

Response to Productivity Commission Inquiry: **Migrant Intake into Australia**

Submitted to:
Australian Government Productivity Commission
June 2015

Introduction

AMES Australia is a specialist organisation providing initial settlement, English language, vocational training and employment services to newly arrived refugees and migrants in their initial phase of settlement, and to longer term migrants who require support to gain employment. AMES also works with significant numbers of people seeking asylum in Australia. AMES provides services in Victoria, works with approximately 45,000 people a year and has over 60 years' experience. In July 2015 AMES will also commence delivery of employment services in Sydney and in December 2014 commenced delivery of settlement services in Nauru.

AMES Australia works with clients who have arrived on the all of the major permanent migration streams including Humanitarian entrants, Family stream and Skilled Stream. A small number of clients who arrive on Business visas also access AMES English language programs.

The primary focus of AMES services is to transition refugees and migrants to successful settlement in Australia. AMES delivers a number of significant government contracts to support these transitions. These contracts include:

- Humanitarian Settlement Services (HSS) in all contract regions in Victoria on behalf of the Department of Social Services
- Adult Migrant English Program (AMEP) in seven of the eight contract regions in Victoria on behalf of the Department of Education and Training
- JobActive in the 5 contract regions in Melbourne and in 1 in Sydney.
- Skills for Education and Employment (SEE) program in 2 contract regions in Victoria on behalf of the Department of Education and Training
- Status Resolution Support Services (SRSS) across Victoria on behalf of the Department of Immigration and Border Protection (DIBP)
- Settlement Services in Nauru on behalf of the Department of Immigration and Border Protection (DIBP)

AMES attended a meeting with Productivity Commissioners on 2 June 2015 to provide input to the Migrant Intake Inquiry and provides further input in this paper.

The paper briefly addresses seven areas.

1. Decision making in a holistic context
2. Costs and benefits of migration to Australia
3. Investment in early settlement
4. Considerations relating to Partner and Spouse visas
5. Considerations in supporting families
6. Considerations in increasing visa charges
7. Alternative methods of determining intakes

1. Decision making in a holistic context

AMES view is that any considerations in changing visa arrangements cannot be undertaken in isolation. Migration is an integral part of Australia's history, the society that now constitutes contemporary Australia and is equally strongly linked to Australia's future economic prosperity. Successful migration, settlement and the benefits of a multicultural society rely on the interaction of many complex factors.

This is not to suggest that there are not opportunities to continue pursuing new avenues to expand and improve on Australia's success through the current Productivity Commission Inquiry. However, while there may appear to be positive impacts, for example, in making substantial changes to visa fees or considering a policy scenario that involves entry changes as the primary basis for determining entry these need to be considered in the context of this complexity.

The following discussion is undertaken in this context.

2. Costs and benefits of migration to Australia

AMES position is that any consideration of increased visa charges should take a long term perspective in assessing the economic costs and benefits.

Particularly important in this context is the challenge faced by Australia of an ageing population, a decreasing number of people of working age in the future, the significant long term impacts on the tax burden and revenue projections. While migration cannot solve Australia's demographic problems it can assist in mitigating this challenge.

A recent study commissioned by the Migration Council and undertaken by Independent Economics¹ argues that migration will have a profound positive impact not just on population growth, but also on labour participation and employment, on wages and incomes, on our national skills base and productivity. The following projections estimated in this report are important to note.

- Australia's projected population will be 38 million by 2050 and migration will be contributing \$1.65 billion to Australia's GDP
- Migration will have added 15.7 per cent to our workforce participation rate as a result of the younger average age and higher labour force participation rates of migrants compared to existing Australian residents
- Migration will have added 21.9 per cent to after tax real wages for low skilled workers
- Migration will have added 5.9 per cent in GDP per capita growth
- Migration will have led to a 60.4 per cent increase in the population with a university education as a result of migrants on average more highly educated than existing residents

¹ *The Economic Impact of Migration: independent economics / Migration Council Australia*

The majority of the benefits attributed to migration in this report result from the Migration streams. The Humanitarian program represents a small percentage (less than 8%) of the total intake.

As indicated on the Australian Government Department of Immigration website Australia's Humanitarian Program is an important part of our contribution to the international protection of refugees. It is designed to ensure that Australia can respond effectively to global humanitarian situations and that support services are available to meet the specific needs of these entrants².

The primary purpose of this program is, and should always remain, humanitarian. However, in the context of considering costs and benefits, there is evidence to support added benefits of economic contributions of entrants who come under the Humanitarian Program. Research undertaken by Professor Graeme Hugo found that the overwhelming picture, when one takes the longer term perspective of changes over the working lifetime of Humanitarian Program entrants and their children into account, is one of considerable achievement and contribution³. Evidence outlined in this report includes the following.

- The Humanitarian Program yields a demographic dividend because of a low rate of settler loss, relatively high fertility rate and a high proportion of children who are likely to work the majority of their lives in Australia. It finds evidence of increasing settlement in non-metropolitan areas which creates social and economic benefits for local communities.
- Humanitarian entrants help meet labour shortages, including in low skill and low paid occupations. They display strong entrepreneurial qualities compared with other migrant groups, with a higher than average proportion engaging in small and medium business enterprises.
- Whereas very few (three) first generation refugee-humanitarian birthplace groups in the study have a higher level of workforce participation than the Australia-born, for the second generation of these groups a clear majority have a higher level of participation than the Australia-born. Data in the report demonstrates that there are massive increases in labour force participation rates between first and second generation migrants and striking patterns of intergenerational mobility in terms of labour force participation.

AMES notes that the Productivity Commission intends to undertake modelling to assess impacts and strongly support this approach to inform recommendations made as part of this Inquiry.

² <https://www.immi.gov.au/visas/humanitarian/>

³ Hugo, G 2011, *A Significant Contribution: the Economic, Civic and Social Contributions of First and Second Generation Humanitarian Entrants*, Report prepared for the Department of Immigration and Citizenship, Australia, http://www.immi.gov.au/media/publications/research/_pdf/economic-social-civic-contributions-booklet2011.pdf.

3. Investment in early settlement

While not considered as part of the scope of the Productivity Commission Issues Paper a component of the overall success of Australia's migration program is the investment Australia makes in ensuring that migrants in some visa streams are well supported on arrival. This is a post migration investment and is separate to consideration of visa fees. However it is one of the factors that impacts substantially on the success of Australia's migration program and is therefore important to take into account in deliberations in this Inquiry.

This investment results in support in the following areas.

- Assistance for new arrivals who have low levels of English (below ISLPR 2⁴) to learn English in the Adult Migrant English Program (AMEP). It includes a user pays component for migrants who are in visa categories that do not entitle them to free English classes that is paid as a component of visa fees.
- Orientation to Australia as a component of the AMEP
- Orientation to employment in Australia through the SLPET program as additional component in the AMEP (Settlement Language Pathways to Education and Training)
- More intensive settlement support for entrants who arrive as part of the Humanitarian Program through the Integrated Humanitarian Settlement Strategy (IHSS)⁵

This investment in initial settlement support is essential from a number of perspectives.

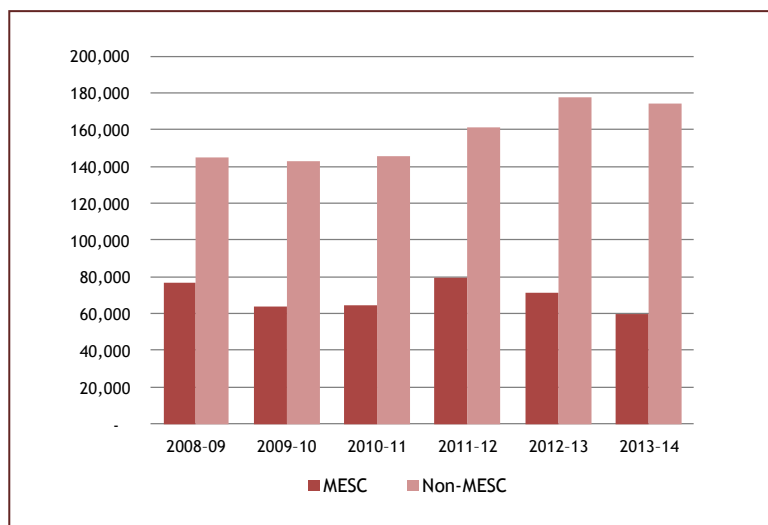
- It provides the required support to enable new arrivals to settle as quickly and effectively as possible and begin to make a social and economic contribution in their new country
- It allows Australia take advantage of the skills, experience and capacity to contribute to Australia's economy as soon as possible
- It impacts on the acceptance of new arrivals into the broader Australian community where they are seen as willing and able to contribute economically and engage in mainstream activities and therefore contributes to social cohesion.

The changing composition of Australia's migrant intake further impacts on the need to ensure investment in early settlement. Fewer migrants are coming from Main English speaking countries (MESC), which include New Zealand, United Kingdom, America, Canada and South Africa than in the past. Almost one quarter of migrants between 2008 and 2014 came from China or India and overall 70 per cent of new migrants in this period came from Non-MESC (Department of Immigration and Border Protection 2015)*.

⁴ AMEP eligibility ends at ISLPR 2 or "Basic Social Proficiency" which is defined as "Able to satisfy basic social needs, and routine needs pertinent to everyday commerce and to linguistically undemanding 'vocational' fields." <http://islpr.org/why-use-islpr/summary-of-islpr/>

⁵ IHSS includes case management, registrations with essential services, connection to health services, initial accommodation and support to establish stable long term accommodation

Chart 1: Main English speaking country (MESC) permanent migration 2009-2014



Source: (Department of Immigration and Border Protection 2015)

While AMES notes that there are gaps in services for migrants who arrive in a number of visa streams (refer below for discussion on Partner and Spouse visas) the investment in migrants and refugees who are currently able to access support is essential in contributing to Australia’s successful migration program.

4. Considerations relating to Partner and Spouse visas

Characteristics of Partner and Spouse visa holders

In terms of utilising all of the assets that can result from migration to Australia there are issues particularly with respect to migrants who arrive on Partner or Spouse Visas. Within the Skilled stream, approximately half are primary applicants who must demonstrate they have ‘in demand’ skills and the other half are their immediate family members: partners and children. In many cases partners of primary Skilled migrants are also highly qualified professionals⁶. From an economic perspective, this could be considered a key strength of the Skilled stream but is also a resource that is significantly under-utilised.

Labour market outcomes

AMES is currently completing research for the Office for Women to investigate the employment situations of women on Partner and Spouse visas. The full report will be available post June 2015. The findings indicate that within the group surveyed, there is significant under-utilisation of skills. A total of 63 women participated in this study. They came from Queensland, New South Wales, South Australia, Western Australia, Victoria and the ACT.

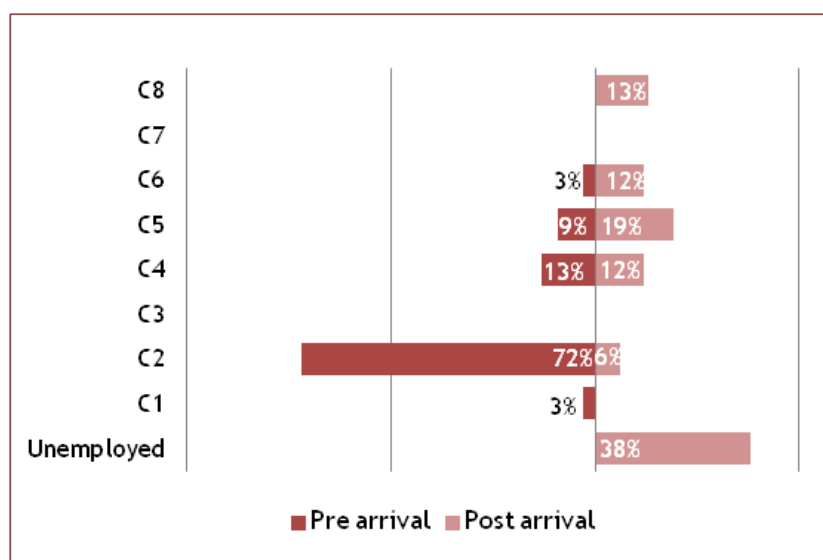
⁶ Department of Immigration and Border Protection 2014c, Continuous Survey of Australia’s Migrants: Cohort 1 Report - August 2014, DIBP, Canberra, viewed December 2014, <http://www.immi.gov.au/pub-res/Documents/research/csam-2014-cohort-1.pdf>.

Department of Immigration and Border Protection 2014d, Additional data provided to AMES from the Continuous Survey of Australia’s Migrants: Cohort 1 Report - August 2014, DIBP, Canberra, viewed December 2014.

Summary data from the report includes:

- Prior to migration all participants in this study were employed with almost three quarters of the women employed in professional occupations including 3 per cent in managerial roles and 13 per cent as community and personal service workers
- After they arrived in Australia respondents experienced a significant shift in their occupational status. More than one third (38 per cent) were unemployed. Those who were employed were working in lower skilled positions as clerical and administrative workers and labourers.

Chart 2: Occupation before vs after arriving in Australia



Notes: This is based on the Australian and New Zealand Standard Classification of Occupations (ABS 2013b): C1 - Managers; C2 - Professionals; C3 - Technicians and Trades Workers; C4 - Community and Personal Service Workers; C5 - Clerical and Administrative Workers; C6 - Sales Workers; C7 - Machinery Operators and Drivers; C8 - Labourers.

(Among the 32 respondents who did one-on-one interviews, 72 per cent of them were professionals in the areas of Business, Human Resources and Marketing; Education; Health; IT; and Science before arriving in Australia.)

Examples of the employment that respondents were doing at the time of interview included the following.

- A respondent with a Master's Degree in Economics had applied for positions at Subway. Her hours of work varied from week to week, but she could work up to 20 hours a week over three to four days including the weekends and was responsible for closing late, after 11pm. She preferred to be working rather than not working even through this was not her ideal job.
- A respondent who was a qualified engineer was working in a laundry.
- A respondent with a degree in Marketing and Communications found work with her family through her local community networks picking strawberries
- A respondent living in rural Victoria secured work at a meat-processing factory for four days a week. She had qualifications and a background in IT

In addition to under-utilisation and skills and substantial occupation downgrading there are related social issues. One of the key findings of this study is the impact that not finding a job has had on the mental health and wellbeing of the women in this study. They spoke about losing their confidence the longer they were out of the workforce. They started to doubt their capacity to undertake work in their professional area and their level of skill. It eroded their self-esteem and some experienced depression and had a profound impact upon the settlement experience of some of the respondents.

Interventions to address these issues

Taking into account the issues noted above in terms of investment in early settlement and gaining the maximum benefit from Australia's migration program, there are opportunities to improve this situation. This can result in benefits in terms of utilisation of skills for Australia and benefits to individuals.

AMES has developed and delivered programs over a number of years that target this group of migrants with overseas professional skills. The program is a four-week intensive program that assists migrants with professional qualifications to develop job search skills in Australia. An evaluation of the program undertaken in 2013 that tracked outcomes for 239 program participants in the program from 2010 to 2012 found the following.

- Participants came from a diverse range of professional backgrounds with the largest proportions having backgrounds in engineering, IT, accounting and finance.
- Before enrolling in the program less than 35% of participants had worked in Australia. Those who had worked were mostly in low skilled or non-professional jobs.
- After enrolment in the program employment situations had significantly improved; 89% had found work and of this group 64% were in a professional position
- 80% of participants rated the usefulness of the program as very high

AMES is continuing to track clients who undertake these programs and results continue to be positive. 159 participants completed courses in 2013. Of these, 131 (82%) participants were able to be contacted. Outcomes continued to be strong. 81% of the respondents had found employment in the twelve months since completing the program. Nearly 70% of the respondents arrived in Australia on a Skilled visa (48% on Skilled Independent and 20% on Skilled Sponsored), while 13% were on a Family visa. Four respondents were on a Humanitarian visa.

It would be possible to develop payment models for these programs that were cost neutral in terms of direct costs and provided flow on benefits to the economy once these migrants were in the workforce in areas that used their skills - for example increased tax revenue and consumer spending. Funding options for consideration for these programs could include the following.

- Increased visa fees for particular groups who are likely to benefit from this type of orientation program and allocation of a percentage of this increase to fund programs

- Explore further highly targeted increases in visa fees - for example increases in the permanent employer sponsored stream or temporary 457 visas where employers stand to benefit immediately from migration and could reasonably contribute to the effectiveness of the migration program more broadly
- Consider the introduction of a HECS style fee that would be repaid once the participant commenced employment
- Fund the program through existing funding streams based on the premise that the investment will be returned through broader economic benefits to the Australia economy as a result of increased workforce participation and skill utilisation. (SkillMax in NSW receives an annual budget from the NSW Government of \$1.9 million. It is delivered through AMES (Adult Migrant English Service) based in NSW⁷ and is available through TAFEs in the metropolitan area and regional NSW as well as some community colleges in NSW. It is free for suitably qualified migrants to attend the course).
- Offer interest free loans through corporate sponsorship with one or more banks. (In the USA this model is used with the aim of the loan being to assist skilled migrants to cover the costs of job searching courses/programs).
- A mutual obligation approach on the part of the person receiving assistance is also one option used in the USA. A program in the USA adopted this approach to ensure the long term sustainability of the program. There is an expectation that clients, who complete the program and get work, then mentor new clients commencing the program to assist them to enter the workforce.

5. Considerations in supporting families

The importance of supporting families

Further consideration in rethinking issues related to migration is the importance of viewing migration not as a set of discrete individuals but as families, partners and possibly extended family members. This is also relevant to considerations of investment in early settlement noted in a previous section. The example of the resettlement of the Karen⁸ in Nhill described in this section demonstrates the economic and social benefits of this investment.

AMES experience as a settlement agency is that migrants and people who arrive on Humanitarian visas are not able to fully settle until families are re-united. It is therefore important to consider impacts on the capacity to settle families rather than only individuals in reviewing any changes to mechanisms to determine immigrant intakes and impacts of particular charging options. This aspect is important in terms of social cohesion and sustainability of settlement and a particularly important consideration in regional settlement.

⁷ There is no relationship between AMES based in Victoria and AMES (Adult Migrant English Service) in NSW. Both are separate organisations and legal entities.

⁸ More than 140,000 refugees live in refugee camps along the Thai-Burma border; most of whom identify as ethnic minority Karen. In 2005, the United Nations High Commissioner for Refugees (UNHCR) registered asylum seekers living in the Thai-Burma camps and began mass global resettlement. While the majority of Karen were resettled in America, Australia resettled the second highest number (approximately 11%; over 7,000).

Regional settlement in this context

One imperative of Australia's migration program is to encourage settlement in regional areas. This imperative has had varied levels of success. In AMES experience in addition to the essential requirement of employment, two factors that support sustainable and successful resettlement in regional areas are ensuring that (1) whole families resettle and (2) the host community is well prepared to respond to the needs of families.

There are a number of examples of regional resettlement where the focus has been primarily on sourcing labour for an identified labour shortage - often in meat processing. While the labour shortage has often been met this it has not resulted in sustainable settlement. One significant reason for this is that workers have moved as single entities without families and have not put down any permanent roots in the regional location. Instead, the pattern is for these workers to travel regularly back to the major city where their community is based and for employment to remain only in one industry.

An alternative approach was taken to resettlement of members of the Karen community in Nhill, regional Victoria. In late 2009 AMES worked with a regional employer (Luv a Duck) who had a need for labour. In this case the initial labour was primarily low skilled, providing an example of the advantages of low skilled labour forces noted in the Hugo research above. What has eventuated over the subsequent five years is a very successful example of resettlement.

AMES and Deloitte Access Economics undertook an economic and social impact assessment in 2014 to document this successful resettlement and identify the critical success factors⁹. Two factors of particular relevance to this Productivity Commission Inquiry are (1) the attraction of whole families rather than individuals as part of the recruitment of labour (2) the effort invested by the Nhill community in supporting the whole family to settle. The availability of employment first at Luv a Duck (and subsequently expanding to include with other local employers) was assessed in the report as the single necessary factor but while a necessary condition it is not, by itself, sufficient to have ensured that the Karen settled successfully.

Measurable benefits of this approach reported in the AMES and Deloitte Access Economics study include the following. During the five year period of analysis (2009 - 2014)

- Around 160 Karen were well settled in Nhill including many families with children accounting for approximately 10% of the Nhill population and acted to partially counter the population decline in the region
- There has been an increase in GRP of \$41.95 million accounting for approximately 4.4% of Hindmarsh GRP
- A total of 70.5 FTE positions had been added to the regional economy representing about 3% of total employment across Hindmarsh

⁹ *Small Towns Big Returns: Economic and social impact of the Karen resettlement in Nhill. A joint AMES and Deloitte Access Economics Report.*

- At the time of the survey in each of the 31 households surveyed a minimum of one person was working with the majority of households having more than one working member
- Local services have been revitalised including; 31 children have attended Nhill College; a ten- fold increase in funding and significant expansion of programs at the local Nhill Learning Centre; and increasing funding and services provided by Wimmera Development Association

6. Considerations in increasing visa charges

AMES view is that it would be unwise to focus too strongly on increased fees where a consequence may be decreased attractiveness of Australia as a preferred destination for young, skilled migrants.

As noted in the Productivity Commission Issues Paper, Australia is one of many potential destinations for prospective migrants and Australia may be “competing” for particular types of migrants against comparable economies. AMES concurs with this view. It is essential that changes to arrangements do not impact adversely on attraction strategies and Australia’s overall competitiveness.

The considerations raised under Costs and Benefits of migration are also relevant in assessing whether increases in visa fees will have overall net benefits. Australia’s reliance on migration to ensure a supply of skilled labour and support continued growth in the context of Australia’s ageing population is a strong factor in considering potential impacts of changes to visa fees.

7. Alternative methods of determining intakes

The Productivity Commission has been requested to examine the scope of alternative methods for determining migrant intakes, including a scenario that involves entry charges as the primary basis for determining migrant entry to Australia. AMES makes a number of points in relation to this proposal.

The Issues Paper raises the issue of whether this system may conflict with the high level objectives of Australia’s immigration regime. AMES confirms that this is a matter for serious consideration.

Retaining the skill base as an economic imperative of migration

Managing migration flows to increase the pool of talented, qualified people in the workforce is a core strategy to boost economic growth and productivity. Accordingly, government policy has focussed on increasing Skill stream migration into Australia, to attract new migrants to fill skill shortages. AMES believes that this economic driver of migration need to be retained as one factor to ensure that migration provides advantages to the Australian economy.

Having a strong Skilled stream component based on sound analysis of projected skill shortages is integral to reaping these benefits. Using the Skilled Occupation List (SOL) that is derived from advice provided by the Minister for Education and Training, based on analysis from the Office of the Chief Economist in the Department of Industry and Science is a firm basis to support this economic imperative. It is important to note that SOL incorporates a long-term view to support economic growth. It identifies occupations where

independent skilled migrants will assist in meeting the medium to long-term skill needs of the Australian economy where these needs cannot be met through employer and state sponsored migration programs, or through training and employing Australians.

In terms of social cohesion and support within the general population, the benefits must be able to be quantified in terms such as those outlined in above under *Costs and benefits of migration*. Retention of the Skilled Stream supports this.

With respect to the Family stream, (refer issues raised above in *Consideration of supporting families*) AMES believes that it is important to retain a stream that supports reunification of families with all of the benefits that accrue in terms of successful settlement and contribution to a cohesive society. In addition, Australian census data from 2011 indicates that a similar number of migrant women in both the Skilled and Family stream are degree qualified. Family stream migrants can therefore offer the same potential economic benefits of women who migrate as partners in the Skilled stream as well as meeting the important objectives of reunifying families.

Retention of the Humanitarian Program

Likewise, at a time when increased responses to global humanitarian situations are urgently required by developed nations, AMES strongly supports the retention and further expansion of the Humanitarian quota as part of Australia's international obligations and commitment to protection of refugees.

Potential risks in implementing alternative methods

A policy scenario that involves entry changes as the primary basis for determining migrant entry to Australia runs the risk of skewing the intake to particular groups who have capacity to pay but may not fulfil, for example, the skill requirements identified to meet Australia's future labour needs or match the current demographics in terms of age that provide a high percentage of migrants of working age with significant years in the workforce remaining in Australia. It may also run the risk of attracting entrants who have lower levels of commitment to Australia as their principle country of residence.

Temporary and Permanent migration

The balance between temporary and permanent immigration may also be weakened in a scenario that involves entry changes as the primary basis for determining migrant entry. AMES supports the retention of these two migration streams. Advantages of a temporary stream include those accruing from migrants who initially enter Australia on a student visa. As outlined in the Migration Council / independent economic report¹⁰ this group pay the full cost of their education as they are not eligible for government-funded places. Under more recent changes to the migration framework, a new streamlined "post-study work" visa now allows international students to enter the labour market full time for four years at the completion of their studies. Where this group transition to permanent visas they have their working life ahead of them and have, like other migrants who come with qualifications, borne the total cost of this education.

¹⁰ *The Economic Impact of Migration: independent economics / Migration Council Australia*

Community Proposal Pilot

The Community Proposal Pilot provides one example of how a user pays system can work as one component part of a larger managed migration program. AMES supports this program and brings it to the attention of the Inquiry as what would appear to be a successful pilot, noting that an evaluation has not yet been undertaken and that it has not been in operation for sufficient time to assess longer term outcomes. AMES, however, strongly recommends that any places allocated in future in this program are in addition to the existing quotas, therefore providing additional places not replacing existing places.

The Community Proposal Pilot is a programme being trialled by the Australian Government to enable communities within Australia to assist people to resettle in Australia under the Humanitarian Programme. Under the Pilot, community organisations identify people to propose, support their application for a Refugee and Humanitarian (Class XB) visa, and if the visa application is successful, help them to settle in Australia.

Essentially, community members or organisations in Australia identify, pay for and support applications for family and community members in need of resettlement. Applicants must meet all eligibility requirements for a refugee / humanitarian visa as well as health, character and security requirements. The visa application charge is made up of an initial \$2,680 followed by second instalment of \$16,444 for the main applicant and \$2,680 any secondary applicants, payable before the visa is granted.

Further information is available at

<https://www.immi.gov.au/visas/humanitarian/pdf/comm-proposal-pilot-info-sheet.pdf>
www.immi.gov.au/visas/humanitarian/offshore/community-proposal-pilot.htm

In any considerations with respect examining the scope of alternative methods for determining migrant intakes AMES strongly recommends that the Humanitarian Program be quarantined from any such proposals. AMES understands that this is the intention of these deliberations by the Productivity Commission but given the importance of this, notes this is our submission for increased reinforcement.