can be lodged online and the reduction in visa class numbers has been less genuine than apparent, as in most cases this has been achieved by simply transferring current visa classes into subclasses of visas under a combined visa 'stream'.

Social and cultural impacts

Economic development and social cohesion are inexorably connected. A stable society is a favourable environment for business enterprise and economic growth makes it easier to achieve social cohesion.⁴⁸ The Scanlon Foundation believes that the future prosperity of Australia, underpinned by continued population growth, will depend on our ability to maintain, foster and support social cohesion in our communities as our cultural diversity continues to increase.⁴⁹

Most social costs associated with migration are short term and occur during the integration phase of settlement, but these are far outweighed by the social benefits over the longer term.⁵⁰ Migration has also improved Australia's 'social capital' with different types of sporting, cultural and leisure pursuits practiced in source countries enriching the cultural diversity of Australia, in turn has increased the range and viability of recreational and cultural activities available to existing Australian residents.⁵¹ This social capital is transferable from one community to another and while it is difficult to measure, migrants are increasingly seen as positive generators of social capital, with the whole of Australia the benefactor.⁵²

Families are fundamental to developing social cohesion, they play a crucial part in preparing children for life in society, assume some burden of care for the elderly and help in times of need. It is within the family that this cohesion is first experienced and learnt, and they assist in counteracting harmful social and market pressures.⁵³

The benefit to the wider Australian community of family reunion visas can be difficult to measure quantitatively and the significant data quality issues with measuring the social impacts of immigration are generally recognised.⁵⁴ Anecdotal evidence of the economic and social benefits of family migration abound, with common examples cited:

⁴⁸ *Evaluation of the General Skilled Migration Categories*, Birrell, Hawthorne and Richardson, 2006, pp 10-11, www.immi.gov.au/media/publications/research/gsm-report/terms_and_intro.pdf

⁴⁹ Scanlon Foundation website: <http://scanlonfoundation.org.au/social-cohesion/overview/>

⁵⁰ *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, UNE, 2007, p xii

⁵¹ *ibid*, p 149

⁵² *ibid*, p 150

⁵³ The Council of Europe: European Committee for Social Cohesion – *A New strategy for Social Cohesion*, p13, http://www.coe.int/t/dg3/socialpolicies/socialcohesiondev/source/RevisedStrategy_en.pdf

⁵⁴ *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, UNE, 2007, p 4

- applicants joining their Australia partner often bring marketable job skills, experience and qualifications that enhance the Australian labour market.
- grandparents assist with childminding which in turn allows parents of young children to both participate in the workforce and pay tax, leaving them with more discretionary income and reducing the impact on government subsidised child care.
- relatives of the elderly or infirm migrate to Australia to take on carer responsibilities that allow care in the home and reduces the burden on government subsidised aged care services.

Recommendation 6

The MIA recommends that increased places be provided for family stream migration in recognition of the economic benefit, social cohesion and cultural benefits these migrants also bring to Australia's economy.

Impacts on the urban amenity of existing residents

Although migration and population policy are interrelated, the impact on urban amenity from migration is not an area on which the MIA can make informed comment. However, it is apparent that some Australian cities, notably Sydney and Melbourne, are comparatively overcrowded, have inflated housing costs, poor infrastructure, such as effective public transport systems and are increasingly polluted. It is unfortunate that these are also the locations where the majority of migrants wish to settle, as they also provide employment, services and mature migrant communities who provide support and ethnic consumer products and produce.

The migration system contains visa classes that provide incentives to encourage migrants to settle in regions outside the major metropolitan hubs. Much stronger incentives could be implemented through the migration program if required.

Recommendation 7

The MIA recommends that further investigation be conducted into the impact on urban amenity from migration to specific metropolitan and regional areas of Australia

Recommendation 8

The MIA recommends that the incentives for settlement in specific areas or regions be encouraged through the migration program to minimise potential negative impacts on urban amenity.

Environmental impacts

The impact of migration on the environment is also not an area on which the MIA can make informed comment. It is clearly evident that the environment is also impacted by migration increasing the overall population and strain on natural resources. Sydney and Melbourne are already vulnerable to lower and poor quality water supplies, and Perth is already dependent on desalination for its water supply. Fresh food production land is rapidly being converted for housing stock.⁵⁵ However, the annual net migration figures are well below those for the annual total amount of temporary migrants, which includes visitors to Australia, who make more significant demands on the environment.

The migration system could again play a role in encouraging or even preventing migrants from settling in locations at risk of negative environmental impacts resulting from increased settlement.

Recommendation 9

The MIA recommends that further investigation be conducted into the environmental impacts of migration on specific metropolitan and regional areas of Australia.

Recommendation 10

The MIA recommends that the incentives for settlement in specific areas or regions be encouraged through the migration program to minimise potential negative impacts on Australia's environment

The links between temporary and permanent immigration

Interaction between temporary and permanent intakes

The United Nations Global Commission on International Migration⁵⁶ reported in 2005 that migration across the globe is becoming more temporary than permanent in nature and more circular, with migrants returning to their home countries on a more regular basis. The historic model of migration, followed by settlement and eventually citizenship is becoming less relevant. It is being replaced by a period of more global mobility, labour flexibility and dispersal of households – a model of ‘transnationalism’. This new model does not just apply to the rich, with Filipino maids working across Asia and Indian guest workers working throughout the Middle East.

⁵⁵ Presented paper: *Research into the Long Term Physical Implications of Net Overseas Migration*, Sobel, DIAC Colloquium on the Economic and Physical Impacts of Migration, 2010.

⁵⁶ *Migration in an Interconnected World: New Directions for Action*, Report of the Global Commission on International Migration, 2005 <http://www.queensu.ca/samp/migrationresources/reports/gcim-complete-report-2005.pdf>, p 31; also *Social Costs and Benefits of Immigration into Australia*, Carrington K., McIntosh A & Walmsley J, UNE, 2007, p xii

As the world becomes more ‘transnational’ and the workforce becomes more global and mobile, Australia needs to be able to capture greater numbers of these temporary migrants and attempt to convert more of them into long term permanent migrants. The opportunity for prospective migrants and their prospective employers to ‘try before you buy’ through temporary migration appears to have been a positive factor contributing to the success of Australia’s skilled migration program.

The levels of Australia’s temporary migration programs are in many respects self-regulating. The numbers of 457 visa grants closely follows the level of activity in the Australian economy. These 457 applications also follow labour market trends in various sectors. Demand for subclass 457 visas, for example, declined following the global economic downturn, with 33% fewer granted in 2009–10 than in 2008–09 and 40% cent lower than in 2007–08. Similar adjustments can be seen in the 2014-15 program with decreases of around 4.1%.⁵⁷

The level of student visa applications varies depending on the value of the Australian dollar and how competitive Australian providers are compared to international competitors. The level of Working Holiday Makers can vary depending on employment prospects for younger workers in their home country.

Given the above, there appears no compelling case to either cap temporary visa programs, or replace existing programs with a market based program to auction temporary visa places. Such moves would in fact limit Australia’s ability to capture a share of this globally mobile population of skilled workers and students and would likely see Australia lose share to other countries at a longer term economic cost to the country.

Recommendation 11

The MIA recommends that current temporary migration program settings be maintained.

Visa Fees, Charges and Alternatives

Current charging regimes

The basis of the current charging regime is not transparent and considerable differences exist between the cost of the various visa classes, for example permanent skilled migration and partner visas. As previously calculated in the above administrative and compliance costs section, the administrative cost of visa processing appears to be around \$3000, while the average charge must be in the order of almost \$9000 based on the DIBP income of \$1.7 billion. A proportion of this ‘profit’ can be attributed to the above average charges imposed on some visa

⁵⁷ DIAC Annual Report 2009-10; DIBP Quarterly Report 2015: <http://www.immi.gov.au/media/statistics/pdf/457-quarterly-report-2015-03-31.pdf>, p 1

classes, such as partners and also to the second visa application fees (VAC) paid by contributory parents applicants.

The Contributory Parents Visa Subclass 143 introduced several years ago requires applicants to pay a second additional VAC of \$43,600. This second fee essentially allows them to jump the 30 year long queue of aged parents wanting to join their families in Australia. The second VAC recognises the possible health costs they may incur once they become permanent residents. These applicants are eligible for Medicare when they arrive, but are prevented from accessing other social security benefits for 10 years. While there was initial shock and scepticism at the associated costs when this visa class was introduced, it has now been largely accepted. The DIBP provides 7175 places under this contributory parent scheme per year, 4.5 times that for non contributory parents and already there is a two year wait for these visas.

Similarly, an additional VAC is levied in some skilled migration visa classes where the dependents of the main applicant do not meet a level of 'functional' English language ability. These VACs are currently \$9,800 for dependents over 18 years old and \$4890 for those under that age, per person. This allows these applicants 'free' English language education after arrival. It is assumed that these funds are fully transferred to those government bodies that administer this education and not included in DIBP revenue.

Recommendation 12

The MIA recommends that the fees and charges levied on visa applicants be reasonable, equitable and support the objectives of the migration program.

Recommendation 13

The MIA recommends that visa application fees and charges levied on applicants be used to provide improved service standards and reduce visa processing waiting periods.

Entry charges – The Becker Solution

As noted in the previous section, there are precedents for applying additional 'entry charges' to ameliorate some of the cost to Australia for newly arrived migrants. The Becker model,⁵⁸ with which this inquiry seems particularly enamoured, goes much further in providing its radical solution to migration problems.

Becker proposes a solution that removes most entry requirements, including human capital measures, in favour of a free market approach or economically rational approach of 'selling' migration places. It must be noted that Becker's model was developed against the background of the American immigration program which features low numbers and difficult pathways for skilled entry, an illegal immigrant inflow of 1,000,000 persons per annum and strong opposition to migration from its

⁵⁸ Becker G, *The Challenge of Immigration – A Radical Solution*, 2011, p 25

citizens. These circumstances are very different to those of Australia's migration programs.

It is interesting to note that Becker argues a free market system would encourage, the young, skilled and committed to purchase these entry rights.⁵⁹ Australia's migration program already does this through its points tested skilled migration program. The difference in Becker's approach is that governments reap a huge and immediate revenue bonus.

Even more problematic is the 'modest' free market proposal of Richard Vedder, who suggests visa places be 'auctioned', allowing the free market adjustments according to the supply and demand models.⁶⁰ This model argues that a range of distributional benefits will accrue to existing citizens, not least of which is a direct and observable decrease in tax, if the revenue is directed that way. Vedder's argument that such a system does not overtly discriminate against persons on the basis of race, gender, religion or other group characteristic is specious. Such a system is inherently discriminatory against those with backgrounds that do not allow the amassing of wealth and most of this is based on the very characteristics he identifies.

Recommendation 13

The MIA recommends that the ability to pay an entry charge not be used as the primary criteria for obtaining an Australian visa.

Recommendation 14

The MIA recommends that the visa application fees and charges levied on visa applicants not be used to raise revenue to address Australia's general economic deficits.

There may be some merit, however, in considering the introduction of second VACs to further visa classes to offset shorter term costs to the Australian economy and government costs. These second VACs could provide for shortfalls in points for points tested visas. Again there is a precedent in past Australian migration programs. Prior to the current system, skilled migrant applicants could obtain 5 extra points by investing \$100,000 for 12 months in an Australian account. Unfortunately, this system led to the 'recycling' of these funds through multiple applicants, with probably little gain to the economy. A similar voluntary VAC choice requirement could be reintroduced to the current points test system, but in this case the revenue would be paid to the government, rather than being eventually refunded to the applicant.

There are also a small number, probably less than 500, overseas retirees living in Australia on rolling temporary Subclass 405 Investor Retirement visas. They have become 'permanent temporary residents' of Australia, caught by changes to previous migration programs which closed the permanent pathway for this visa class. The balance of family test criteria for parent visas is a barrier to the majority of these

⁵⁹ Ibid, p 28

⁶⁰ Vedder R, *Immigration Reform: A Modest Proposal*, 2012.

obtaining parent class visas. This test requires them to have more than half their children living in Australia or not more than half living in their home country. These retirees are 'cashed up', they meet their own health costs and many own homes here. They are little burden to the public system, but cannot achieve permanent residency. Consideration should be given to possibly offering them a second VAC option to allow them to obtain permanent residency.

Recommendation 15

The MIA recommends that Subclass 405 Investor Retirement visa be permitted to convert their temporary status to permanent residency by the payment of a second visa application charge, set at the same amount as the second visa application charge for contributory parent visas.

What are the rights and obligations being purchased

New non-humanitarian permanent residents are generally eligible for Medicare on arrival and enrolment for children in state government schools. They are usually unable to access other forms of social security/benefits for two years. For parent visa classes, the waiting period for pension benefits is ten years. Humanitarian entrants are not subject to these bars and are also offered other welfare assistance.

These measures appear satisfactory at this time.

Recommendation 16

The MIA recommends that the current access to government funded benefits for temporary and permanent visa applicants continue.

Impacts of a charging regime and changes in the immigrant intake

Australia's current migration policy gives priority to skilled migration, by allocating two thirds of program places to skilled migrants and one third to family reunion. Many studies and economic analyses demonstrate the clear economic benefits to the Australian economy of skilled migration over other migration programs.⁶¹ A young skilled worker who has already been educated elsewhere at someone else's expense, is likely to work and earn above average income and pay above average taxes for 30-40 years, before they utilise government pensions, aged care and health services at public expense. However under a market based migration program, where limited places are sold to the highest bidder, the young skilled worker is unlikely to be able to afford to migrate to Australia.

Contrary to Becker's assertion that those paying for visas would be more motivated, younger and skilled, a program where places go to the highest bidder is likely to favour older migrants closer to retirement who have had the opportunity to save to pay what would likely be a very high fee. A likely migrant under such a market based program may not need to work, may pay less in taxes and may sooner after arrival access public pensions, aged care and health care services than a young skilled

⁶¹ See for example: <http://www.immi.gov.au/media/publications/research/index.htm>

migrant. Alternatively, the young with wealthy parents may eschew the skilled migration pathway of an education in Australia, employment experience on a temporary working visa, before eventually achieving their prized permanent residency.

Australia's current emphasis on skilled migration over the last decade has demonstrated the benefits skilled migrants deliver to the whole economy and the government budget. While large upfront boost to government coffers appears attractive in Becker's model, the danger of longer term reductions in human capital would eventually be unsustainable. With only a relatively small proportion of Australia being arable and resources decreasing, Australia's migration program must make the best use of available resources. The sale of migration places must be viewed as a short term finite solution to revenue raising alone. The growing popularity of the Significant and Premium Investor Visa streams, which have few residency or other requirements for migrants with large financial reserves, provides an example of what can happen when visas are 'sold'. It is reported that high numbers of particularly Chinese applicants do not intend to permanently settle in Australia after they acquire permanent residency. Rather they consider this residency an 'insurance policy' to be drawn upon if life becomes untenable in their own country. Such attitudes will most likely have negative flow on effects for the social cohesion of this country. A cynical observer, however, may consider the \$5 million contribution sufficient to address such social deficits.

Recommendation 17

The MIA recommends that the integrity of Australia's migration program continue to be protected through the mechanisms of the current skilled, family and humanitarian streams

Potential unintended consequences of moving to a charging regime

Becker's model also does not account for the mix of human capital required to build an economy and promote social cohesion. As a critique of this proposal in *The Economist* points out 'America may need a lot of scientists, but end up with an excess of Indians near retirement age'.⁶²

International students make a major economic and social contribution to Australia and in 2014 there were over 450 000 international students onshore.⁶³ International students onshore contributed \$15.7 billion to the Australian economy in 2013-14.⁶⁴ It is Australia's 4th largest export after iron ore (\$74.7 billion), coal (\$40.0 billion) and natural gas (\$16.3 billion). It is the largest *services* export ahead of other personal travel services (\$13.9 billion); and professional and management consulting services (\$4.6 billion).⁶⁵

⁶² *The Economist: The Price of Entry*, 4 June 2010, p 3/3

⁶³ *International Education Services*, Productivity Commission, 2015, p2

⁶⁴ Australian Bureau of Statistics, *International Trade in Services* series, November 2014

⁶⁵ Dept of Education and Training: Research Snapshot: *Export income to Australia from international education activity in 2013-14*, November 2014

It is likely to cost an average international student in the order of \$200,000 or more to study in Australia across the term of a university degree, taking into account tuition fees and living costs. If a migration place was able to be purchased for any less than this amount, this extremely important sector of the Australia's economy will be cannibalised, leading not only to loss of revenue, but also the human and social capital associated with the sector.

Recommendation 18

The MIA recommends that the important student visa program and international education export market be protected by maintaining attractive pathways to skilled migration and permanent residency for international students who study in Australia.

Becker also suggests that employers might fund workers visa costs in return for paying reduced income and ensuring a stable workforce. Such a system is extremely vulnerable to employee exploitation. Evidence already exists of similar practices in Australia where 457 visa holders are forced to remain with their sponsoring employer for 2 years in order to qualify for permanent residency under the Temporary Residence Transition streams. After remaining for two years, there is no obligation on an employer to nominate their 457 employee for permanent residency and some even refuse to because they will lose their control over the employee.

Threats to the integrity of Australia's migration program could also occur. The DIBP expends a considerable amount of time and energy ensuring that criminal elements cannot exploit the migration system fraudulently or circumvent entry requirements. The introduction of market based visas would open the way for previously unheard of conduits to such activities.

Other considerations

Role of Migration Agents

Australia's migration sector is subject to a strict legal enforcement regime, designed to ensure protection to the consumer. Currently, it is illegal under the Migration Act of Australia to provide migration advice without being registered to do so. However, this will change once the recommendations of the Kendall Report on the Office of the Migration Agent's Registration Authority are implemented which will exclude lawyers from being registered to provide migration advice. Registered Migration Agents (RMA) are governed by the Act but are also required to operate in accordance with an enforceable professional Code of Conduct. Sanctions for breaching this Code range from warnings to cancellation of registration.

The Code of Conduct requires the RMA to act in the legitimate interests of their client; to ensure that their own interests do not conflict with their client's legitimate interests; to refrain from involvement in a business, or any other investments in which their client invests in a manner that would give rise to any actual or perceived

conflicts of interests. Compliance with the Code would be difficult if RMAs became involved in obtaining and selling finance to purchase a migration program place under a market based program.

RMAs are professionals with post graduate qualifications in migration law and practice, they deal with highly complex and continually changing migration legislation, regulations and policy, they are not and most would not want to be financial salespersons or spruikers for visas.

Recommendation 19

The MIA recommends that the complex role of providing immigration advice and immigration assistance continues to be regulated to protect consumers and applicants.

Recommendation 20

The MIA recommends that providing immigration advice and immigration assistance remain the role of Registered Migration Agents and migration lawyers.

Recommendation 21

The MIA recommends that Registered Migration Agents and migration lawyers not become responsible for the sourcing of finance for entry charges for Australian migration.

Conclusion

The current skilled migration program has served Australia well, it provides positive financial benefits to the Australian economy and adds to the stock of human and social capital in the broader community. The MIA supports this managed migration program that delivers a range of economic and social benefits for all Australians. The MIA believes that the current program largely delivers these benefits. The MIA does not find any evidence that a substantial change to the current immigration program is required.