

# Effects of Immigration on Australia: Research Consensus as at May 1996

Williams, Lynne S. "The effects of immigration on Australia: the research consensus as at May 1996" (unpublished), 1996.

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## **Introduction**

Over the last decade, there has been a vast expansion in the research on the extent, nature and consequences of international population movements to and from Australia. A key contributor to this research effort has been the Bureau of Immigration, Multicultural and Population Research through its initiation and sponsorship of research on immigration issues. This greater amount of research has enabled more consensus to be reached on many of the topical issues in the immigration and population debates.

The effects of immigration on the size of Australia's population are well documented elsewhere. This paper summarises the broad research consensus on the effects of immigration on five areas: economic; labour market; social; infrastructure; and environment.

## **Economic effects**

In assessing the economic effects of immigration, it is important to recognise that immigrants have both demand and supply effects. Assessments also depend on the economic indicator of interest, the groups affected and the time period considered. The consensus from research is that, at least at the macroeconomic level, immigration has a neutral to marginally positive effect on the economy. Since these effects are very small, varying immigration levels would be a poor tool of

macroeconomic policy. At the microeconomic level, however, there can be variations in the experiences of different immigrant groups.

## **Living standards**

The most widely accepted measure of living standards is gross domestic product (GDP) per head. Researchers, using a variety of techniques, have found either no or a marginally positive relationship between immigration and growth in GDP per head. However, large changes in immigration flows (certainly greater than those displayed in Australia's post-Second World War immigrant intake) might have detrimental effects on living standards.

## **Unemployment**

A common misconception is that immigration raises the unemployment rate and that immigrants take the jobs of Australia-born. However, research has shown there is no link between net migration and the unemployment rate. On the other hand, a link in the other direction is that fewer immigrants come to Australia in times of recession.

The lack of a relationship between the net migration rate and the unemployment rate combined with the relatively worse unemployment outcomes for immigrants suggests that jobs created through the demand side effects of immigrants are more likely to be taken by those born in Australia. This counters the 'immigrants are taking our jobs' contention.

## **Prices and wages**

Immigration will have inflationary price and wage consequences where the demand effects exceed the supply effects and there is relatively little excess capacity in the economy. Research based on the major macroeconomic models of

the Australian economy show contradictory results, but the common finding is that effects in either direction are very small. The most recent research finds no significant impact of immigration on either price or wage inflation.

### **External balance**

Consensus on the effects of immigration on the balance of payments is not as clear as for some of the other macroeconomic indicators.

Research shows that the effect of immigration on the balance of payments changes over time. In the years following an increase in immigration, the additional investment demand (e.g. for new factories and machines), to cope with the demand for extra goods and services from an increased population, cannot be fully supplied from within Australia. Imports rise, with much of the money for the increased spending having to be borrowed from overseas.

However, in the longer term the supply effects 'catch up'. The initial burst of investment and import spending declines, while immigrant skills and labour help produce more goods and services within Australia in the newly built and more efficient factories. This helps Australia become more internationally competitive, leading to an increase in Australian exports. In the long run, therefore, Australia is better able to control its overseas debt. Recent research has found that there is no statistical link between settler arrivals, exports, imports or the current account deficit in the long run.

### **Productive diversity and trade**

Research on the link between the volume of exports to specific countries and the source countries of recent immigrants has found no association between the growth and destination of Australian exports and the growth in recent immigrants and their source countries. In regard to the role of immigrants in encouraging trade and investment with their country of origin in high-export industries, studies of food and selected services exports to East Asia indicated that exporters to the region were more likely to employ people of East Asian birth or descent

than were other businesses in those industries and that the language and cultural skills of these employees were used, albeit by only a very small proportion of exporters to the region.

An exploratory study found little evidence of active management of cultural diversity. Businesses do not appear to use their human resources as a competitive weapon but rather rely on factors such as production technology to gain market advantage.

At the micro level, a number of studies using small samples of respondents from particular ethnic groups have confirmed that some immigrants make use of their family, regional, business and other connections to further import and/or export businesses with their country of origin, but their significance so far is small. There are, however, encouraging indications that immigrants in the Business Skills category are making good use of their entrepreneurial skills and overseas business contacts in establishing export businesses.

### **Income distribution**

Some argue that immigrants make the income distribution among the Australia-born more uneven. Others contend that immigrants occupy the lowest echelons of the income distribution. Recent research showed that immigration had no significant impact on income distribution in Australia. It was also found that while recent immigrants and some from Asia featured strongly at the lower end of the income distribution, this concentration was far lower than experienced in other large immigrant-receiving countries.

### **Budgetary implications**

It is frequently argued that immigrants are a significant drain on government resources. But research has contradicted or at least heavily qualified this argument. A study of the Commonwealth budget showed that immigrants, particularly those from NESBs, impose net costs in the short to medium term, but that for the Commonwealth budget these

costs are more than offset once a particular cohort of immigrants has been in Australia for ten years or more. Because the majority of those born overseas have been in Australia for a long time, immigrants have a net positive effect on the Commonwealth budget at any one point in time.

However, the Commonwealth budget study also showed that in recessions the net costs of a new intake in the short term are likely to be higher due to greater difficulties in obtaining employment and associated higher welfare payments. A State budget study showed that in the longer term immigrants have a much less negative effect on the budget than those born in Australia. Indeed, ESB immigrants on average make a positive contribution. Another study showed NESB immigrants tended to be net contributors to Local Government budgets. This is attributed in part to the small range of NESB-specific services provided.

### **Issues related to immigrant intake size and composition**

Currently immigrants can enter Australia in three main components: Family, Skill and Humanitarian. There has been debate both on the justification for, in particular, the Skill component, and on the appropriate component mix in the intake. Some argue that a general skills entry category is not justified, and that the Skill component should be limited to those occupations in short supply. A study of the rationale for Australia's Skill component provides a framework for assessing general skills. The case for having a general skills category lies in the better labour market outcomes of skilled immigrants relative to unskilled ones; the 'economic benefits, including the overcoming of skill bottlenecks; and the transfer of imported skills to residents. The arguments against having a general skills category include the discouragement of locally provided training; the taking of 'good' jobs by skilled immigrants; the potential oversupply of skills; and the entry of less skilled accompanying persons. The research concludes that at any point in time the arguments for and against have to be considered

relative to other Government responsibilities, and the increasing supply of skilled workers through the Temporary Residence Program.

The appropriate mix of components in the immigrant intake and the size of this intake has also been the subject of research. The findings were that even extreme Migration and Humanitarian Program compositional change would have very small effects on the main macroeconomic variables. Variations in the intake size, at least within the range of variation experienced in Australia over the post-Second World War period, also would have little net effect on these variables.

Another issue which has attracted attention is whether or not forward planning and stability in the immigrant intake are required. Research suggests that intake planning should take account of the impact of current intakes on future ones, and should ensure consistency of immigration policies with national objectives. The research also argues that the benefits from policy flexibility would exceed the costs of instability in the intake size.

### ***Labour market effects***

Much work has been done on the labour market experiences of immigrants. The consensus from research is that while immigrants may have no impact on the overall unemployment rate, recently arrived and NESB immigrants experience above average unemployment rates. These immigrants also experience labour market disadvantage on the basis of other indicators. Overall, the research suggests that NESB immigrants, particularly those without jobs, warrant special labour market policy attention.

### **Labour force participation and unemployment**

Generally, NESB immigrants have lower labour force participation rates and higher unemployment rates than the Australia-born or ESB immigrants. These outcomes can be largely explained by poor English language skills and recency of arrival, though refugees appear to experience particular difficulties. Analysis of the

prototype Longitudinal Survey of Immigrants to Australia (LSIA) shows that unemployment rates fall most quickly for immigrants entering under the Skill component. However, even among immigrants in this component, some of those from a NESB or who have occupational skills in over-supply in Australia (e.g. engineers and school teachers) experience labour market difficulties.

Recent research has shown that immigrants, again especially those from a NESB, are relatively more disadvantaged than those born in Australia both during recessions and the subsequent recovery period. They experienced the relatively greatest rise in unemployment rates during recession and the slowest fall in unemployment rates once the economy starts to recover. This has been particularly noticeable for the 1990-92 recession and the recovery to date. The greater job loss experienced by NESB immigrants is partly explained by their over-concentration in industries declining as a result of structural change. NESB immigrants are also over-represented among the long-term unemployed, a group which historically has continued to increase in size long after economic recovery begins. NESB immigrants were also more likely to drop out of the labour market because of pessimism about their chances of finding work.

### Employment patterns

NESB immigrants with jobs are more likely to be employed full-time and to establish their own businesses and become employers than the Australia-born or ESB immigrants. Research suggests that recently arrived immigrants, particularly those from the Middle East and Asia, are more likely to find their first job through the informal assistance of friends, family and acquaintances than ESB immigrants.

Studies of both earnings and occupational status indicate that in general NESB immigrants do least well, and that returns to education obtained overseas were less than those to comparable education in Australia. However, analysis of 1991 Census data has shown that a

greater proportion of the children of immigrant groups who arrived before 1980, notably the Southern and Eastern Europeans, have attained tertiary qualifications and professional employment compared with the second generation of British or Western European immigrants.

A study of the managerial labour market showed that NESB immigrants fail to gain an adequate share of employment within the managerial work force. These immigrants face a 'glass door' which blocks their entry into the managerial work force. However, once past this 'glass door' NESB immigrants have similar labour market experiences to other managers. It would appear that successful recruitment into management produces a 'homogenising effect' as differences are excluded at the point of entry.

While immigrants do experience greater incidence of work injuries, this is primarily due to the industries and occupations in which they are employed. There were very few differences in management and communication structures, degree of award coverage, provision of welfare services, work force reductions and rate of return indicators between workplaces with high concentrations of NESB workers and those with low concentrations. This suggests that features other than ethnic composition of the work force play major roles in employment conditions, management practices and economic outcomes.

### Retrenchment

A study of retrenched in the western region of Melbourne found that NESB retrenched seeking to re-enter employment found more stringent demands being made on job applicants than most had previously been aware of. This may create a pool of NESB unemployed and underemployed despite the considerable skills and experience of many. The financial and psychological pressures on NESB retrenched and their families may continue long after the end of the recession.

## Underemployment

Research has found no difference in the incidence of underemployment between the Australia-born and those born overseas in terms of working fewer hours than they would otherwise like. In regard to less visible forms of underemployment, such as being overqualified for jobs, receiving less pay for similar skills and experience, and having inadequate income on a needs basis, research suggest that NESB immigrants were more likely to experience these outcomes.

## Qualifications recognition and training

The research on the recognition of overseas qualifications recognition indicates that immigrants are disadvantaged by the recognition process. However, there is little evidence as to the extent of this disadvantage. None-the-less, those immigrants who do have their overseas qualifications recognised do better in the labour market. The moves to recognition of prior learning and competency-based accreditation may lessen the reliance on formal qualifications.

NESB workers have been found to be less likely to have participated in work-related training than Australia-born workers. The lesser participation by NESB workers does not seem to be due to lack of motivation. It would seem that NESB workers have a lower perception of the value of training. English language ability is an important factor in the participation of NESB workers in training. The available evidence can not prove or deny claims of employer discrimination in the provision of training.

## Skill substitution

Concerns that employers may use skilled immigrants as a substitute to training Australian workers are not supported by research findings. Indeed, research suggests that workers coming to Australia through employer demand based categories transfer their skills to fellow workers.

## Temporary residents

While most immigration research has concentrated on permanent settlers, since the 1980s there has been a rapid rise in the number of people coming to Australia for temporary periods. This upward trend is likely to continue. Many temporary residents have work rights. Several reports have examined temporary residents who have entered Australia in skilled visa categories (i.e. to meet specific identified skill shortages). These reports found that skilled temporary residents filled jobs where suitably qualified Australians were not available, and indeed their presence in these key positions led to the creation of additional jobs. As well, the skills of temporary residents better match identified shortages than the skills of immigrants in the Skill component of the Migration program. While some temporary residents have intentions of staying in Australia permanently, the vast majority stay for less than one year.

Another class of temporary residents with (limited) work rights are working holiday makers. A survey of working holiday makers and their employers has suggested that their impact on the labour market is marginal (not surprising given that they are a very small percentage of the labour force) and that they find employment in short-term, low skilled and low paying jobs to finance their travel and are regarded by their employers as back-ups for periods of labour shortages.

Overseas students also have limited work rights. A recent study of the labour market effects of overseas students found, however, that these rights were very under-utilised. In fact, the addition to the supply side of the labour market through the presence of overseas students and their dependants was more than offset by the increase in productive activity (and associated demand for labour) associated with course provision and their demands for goods and services. The study also found that work undertaken by overseas students tended to be in unskilled jobs in the service sector. Overall, the study concluded that there was significant net

economic benefit associated with the presence of overseas students in Australia.

## **Social Effects**

### **English language training and translation and interpreter services**

Research has shown the need for English language training, both on arrival and over an extended settlement period, to meet social as well as vocational needs at different life stages. The needs for English language training vary across the different immigrant groups, e.g. the training required by skilled immigrants are different to those of refugees.

A second aspect of language services is the need for translation and interpreter services. Research has shown that service provision and access can be impeded by lack of interpreters. Gender issues may also be highly significant, with female clients from certain ethnic groups having a decided preference for female interpreters.

### **Housing**

Research has identified problems in the provision of housing information to immigrants. The findings about the usage of public housing which have emerged to date are that NESB immigrants who have been in Australia longer are less likely to be users of public housing; immigrants under the Business Skills and Employer Nomination Scheme categories are less likely to be in the public housing market; and humanitarian immigrants are the most likely to rent privately.

### **Education**

Research indicates that the majority of teachers believe that the schooling systems have responded well, if not very well, to the needs of NESB children. However less than half of the teachers felt that the schooling response had been good in regard to refugee and partly schooled students.

A recent study of education and training in

New South Wales found inadequate attention to the education and training needs of immigrants and their children. Resource limitations provide some of the explanation, as does the lack of value placed on, diversity and the undervaluation of the rights of sub-groups.

### **Languages other than English**

Research reveals that Languages Other Than English (LOTEs) have consistently been undervalued and under-supported in Australia. In contrast, many immigrants themselves continue to make a substantial personal and financial investment in language maintenance. Key influences in the language maintenance process appear to include religion, family formation patterns, minority status, degree of economic integration and socio-political identity.

### **Health**

A growing number of health studies have focused on immigrants as a prime target group, while mainstream studies have analysed health outcomes for NESB immigrants as one of a number of demographic sub-groups (e.g. refugees, immigrants from specific countries of origin, etc).

The research reveals that immigrants experience lower levels of mortality and better health than the majority of native Australians. This finding almost certainly reflects Australia's rigorous policy of screening applicants for evidence of disability and/or disease pre-migration. Notwithstanding this, health research also demonstrates certain groups of immigrants and refugees to be at risk of inferior health status. This may be associated with levels of pre-migration and/or settlement stress, exposure to industrial hazards, availability of suitable health services and the ageing process.

There has been little research into the mental health of NESB communities and therefore limited understanding of the factors relevant to mental health and illness in these communities. A recent study focuses on developing alternative models for the delivery of mental health services

to those from an NESB. The research concludes that the complexity of the current service system and of NESB communities makes it inappropriate to define an ideal model. It also finds that if the quality of mental health services for immigrants is to be improved then changes must occur in the culture and structure of the mental health system, in the training of mental health professionals and in mental health information made available to NESB communities.

### **Social mobility and immigrant welfare**

The general consensus of research is that immigrants, including those from a NESB, are achieving upward social mobility, even when analysis is restricted to the migrating group. However, achievement of upward social mobility is more difficult in the 1990s than during the low unemployment years of the post-Second World War period.

Children of some immigrant groups (i.e. the second generation) actually out-perform higher generation Australians on indicators such as educational attainment and school retention rates. This applies in particular to NESB women who are doing rather better than Australia-born women in achieving post-secondary qualifications. However, disaggregated data reveal a number of problems such as recognition of overseas qualifications and uneven participation of different ethnic groups in upward social mobility in both first and second generations.

Research has found that poverty among NESB families is not confined to those who are newly arrived, and that children in these families continue to be disadvantaged. As well, some research has shown the continuation of immigrant youth unemployment often associated with homelessness, family problems and difficulty in entering mainstream society.

### **Social cohesion**

Research shows that Australia's immigration intakes have not undermined or come near to

threatening social cohesion. Compared with other countries with large scale immigration programs, Australia has experienced very limited social disruption, even in the face of an enormous shift in its major source countries from Europe to the Asian region. Research is increasingly pointing to the valuable role played by welfare and religious bodies in the settlement process.

In recent years, Australia has been very successful in attracting fee-paying overseas students to secondary and tertiary educational institutions. Their largely positive experiences as students has encouraged many to consider immigrating to this country. A survey of a sample of tertiary students has found that nearly half planned to immigrate to Australia after completing their studies.

### **Marital violence**

Research does not provide evidence that domestic violence is more prevalent in immigrant communities. But it shows that aspects of ethnicity or the migration experience can contribute to abuse in the home: wife abuse in the country of origin, isolation and lack of support, difficulty in speaking English, lack of knowledge of services, family privacy and shame for a woman who does not remain married.

### **Infrastructure effects**

There is yet no consensus on the effects of population growth through immigration on physical and social infrastructure. Advocates of lower immigration levels argue that existing physical infrastructure cannot support more population. Additions to population disadvantage both existing residents and the new arrivals. On the social infrastructure side, some argue that with fixed service-specific budgets, the standard of service per person falls, particularly as immigrants tend to concentrate in certain locations. Such views typically ignore the contributions immigrants make (e.g. through the taxation system) to finance extra service provision.

Studies also show that in the longer term the pressures created by immigrants are not significantly different from those arising from other sources of population growth. Policy should therefore focus on issues such as the economics of city size and the geography of the costs and benefits of immigration.

Much debate has focussed on the effects of immigration on infrastructure and housing demands in Sydney, because this city receives a proportionately large number of settlers. Recent research concludes that if the immigration volume was cut substantially, there is only a moderate possibility that house price increases in Sydney would be significantly slowed. The research suggests that the effects of immigration from overseas to Sydney have been moderated by strong net internal migration losses. However, the research also shows that at the top end of the rental market, immigration has put upward pressure on rents. No such relationship was identified, particularly over time, in the movement in rents at the lower end of the Sydney market.

In April 1995, the Premier of New South Wales claimed immigrants were directly responsible for Sydney's urban sprawl, congestion and pollution. During the ensuing debate, public figures and commentators drew upon Bureau sponsored research to show that Sydney's rate of growth was slower than that of Australia as a whole, resource usage was an issue for resource management policy and not driven only by numbers, tourism growth (rather than permanent settlers) put far more pressure on infrastructure in Sydney and, finally, pressures on infrastructure could more correctly be reduced through modifying planning and building regulations and other pollution controls and remedies.

## **Population growth and the environment**

In recent years, population issues have become of increasing international interest through fora such as the International Conference on Population and Development (ICPD) held in

1994. In particular, there has been an increasing interest in the relationship between population growth (especially the speed of this growth) and reduced quality of life through its destructive effects on the environment and through increased congestion. Population pressure, through increased demands for water, energy and other requirements, is clearly relevant to environmental degradation. The argument in the past has been that immigrants, by adding to population growth, place pressures on Australia's environment and associated natural resources.

Economists argue, however, that these pressures alter as technology changes, enhancing the ability of nations to absorb large population increases without any reductions in quality of living. In contrast, biological scientists and ecologists argue that the earth's natural systems and resources are finite, so that better environmental outcomes can only be achieved through reductions in per capita resource use.

The consensus of opinion in recent years, however, has recognised that many of Australia's environmental problems are due to inadequate planning and management, rather than to population growth (and therefore immigration) per se. Reductions in the immigrant intake are unlikely to have any significant impact on environmental degradation, a problem which is more successfully countered through appropriate resource management and the provision of suitable incentives. Factors in addition to population which are critical to the population-environment equation are the per capita rate of consumption of natural resources, the capacity of the environment to cope with human interference and the spatial distribution of the population.

During 1994, The House of Representatives Standing Committee on Long Term Strategies examined the issue of *Australia's Population Carrying Capacity*. This issue has been the subject of much recent debate within Australia. The subsequent Jones report critically examined a range of views. Some advocated stability or lessening of population in order to protect

Australia's environment and quality of life. Others envisaged few environmental problems arising from population growth because technology and environmental management would ameliorate any adverse consequences. The Committee did not advocate any single target population for Australia and it rejected the view that Australia is currently close to its 'maximum' population. Nevertheless, the majority of submissions to the inquiry supported a population of between 17 million and 23 million. The Committee saw the need for greater knowledge, data and policy on population issues. But it concluded that decisions related to population policy need to be considered in the context of broader Government policy directions.

### **Internal migration**

Internal migration is the principal mechanism leading to redistribution of population between and within cities and regions. In the intercensal period 1986-91, the overall level of population mobility fell slightly from the 1981-86 intercensal period, although it is still among the highest in the world. Most of this decline appears to have occurred in movements over short or intermediate distances - interstate migration continued to rise, especially to Queensland. These changes were probably due to the effects of the economic recession in 1990-92, especially rising interest rates. The continuing net gains in coastal areas such as South Queensland and the New South Wales North Coast offer strong support to the view that population redistribution at both State and regional level is being driven primarily by structural transformation of the Australian economy and by the transition to a leisure society.

The composition of inter-regional flows is influenced by demographic trends which tend to lead to population dispersion. Economic forces have a separate influence which leads to increased agglomeration of productive investment, but dispersal of employment based on consumption-related activities. This is leading to increasing divergence in the types of

jobs that are available in different locations.

Among the overseas-born mobility is highest among recent overseas arrivals. As length of residence increases migration rates converge steadily to the Australia-born rates. Mobility is highest among ESB settlers, especially New Zealanders, and lowest among NESB settlers, particularly Southern Europeans. These variations in mobility between birthplace groups cannot be attributed to their particular labour force profiles. There is no apparent association between English language proficiency and propensity to move. While people who speak languages other than English at home at less are likely to make long distance moves, family and community ties, rather than difficulties communicating in English, inhibit mobility.

### **External population pressures**

Some observers fear that Australia's near neighbours, the South Pacific islands, are heading for a doomsday world, brought about by high population growth, environmental damage and poor economic performance. Research has shown that a doomsday scenario is unlikely to eventuate. The evidence indicates that population growth will slow with economic development (to which Australia contributes significantly through the provision of development-based aid and immigrant remittances), provided sound domestic policies are adopted in these island states. There appears to be no need to alter Australia's non-discriminatory and uniform immigration policy to provide special treatment for South Pacific island peoples.