Managing labour migration in response to economic and demographic needs

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• Immigration, population and economic growth
• Some dimensions and features of immigration to Australia
• Changes to the traditional settlement model
  – strong bias towards selection on the basis of skill
  – from “supply side” to a hybrid incorporating “demand driven”
  – the rise of temporary migration
• Evidence that skill selective migration delivers economic benefits
Using the 3Ps framework – population, participation and productivity – for analysing immigration and economic growth

Source: Australia to 2050: the 2010 InterGenerational Report, Australian Treasury.
Population ageing is projected to drag on GDP per capita growth in Australia over the next four decades.

Contributions to growth in GDP per capita, actual (1969-2009) and projected (2010-2050)

Projection assumes net migration averages 180,000 per annum over period.
Source: Australia to 2050: the 2010 InterGenerational Report, Australian Treasury.
Rates of future labour force growth are projected to decline, even at very high levels of migration.

Labour force growth, actual (1967-2009) and projected (2010-2050)

- **300 000** Labour force growth will be above 1.5 per cent for the next two decades and above 1 per cent to 2050.
- **180 000** Labour force growth would be around 1.3 per cent until 2020 – and remain above 1 per cent until around 2036.
- **100 000** Labour force growth would be well-below average and below 1 per cent for the majority of the projection period.
- **Zero** Labour force growth will shrink to 0.6 per cent by 2014 – then fall to 0.3 per cent by 2020, continuing to fall to zero by 2036.

Source: DIAC, based on McDonald and Temple 2010.
Migration flows to Australia are increasingly comprised of temporary and two-step migration.

Permanent and temporary migration, 1953-2010

Source: DIAC and ABS
If labour demand is high, and local labour supply is unavailable, employers can source temporary skilled workers from abroad.

Index of ANZ Bank Job Advertisement series and applications for temporary skilled worker (457) visas, 2003-present

The two series are moving in tandem, clearly showing the temporary skilled migrant visa is responsive to changes in labour demand.

Spike in 2007 was due to a tightening in requirements, which saw some applications brought forward.

Source: DIAC and ANZ Bank.
Reforms to skilled migration: screening for negative selection, sorting for positive selection

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<th>Event Description</th>
<th>Details</th>
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| Priority to employer sponsored                        | Applicants for employer sponsored places go to front of processing queue.  
| Jan 2009                                               | From July 2011, first place to those going to jobs in regional Australia. |
| New eligibility rules                                  | General skilled migration limited to specialised occupations  
| July 2010                                              |         |
| New points test                                        | Relative to former test, more weight to experience and overseas qualifications  
| July 2011                                              |         |
| New selection process                                 | Expression of interest used to sort applications for general skilled migration  
| July 2012                                              |         |
Is Australia’s skilled migration program succeeding in bringing in younger migrants, who work more and earn more?

Are they younger? (yes, for some)

Are they in work? (yes, very much so)

Are they earning more? (yes, for some)

Source: Continuous Survey of Australia’s Migrants, DIAC

(E) Employer sponsored migrant
(F) On a partner spouse visa
(G) General population
(P) Points-tested skilled migrant
Migrants selected on skill are much more likely to be in full-time skilled employment and earning more than other migrants

Relative to family stream spouse:

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<tr>
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<th>Employer sponsored</th>
<th>General skilled migration</th>
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<tbody>
<tr>
<td></td>
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<td>Skilled independent</td>
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<td>Probability of full-time skilled employment (per cent)</td>
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<tr>
<td>Males</td>
<td>47.2</td>
<td>34.1</td>
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<tr>
<td>Females</td>
<td>73.7</td>
<td>54.1</td>
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<td>Change in weekly earnings (per cent)</td>
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<tr>
<td>Males</td>
<td>54.4</td>
<td>43.4</td>
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<tr>
<td>Females</td>
<td>51.6</td>
<td>35.3</td>
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Population: principal applicants aged between 18 and 45, surveyed between October 2009 and October 2010.
Controls for time spent in Australia, when surveyed, country of birth, residence in Australia, marital and dependent status, and hours of work (earnings equation only).
All results statistically significant at 0.01.
Source: Continuous Survey of Australia’s Migrants, DIAC
Key messages

• Skilled and labour migration policies in Australia are designed to meet skill needs and increase living standards
• They mitigate the effects of population ageing, lift workforce participation and boost productivity
• The traditional settlement model has evolved over time to a system that
  – strongly favours skilled migrants
  – is responsive to the state of the economy, including regional areas
  – prioritises employer needs and supply of specialist skills
  – quickly integrates skilled migrants, both permanent and temporary, into the labour market