

Understanding Immigrants and the Labour Market

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Section 1 Introduction

Immigration is the permanent movement of people to one country from another. There are many reasons why people permanently leave the country they have been living in - to be with their families, to obtain better jobs, or because they cannot remain in or return to their own country.

How well immigrants do in Australia is often influenced by their success in gaining a job and the type of job they find. Policy-makers are also interested in the impact of immigrants on the number and availability of jobs, wage levels and other work conditions. The term *labour market* refers to the market in which interaction between employers and the labour force determines employment, unemployment, wages and working conditions.

Most people have an opinion about how immigration affects the labour market. Some express concern about its impact. Their main worries are that immigration will cause unemployment to rise - the 'migrants are taking our jobs' argument - and that employers are bringing in skilled workers from overseas rather than training local workers. On the other hand, there is concern that because unemployment rates are higher for immigrants than for Australia-born people, taxpayers are supporting

immigrants through the social security system.

This booklet shows that the answer to the question 'How do immigrants affect the labour market?' has to cover many issues. These are concerned with the impact of immigrants on the labour market and with how immigrants fare in it. The findings of Australian research studies are used to throw some light on these issues.

The remainder of this section presents some basic information about Australia's migration program. Section 2 briefly outlines the way the labour market works, and discusses some basic concepts and definitions. In section 3 the impacts of immigration on the labour market are summarised, while section 4 discusses the experiences of immigrants in it. Finally, section 5 presents some concluding remarks and some aspects of the subject that still need to be studied.

Australia's migration program

Australia currently operates two migration programs to regulate the inflow of people seeking to settle in Australia - the Migration (Non-Humanitarian) Program and the Humanitarian Program. The factors that these programs seek to balance are:

- the capacity to contribute to Australia's economy;
- the recognition of the value and importance of family migration to Australia's social and economic goals;
- the maintenance of Australia's humanitarian commitment.

The first two factors are the focus of the Migration (Non-Humanitarian) Program. This

program has two main components - Family and Skill migration. People wishing to immigrate under the Family component have to be sponsored by an Australian citizen or permanent resident. The Skill component consists of a number of categories for people with special occupational skills, distinguished talents or a business background that will make an economic contribution to Australia. People wishing to enter under certain categories within the Family and Skill components are assessed according to their labour market potential. The Humanitarian Program allows for the entry of refugees and other people facing infringements of their human rights.

In addition to the above programs, New Zealand citizens are free to immigrate to Australia under the Trans-Tasman Travel Arrangement.

Some statistics on immigration

Many people have immigrated to Australia since the end of the Second World War... these numbers have varied over time, with more people arriving during good economic times and fewer during times of recession. Since 1945 the number of settlers arriving in Australia has varied from a low of 52,748 in 1975-76 to a high of 185,099 in 1969-70. In 1994-95, the latest year for which data are available, 87,428 people came to Australia as settlers.

This does not mean that in 1994-95 an additional 87,428 people were seeking jobs as a result of immigration. For a start, a quarter of the immigrants in 1994-95 were below the legal working age of 15 years. Not all of the remaining three-quarters of immigrant arrivals were necessarily looking for work. Some may have been too old and may have come to Australia for their retirement. Others may have preferred not to work so they could look after their young children. Indeed, 53 per cent of immigrants who arrived in 1994-95 were neither working nor looking for work before they came to Australia.

People also leave Australia permanently as

emigrants. The net addition to the Australian population from immigration is accordingly the difference between the number of immigrants and the number of emigrants. In 1994-95, 26,948 people left Australia permanently so that, after the intake of 87,428 people, the net migration gain was 60,480 people.

Section 2 Labour Market Concepts and Definitions

How the labour market works

Much use is made of the term 'labour market'. But what does it mean? A *market* is a place where buyers and sellers interact to determine how much of a commodity will be bought and sold, and for what price. In the labour market the 'buyers' are employers, the 'sellers' are people of working age (that is, aged 15 years and older) who want a job, and the price of labour is wages and other employment related costs (such as payroll tax, etc.).

Labour markets are concerned with people and their skills and abilities relative to employer needs. Wages are important in attracting people to jobs, but other factors such as working conditions, job security and career prospects also count.

Labour market indicators

Labour market activity can be measured by indicators such as labour force participation, employment, unemployment and vacancies. People of working age who are either working or actively looking for a job are said to be in the *labour force*. *Employment* refers to the number of people in jobs, *unemployment* refers to the number of people looking for jobs and *vacancies* are the number of jobs that employers cannot fill. If the number of people willing to work is the same as the number of workers employers want, then there will be no unemployment or vacancies. In reality, the chances of this occurring are quite remote.

Unemployment occurs when there are

insufficient jobs available for those seeking work. Vacancies occur when more jobs are available than there are people wanting them. Because jobs have a skill or ability component, vacancies can also occur even when there is unemployment due to skill mismatches between the jobs and the people seeking them.

The main indicators of labour market performance are the participation rate and the unemployment rate. The *participation rate* is the percentage of working-age people who are participating in the labour force. Generally it is likely that a relatively high proportion of working-age people want to work, apart from those who are undertaking some form of education, are looking after children or are retired. The labour market may not be performing as well as it could if the labour force participation rate fails due to people withdrawing from the labour force because they think they cannot find a job.

The *unemployment rate* is the percentage of the labour force who are unemployed. A relatively low unemployment rate indicates that the labour market is performing well in matching jobs with workers. There is some debate among economists about what is a low unemployment rate. This is because there are submarkets within the labour market and some unemployment can arise because those looking for work do not have the skills or abilities to suit the jobs on offer.

How labour market indicators are measured

Information on the main indicators of labour market activity (labour force participation, employment and unemployment) are provided monthly by the Australian Bureau of Statistics (ABS) in its publication *The Labour Force Australia*. While it might be thought that *unemployment* is a straightforward concept (for instance, those people who do not have a job) there are a number of criteria that have to be met before the ABS records a person as being unemployed. First, a person who does not have a job must actually want to work (for instance, retired people do not have a job, but because

they do not want to work they are not considered unemployed). Next a person must be 'actively' looking for work. Active steps include applying for jobs, answering newspaper job advertisements and checking or registering with an employment agency. Finally, the person must be available to start work immediately.

Other measures of unemployment are available but these are the by-product of statistics kept for administrative purposes. Because of this they are not generally regarded as being as accurate as the ABS figures. The Department of Social Security has data on the number of people receiving unemployment allowances (the 'dole'), but not every unemployed person is eligible for an unemployment allowance. This is mainly due to the income test - for example, many married women do not receive unemployment allowances because their husbands work. On the other hand, some people receiving unemployment allowances may not be 'actively' looking for work or are not available to start work straight away.

The ABS records a person as being *employed* if he or she has worked at least 1 hour in a week. Although there may be concerns about the rigid definitions used by the ABS in measuring labour force activity, these definitions do conform to international standards so that the labour force situation of Australia can be easily compared with those of overseas countries.

Another indicator of labour market activity is *vacancies*, which are measured every 3 months by the ABS. A vacancy is defined as a job available for immediate filling and for which recruitment action (for instance advertising a job or notifying employment agencies) has been taken. The Department of Employment, Education and Training measures vacancies for *skilled* occupations each month. The Commonwealth Employment Service (CES) also provides quarterly information on the number of vacancies registered with it. However, not all vacancies are registered with the CES and those that are tend to be in non-professional occupations.

Section 3

The Impact of Immigration on the Labour Market

Issues of contention

What concerns are there about the impact of immigration on the labour market? It is said by some people that 'immigrants are taking the jobs of Australians', 'immigrants go straight onto the dole queues'; 'immigrants prevent Australians from getting wage rises'; 'employers are importing skilled immigrants so they don't have to train Australian workers'; and 'immigrants are making Australia less productive'. Other people, however, see benefits in immigration, such as adding to Australia's skills base and stimulating economic activity. Many factors on both the demand as well as supply side of the labour market are relevant, and the research evidence cannot confirm all the conflicting public perceptions.

Unemployment

The arrival of immigrants to Australia increases the available supply of labour. Will this lead to increased unemployment as more people will be looking for the same number of jobs or, since immigrants also add to the demand for labour, will the overall effect be positive? Immigrants have to buy goods and services, rent or buy houses and, in the case of newly arrived immigrants, buy all that is required to establish a new household. Immigrants also bring funds with them that can be invested. For these reasons immigrants create jobs in Australia.

(Statistics show) ...increases in the net migration rate (net migration, i.e. immigration less emigration, as a percentage of the Australian population) are not associated with increases in the unemployment rate. In general, the reverse has been the case - increases in the net migration rate have gone along with falls in the unemployment rate. Quite a large number of Australian studies have looked at the impact of immigration on the unemployment rate and all have found that overall immigration, despite the

fears of some commentators, does not lead to increases in the unemployment rate. The lesson from this is that when assessing the impact of immigration on the unemployment rate, effects on both the demand and supply sides of the labour market have to be taken into account.

However, while immigration may not affect the unemployment rate of all people in the Australian labour force, immigrants, especially those from a non-English-speaking background (NESB), do have higher unemployment rates than the Australia-born. Those immigrants who have recently arrived in Australia have the highest unemployment rates. The reasons for these outcomes are looked at in section 4. What will be looked at here is the claim of some commentators that immigrants go straight onto the 'dole queue' after arriving in Australia and that immigrants are overusers of the unemployment allowances system.

A number of studies have looked at this particular issue. They are all in agreement that unemployed immigrants are less likely to receive unemployment benefits than their Australia-born counterparts. This was the case for both those receiving the Job Search Allowance (JSA) - those unemployed for less than 12 months, or aged between 15 and 18 years and unemployed for any period - and those receiving the NEWSTART Allowance (NSA) - those aged over 18 years and unemployed for 12 months or more). ...while the proportion of the unemployed who were receiving unemployment allowances has increased over the 1990-92 recession, a higher proportion of the Australia-born unemployed were receiving unemployment allowances than the overseas-born unemployed. Because the definitions of unemployment for statistical purposes and for allowance eligibility differ, the numbers receiving unemployment allowances do not correspond to the numbers unemployed as measured by the ABS.

It could be argued that the unemployment rate of immigrants is understated because immigrants are more likely than the Australia-born to be participating in a labour market program. Unemployed people participating in

labour market programs are generally not recorded as being unemployed, especially those in programs that involve employment. However, in recent years only about a tenth of people participating in labour market programs were overseas-born. This share is considerably lower than their share of unemployment of around a third, or of their share of the labour force of close to a quarter.

Wages and prices

Another concern, expressed particularly by workers and unions, is that immigrants may put a ceiling on wage increases. If immigration leads to more people competing for jobs then employers are better able to resist pressures for wage rises. Immigrants who have arrived from low-wage countries may regard a low Australian wage as being quite high and be less likely to push for wage rises. Again, when dealing with this issue both sides of the labour market have to be taken into account. As was explained earlier, immigrants also create jobs. This could reduce competition for jobs so that pressure for wage rises may not occur.

This is not to say that immigration has no effect on wages. Those sectors of the economy facing labour shortages for particular occupations usually have to offer higher wages to attract labour. Skilled immigrants can relieve wage pressures in those occupations. Another school of thought argues that if the demand of immigrants for infrastructure and government spending (such as housing, hospitals and schools) is seen by the Australia-born to delay advances in their living standards, then they may seek compensation through higher wages.

Wage differentials can exist between immigrants and Australia-born workers, but these usually occur in particular industries or occupations so that at the economy-wide level the differences are small. (Wage differences are discussed in more detail in section 4 on the labour market experiences of immigrants.)

While workers may regard higher wages as desirable, this may not be so if these lead to

increased prices. Indeed, the real value of wages, in terms of their purchasing power, may not rise if higher wages are offset by even higher prices. Higher prices may also occur if the demand for goods and services expands more quickly than the capacity of the economy to produce them. There have been concerns that the high demand for goods and services by immigrants in their initial years in Australia may cause higher prices. However, while immigrants may have a high demand for goods and services, they also enable the economy to expand by increasing the supply of labour and by investing the money they brought with them.

It can be seen that there are many arguments about why immigration should affect wages and price levels. These effects could be either good or bad for the economy. A number of studies have been carried out to see what effect immigration has had on money wages, the real value of wages and prices. These studies have concluded that immigration has no effect on any of them. Once again the demand side and supply side effects of immigration balance each other.

Skill gain

Some concern has been expressed that the availability of skilled immigrants discourages employers from training their existing work forces. Indeed... from the late 1980s onwards a higher proportion of immigrants arriving in Australia were skilled (measured by their having worked in the more highly skilled occupations) than was the case for the Australia-born work force. Australian employers may not be retraining their existing work forces because it is cheaper to employ immigrants who have the skills they want.

Some commentators have questioned whether it matters if skill shortages are met through immigration or through retraining. Employers will choose the cheapest and most cost-effective means of obtaining skilled workers, and skilled immigrants have been trained at the expense of taxpayers or employers in overseas countries. However, while bringing in skilled workers from

overseas may be cost-effective in the short term, it may cause problems in the long term. There is no certainty that as world economies become more globalised, skilled immigrants will want to keep coming to Australia in sufficient numbers. If they did not, Australia would be left with a large number of people with outdated skills and a training system less capable of delivering the required training.

However, the immigration of skilled workers does not necessarily result in Australian workers receiving less training. Some of the skills immigrants bring may be new or different and are not taught in Australian training institutions. Australians working alongside these skilled immigrants can pick up these new or different skills. On-the-job training can be just as important as more formal training.

Several studies have examined the effect of skilled immigrants on the training of Australian workers. No evidence was found that employers were using skilled immigrants as a substitute to training Australian workers. One study found that skilled immigrants tended not to work in industries that had high levels of training. However, this outcome was due to skilled immigrants being more likely than Australia-born workers in similar occupations to be working in industries that had low levels of training, rather than immigrants being a substitute for training. Another study found that skilled immigrants actually transferred their skills to their Australian co-workers as part of doing their jobs. This skill transfer was useful to the co-workers and would not have happened if the skilled immigrants were not working alongside them.

Productivity

Some commentators suggest that immigration is lowering Australia's productivity. One reason given is the increasing number of NESB immigrants. If immigrants have greater difficulty than others in communicating with fellow workers, their productive contribution must be less, regardless of their skills and abilities. As the level of technology in Australian

industry increases workers have to be trained in its use so that it can be employed effectively. If immigrants face difficulties in being trained because of English language problems they will not be able to be as productive as Australia-born workers. On the other hand, language diversity can be regarded as a resource that can be used to develop markets in countries where English is not the main language spoken.

Another line of argument is that immigrants will reduce productivity because they will cause investment to be diverted from the equipment and technology required to improve productivity to less productive uses such as the construction of housing, schools and hospitals to meet the needs of the immigrant population. However, this assumes that the amount of funds available in Australia is fixed. Immigrants bring funds with them which could be used to finance investment in Australia. Funds will be attracted from international capital markets if investments in productive capital offer attractive rates of return.

Other commentators have argued that immigration has increased Australia's productivity. As discussed above, immigrants tend to be more highly skilled than Australia-born workers. It has also been claimed that immigrants should be more highly motivated. This is because it takes a high level of motivation to decide to move from one country to another and then actually make the move. However, some groups of immigrants, such as refugees, may have no real choice in leaving their former countries. It is also claimed that, at least for their initial period of residence in Australia, immigrants are likely to want to work harder both to make a favourable impression on their new employers and to establish themselves in their new country. These factors could lead to immigrants being more productive than Australia-born workers.

Quite a few studies have looked at the relationship between immigration and productivity, although conclusive results are hard to obtain due to problems in accurately measuring productivity. These suggest that the

impact of immigration on productivity has been minor. Although there is evidence that immigration has led to an increase in infrastructure investment, which would benefit everyone living in Australia, the impact of this investment on the Australian economy has not been sufficiently investigated.

Summary

This section has examined the cases for and against immigration having a beneficial impact on the labour market. It appears that many of the concerns that immigration will have an undesirable effect on the labour market arise because only the demand or the supply side of the market has been considered rather than both together. The demand and supply sides have a balancing effect, as shown in the research results that immigration has only a small effect on unemployment rates, wages, prices and productivity. Also, skilled immigrants were not found to be used as a substitute for training Australia-born workers. As a result, fears about the negative labour market impact of immigrants are unfounded.

This conclusion does not mean that individual immigrants always succeed in the labour market. Indeed, many immigrants, particularly those from a non-English-speaking background, are disadvantaged in the labour market compared with the Australia-born. The labour market experiences of immigrants are examined in section 4.

Section 4 **Immigrants' Labour Market Experience**

Immigration is likely to be viewed as being successful, by both immigrants themselves and the Australia-born, if immigrants are successful in the labour market. The work environment can help introduce a recently arrived immigrant to the ways of the Australian community as well as providing the money required to establish a new home. If immigrants are unable to get work after they have arrived they may have to be supported by the social security system. The

evidence from Australian studies is that the economic and social benefits of immigration are greatest when all the skills and talents of immigrants are being used fully.

Most people would judge labour market success as having a job. However, having a job may not be a good indicator of success if immigrants are not fully using their skills and abilities (for example, an overseas-trained doctor working as a hospital orderly). Judging whether immigrants have been successful or not requires an examination of other factors like earnings and occupational status.

This section examines the experiences of immigrants in the labour market using a variety of indicators of success. What is clear from all measures is that ability to speak English is very important. The discussion that follows divides immigrants into those from an English-speaking background and those from a non-English-speaking background.

Labour force participation rate

The labour force participation rate is the proportion of the population of working age who are either working or looking for a job. ...English-speaking background immigrants had, until the late 1980s at least, a higher labour force participation rate than that for the Australia-born. While NESB immigrants had higher participation rates than the Australia-born in the late 1970s, since 1985 they have been lower than that of the Australia-born. This is the result of their participation rates falling over time while those of the Australia-born have been rising. What factors might explain these outcomes?

Researchers have found that the participation rates of immigrants are relatively low during their first few years in Australia. After the initial period of adjustment, the participation of immigrants in the labour force is similar to that of the Australia-born. Much of the difference between the participation rates of ESB and NESB immigrants appears to be due to the lower level of English skills of NESB

immigrants. The recent decline in the participation rates of NESB immigrants is partly due to the effect of the 1990-92 recession, as well as the changing structure of the NESB immigrant population to contain relatively more people with characteristics likely to lead to lower labour force participation, such as being older.

Unemployment rate

The unemployment rate of ESB immigrants is similar to that of the Australia-born, but the rate for NESB immigrants is higher... It is likely that immigrants will experience some unemployment on their arrival in Australia unless they have a job arranged (as would be the case for immigrants who have employer sponsorship). As immigrants spend more time in Australia their employment prospects are likely to improve. The Australian research on immigrants and unemployment has four main findings. These are:

- A lack of English language skills is a major factor behind the higher unemployment rates of NESB immigrants.
- After allowing for English language skills, the time spent in Australia is the next most important factor, with unemployment rates falling as more time is spent in Australia.
- Refugees have the highest unemployment rates, but this is mostly because they have poor English language skills, have arrived recently and have suffered traumatic experiences before immigrating (for example some have been tortured).
- The educational qualifications obtained by immigrants before they came to Australia do not help them to get jobs to the same extent as similar qualifications gained in Australia.

These four factors affect people from different countries to varying degrees. People from Lebanon and Vietnam have particularly high unemployment rates (about three to four times higher than the unemployment rates for the Australia-born), mainly because they are

refugees, have poor English language skills, are recent arrivals and have qualifications that are not recognised in Australia. People from countries with a level of economic development similar to Australia's fare much better (for example, immigrants from Germany, although having a non-English-speaking background, experience an unemployment rate below that of the Australia-born).

Structural changes in the Australian economy, such as the declining importance of manufacturing industry while service industries are becoming more important, may be a factor behind the higher unemployment rates of NESB immigrants. These immigrants are overrepresented in manufacturing compared with their Australia-born and ESB counterparts. Employers also want highly skilled workers and this can disadvantage NESB immigrants as they are overrepresented in the lower skilled occupations. The research findings on the impact of these structural changes does not reach a consensus. Some researchers have found only a small impact from structural change. But the prevailing conclusion is that structural change since at least the mid-1970s has led to higher unemployment, especially for NESB immigrants.

Hidden unemployment and underemployment

Some people who would like a job are not counted in the official unemployment statistics because they are not 'actively' looking for work... These people are said to be in 'hidden unemployment'. The reasons why some do not actively seek work are varied and include ill health, lack of suitable child care, lack of job opportunities and problems due to lack of English language skills and cultural background. Little research has been done on the differences in underemployment according to birthplace.

One of the few studies undertaken examined 'discouraged job-seekers' (a group within those not actively looking for work...). These are people without a job who are not actively looking for work because they believe that their job-seeking will be unsuccessful either because

employers will not be interested in them or because there are no jobs available for them. While the discouraged job-seeker category is more restrictive than the hidden unemployment category, it is the only one for which data are available. This study found that immigrants were more likely to be discouraged job-seekers than were workers born in Australia. While there did not appear to be any difference between ESB and NESB immigrants, once factors such as age, gender and reason for leaving their last job were considered, NESB immigrants showed a higher incidence than ESB immigrants of being discouraged job-seekers.

Another group of people who are not fully using their skills are those classified as underemployed. Underemployment occurs when workers are working fewer hours than they would like to or when their jobs do not require all of their skills. Research has shown that little difference exists between birthplace groups in terms of hours of underemployment. However, once factors such as age, gender, family status, occupation and industry are taken into account there is some evidence of higher rates of underemployment among NESB immigrants. That is, NESB immigrants do not use their skills to the same extent as ESB immigrants or those born in Australia. This is especially the case for those who gained their skills before immigrating to Australia. This situation could be partly due to non-recognition of qualifications gained overseas.

Earnings

Having a job is only one indicator of labour market achievement. Another indicator is the wage and salary income that is gained from working. A large number of research studies have examined this issue.

The overall finding from the Australian research is that immigrants do not appear to be worse off than the Australia-born in terms of earnings. It is clear, however, that education does not increase the earnings of immigrants to the same extent it does for the Australia-born. Part of the

explanation of this outcome is that education levels in some countries do not correspond to Australian levels.

An alternative point of view is that if it is true that immigrants are more willing to move around, are more motivated and have greater abilities than the Australia-born - the sorts of characteristics that might be expected of immigrants - there is likely to be a certain amount of earnings discrimination that is not detected in the research.

Occupational status and attainment

Occupational status is a further indicator of labour market success. Some researchers have argued that people from particular birthplaces tend to work in a small number of occupations and it is difficult for them to find jobs in other occupations. An example of this is the tendency of NESB immigrants to be concentrated in the lower skilled occupations, such as those associated with manufacturing. However, it is also argued that immigrants improve their occupational status over time - their first job in Australia may be relatively low skilled but they gradually move into more highly skilled occupations the longer they stay in Australia.

There have been mixed findings from the Australian research regarding the occupational progress of immigrants. Most studies find that there are differences between the types of occupations held by the Australia-born and immigrants, especially NESB immigrants. A major factor for this difference is the difficulty in transferring overseas-gained skills and experience to the Australian workplace.

Quality of work life

Even if immigrants do not face disadvantages in their earnings or occupations, their labour market success may be lower than that of the Australia-born if they are more likely to:

- work under poor conditions, exposing them to ill health and injury;

- work in repetitious or unsatisfying jobs;
- undertake the more menial, dangerous and dirty jobs.

The Australian research findings have generally indicated that immigrants, particularly NESB immigrants, have less satisfying jobs. However, most of this research has involved small studies of particular workplaces, which makes it difficult to generalise the findings. A study of the communications industry found that, after taking into account factors related to job satisfaction such as wages, job security and skills use and development, immigrants from Mediterranean and Middle Eastern countries had higher levels of job satisfaction than immigrants from other countries and the Australia-born. Again it is difficult to generalise the results from this industry to others.

Higher job turnover and absenteeism may indicate job dissatisfaction. One study found NESB immigrants to have lower job turnover rates than the Australia-born, while the reverse was the case for ESB immigrants. These outcomes would not be expected if NESB immigrants were less satisfied in their jobs. Another study found that, after allowing for a variety of personal and work-related factors, there were no differences in absenteeism between the birthplace groups. However, two recent studies have found that some workplaces with high concentrations of NESB workers have higher job turnover and absenteeism.

Many studies of the working lives of immigrants have examined occupational health and safety experiences. Most of these studies have looked at immigrants' workers' compensation payments. They have shown that immigrants, especially NESB immigrants, suffer more industrial injury and illness than Australia-born workers. However, because these studies are based on industries or workplaces where immigrants are concentrated, or compare industrial accident rates against the concentration of immigrant employment across industries, their conclusions can be misleading. Only one very detailed study has been

undertaken and this showed that, after allowing for industry and occupation, there was no difference between the industrial injury rates of different birthplace groups.

Self-employment and entrepreneurship

A common view of the successful immigrant (especially those of Southern European or Asian descent) is the self-employed shop-owner. NESB workers are more likely to be employers or self-employed than are ESB and Australia-born workers. There are a variety of reasons why immigrants might be more likely to go into small business.

The first explanation focuses on the cultural resources or predisposition of certain ethnic communities to enter small businesses. The second relates to the development of ethnic enclaves. In other words, ethnic communities themselves create demands for goods and services, which in turn create opportunities and niches for immigrant entrepreneurs. The third explanation is that ethnic businesses arise in response to cultural antagonism or of restricted job opportunities. Immigrants may use self-employment as an alternative to unemployment. The fourth explanation is that part of Australia's migration program targets people who have business skills and capital.

However, to date the findings of the Australian research on this topic are full of contradictions. No consensus yet exists on the key issues of whether immigrants are more entrepreneurial than the Australia-born and, if so, why.

Barriers to immigrant labour market achievements

Five factors have been identified in the Australian research as preventing immigrants from reaching their full potential in the labour market. These are prejudice, lack of English-language skills, lack of recognition of qualifications, lack of involvement in trade unions and unsympathetic management practices. While studies have identified that Australians have some prejudice towards

immigrants, there is little evidence that this results in discrimination against immigrants by employers. In other words, while some employers may desire to discriminate against immigrants, very few *actually* do.

Many research studies have identified that the lower level of English-language skills of NESB immigrants contributes to their higher unemployment rates, lower earnings and overrepresentation in lower skilled occupations. These findings reflect the disadvantages associated with poor communication skills. Research has found that English-language ability depends on education and the amount of time spent in Australia. Immigrants who are educated in Australia tend to have better English-language abilities than those educated overseas. However, immigrants have to be able to see some labour market benefit from improving their English skills before they will do so. Some of those working in the lower skilled occupations may not consider it worthwhile, or circumstances may not allow them, to improve their English-language skills.

There are many studies showing that NESB immigrants do not gain as much from their education as do ESB immigrants or the Australia-born, particularly if their education was obtained overseas. This may be because education in some countries is of a lower or different standard to Australian education. It might also be due to the lack of recognition given to overseas qualifications that are similar to Australian qualifications. The evidence shows that immigrants are disadvantaged because of the lack of recognition given to their overseas qualifications, although the extent of this disadvantage has been harder to establish.

Recent developments such as the moves towards the recognition of prior learning (where course credits are given for skills already possessed) and competency-based training (where the focus is on the skills actually needed to do a job) should help to reduce the problems faced by immigrants in having their skills and qualifications recognised.

Until recently little was known about the participation of immigrants in work-related training. It might be expected that immigrants receive less training as they are more costly to train (as a result of poor English-language skills) or are more likely to change jobs. The prejudice of some employers against immigrants may also result in them receiving less training. The major study in this area found that NESB immigrants were far less likely to receive work-related training than ESB immigrants or those born in Australia. However, this did not appear to be the result of discrimination by employers. Employers were more likely to support the training of NESB workers than that of other workers. The main explanation for the lower incidence of training among NESB immigrants was difference in age, gender, education, experience, occupation, industry and workplace size.

It is claimed that one reason for the disadvantages immigrants experience in their working lives is their lack of involvement in trade unions, combined with the lack of attention paid by unions to their overseas-born members. There has been only a limited amount of research in this area. NESB union members were found to be underrepresented among full-time union officials, although there were wide variations according to countries of birth. As well, this underrepresentation had decreased significantly over time. While NESB unionists were found to be less involved than other members in union affairs, this mainly related to those from particular birthplaces who had difficulty communicating in English. Some unions were found to have policies for dealing with their NESB members and for targeting some of their services to these members. Over time, more unions have recognised the need to cater for their immigrant members.

There is an argument that personnel and management practices should incorporate the needs of immigrant workers such as their lack of English-language skills, cultural differences and poor understanding of Australian laws. The studies undertaken on this topic indicate that not many Australian companies make special

provisions for their immigrant workers. Even when schemes have existed they have not been particularly effective.

Section 5 Conclusion

Overview of the research

This book has looked at two aspects of immigration and the labour market. The first is the impact that immigration has on the overall labour market and some key macroeconomic factors associated with the labour market. The second is the experiences of immigrants within the labour market. Overall, the consensus of Australian research is that immigration has had at least a small positive effect on the labour market as a whole. This is because unemployment rates and wages are largely unaffected by immigration, which has probably assisted increases in the skill levels of the Australian work force. Whether this conclusion continues to be true will be influenced by the skill composition of future immigrant intakes.

It is clear that the experiences of immigrants in the labour market vary between NESB and ESB immigrants. The experiences of ESB immigrants are generally very similar to those of people born in Australia, while NESB immigrants are generally less successful in the labour market than the other two birthplace groups. Of course NESB immigrants come from a diverse range of birthplaces and not all experience the outcomes observed for NESB immigrants as a whole.

It is clear that NESB immigrants, when compared with the Australia-born, are less likely to participate in the labour force (partly due to NESB immigrants being more likely to be discouraged in their job search), have higher rates of unemployment, and are more likely to be underemployed. Many studies have found that poor English-language skills and the short time since arrival in Australia are major reasons for these outcomes. The difficulty NESB immigrants face in gaining recognition for the skills, experience and qualifications they obtained before coming to Australia is another

important factor. Lower earnings and lower occupational status are further outcomes of this lack of recognition of abilities.

There is a feeling that immigrants, especially NESB immigrants, experience a lower quality working life than do ESB immigrants or Australia-born workers. This may be so in some jobs, but no overall conclusion can be drawn from the existing research. There is an image of immigrants, particularly those from certain birthplaces - such as southern European and some Asian countries - as being more likely to be involved in a small business, particularly as a shopkeeper. Research has not been able to reach a consensus on the reasons for this.

Immigrants may not be able to reach their full potential due to factors such as discrimination, poor English-language skills, lower education, inattentive trade unions and unsympathetic personnel practices. Of these factors, the strongest evidence is for the adverse impact of poor English-language skills. Little direct evidence exists of employer discrimination against immigrants. Trade unions and management appear to have paid little attention to the special needs of immigrant workers, although this is gradually changing.

Aspects of the subject that still need to be studied

While a large number of factors relating to the experience of immigrants in the labour market have been studied, the evidence on some of these is patchy and inconclusive. Some issues, which are outlined below, have not yet been examined in detail by researchers. It has been claimed that the labour market experience of immigrants changes as they live in Australia longer. However, until very recently it has not been possible to track individual immigrants over time. The Bureau's Longitudinal Study of Immigrants to Australia, which commenced in 1994, will collect a range of information about how the experiences of individual immigrants vary over time. Several of the issues discussed in this book can be re-examined using information from this survey to give a better picture of how

immigrants progress in the workplace over time.

One of the major barriers to immigrant labour market achievements is the difficulty of gaining recognition of qualifications and skills gained overseas. This is a topic worthy of more systematic investigation. Studies could examine skilled immigrants who work in a wide range of professions and trades to see the extent to which their skills relate to the competencies required in their jobs.

Many of the issues associated with the quality of immigrant working life have not been comprehensively examined. Existing studies have typically focused on one industry or organisation so that their findings cannot be generalised to all immigrants. More investigation is required so that findings relevant to a large number of immigrants can be made. Unfortunately, there are often no readily available data that would be suitable for these more comprehensive studies.

Some factors that can influence immigrant experiences in the labour market have been mentioned only in passing but have not been examined. One of these is motivation. It is often stated that immigrants are likely to be more highly motivated than the Australia-born because they have actually moved from their former country in search of a better future. However, few satisfactory studies have examined the motivation levels of immigrants.

It is generally assumed that labour market disadvantage is due to poor English-language skills, but it may be the case that the opposite is true - that is, immigrants may not consider it worthwhile to improve their English-language skills if they do not think this will improve their situation. If the conventional assumption does not hold then misleading interpretations may be given to research findings. In particular, discrimination against immigrants by employers may not be detected. This is an issue that could be investigated.

Regional variations in labour market experiences are also poorly researched. A few studies have

examined the experience of immigrants in particular regional labour markets, but there has been no research on how immigrant labour market experiences have varied between regions.

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