

General comments

My comments mainly refer to draft finding 5.1, which suggests that immigration may have a negative effect on employment prospects of Australian-born youth. I believe that it is important that we do not confuse the difference between causality and correlation because this may have important implications on policy conclusions. The report would benefit from a rigorous check that ensures that correlation and causality have not been confused. I only had limited time to go through the 557-page draft report and therefore I have focused on the issue that I found most peculiar.

The draft report mentions at several points that youth unemployment is currently relatively high and that there may be a causal link between immigrants and youth unemployment. Of course, high youth unemployment does not necessarily imply that there is a causal link between immigrants and youth unemployment, which makes me wonder why the draft report mentions these two things in the same breath so many times.

Specific points

Page 10: "Increased risk of displacement can be expected to be more likely at the lower end of the skill spectrum and in the youth labour market."

Comment: There is no evidence for this claim. I will discuss the details below.

Page 10: "While there is some tentative evidence to suggest that there may be some relationship between immigration and youth employment outcomes, it is not conclusive."

Comment: There is no evidence for this claim (see below).

Page 21: "As noted earlier, preliminary, but not conclusive, evidence suggests that immigration may be contributing to adverse outcomes in the youth labour market. More research is required."

Comment: There is still no evidence for this claim (see below).

Page 33 (draft finding 5.1): "At an aggregate level, preliminary analysis suggests that there is no discernible effect of immigration on wages, employment and participation of incumbent workers. While there is some preliminary evidence to suggest that immigration may be a contributing factor to adverse outcomes in the youth labour market, this evidence is not conclusive and requires further examination."

Comment: This finding is wrong. There is no evidence to suggest that immigration may be a contributing factor to adverse outcomes in the youth labour market. The evidence cannot be inconclusive because it does not exist (see below).

Page 125: "But there is tentative evidence suggesting possible displacement effects from immigration among incumbent youth (aged 15-24 years)."

Comment: There is no evidence for this claim (see below).

Page 167, Section "Youth employment – a potential vulnerability"

Comment: This heading is misleading. This section needs to be rewritten entirely.

Page 167: "As outlined above, economic theory and international evidence suggest displacement of incumbent workers is most likely to occur where economic conditions are weak, where there are institutional rigidities in product and labour markets, and where the immigrant labour supply is large and low skilled. Low skilled and youth (15-24 years) incumbents are at greatest risk of displacement as their labour is more easily substituted for immigrant labour (Nathan 2011; Nickell and Saleheen 2008; Smith 2012)."

Comment: Economic theory cannot be used to answer this question. In theory, low skilled immigrants could also be perfect complements of the remaining relatively high skilled immigrants, which would result in increased economic activity, economic growth and higher youth employment. Therefore, the matter is entirely empirical. Nickell and Saleheen (2008) and Nathan (2011) study immigrants in the UK, Smith (2012) studies immigrants in the US. Due to self-selection of immigrants and selective immigration policies, immigrant populations in the UK and the US are very different from the immigrant population in Australia, in particular with regard to skills and country of origin. Immigrant populations in these countries cannot be compared to the foreign-born population in Australia.

Page 168: "There is tentative evidence to suggest that there may be some relationship between immigration and Australian-born youth employment outcomes. Between 2006 and 2011, those regions that had larger increases in immigrant employment shares tended to have larger increases in the unemployment rates of Australian-born youth and larger falls in Australian-born youth employment shares (figure 5.15, panels d and e). Similarly, occupations (figure 5.15, panel f) which had larger increases in immigrant shares had larger falls in youth employment shares."

Comment: The results discussed here may not be considered as evidence – not even tentative evidence – for a causal effect of immigration on Australian-born youth employment outcomes. It is correct that the figures show a relationship but this has nothing to do with causality. It may well be that the relationship is negative while the causal effect is positive. In the absence of evidence about the causal effect, we may not conclude that there is "tentative evidence" for anything.

Page 296: "Given the number of students and graduates involved and their geographic and demographic concentration, these effects are most likely significant."

Comment: I think that the statement "these effects are most likely significant" is completely misleading and should never be used anywhere.

Page 296: "This is particularly likely for student work rights since the work undertaken by this group tends to be in low and semiskilled work and where they are in competition with Australian youth and first job entrants (chapter 5 and appendix C)."

Comments: There is no basis for this claim (see my comments above). It should be noted that the regression results presented in appendix C do not pick up any causal effect.

A final comment related to the above: The draft report cites the work of Birrell and Healy (2014) and their conclusion that "action should be taken to ensure that Australian resident job seekers are given priority access to the limited number of new jobs being created in Australia." It is easy to verify that their analysis is purely descriptive and anecdotal. Therefore, the conclusions are merely the opinion of the authors but have no scientific foundation. The report would benefit from making this issue more transparent.