



Migrant Intake Into Australia

Productivity Commission Submission

1.0 Summary

A price-based hypothetical immigration system for Australia based on a new class of visa, the paid-permanent visa (PPV) is explored. A price-based system could be (a) flexible, (b) staged gradually to mitigate risk and concerns, (c) tailored for equity (by running alongside the current system, applying discounts and surcharges to the fee based on skills or other criterion, or by recovering the fee from Australian income), and (d) enforceable in the event of non-payment. Fee collection costs are kept low by using the tax system to collect repayments, similar to HECS. Enforcement of repayment is achieved by making the conversion of a temporary visa to PPV status contingent on full repayment. As the fee is repaid from income after entry, a HECS-style loan is not likely to be required under this scheme. It is recommended that PPVs not be used for humanitarian intakes (or a discount of 100% apply).

2.0 Background

2.1 Australia - The nation immigration built

Australia is a country built on immigration. European immigration to Australia started with the arrival of convicts on the ship HMS *Supply* into Botany Bay on 18th January 1788. On arrival, there were no jobs, no infrastructure and barely any food or water. After 1945, large-scale mass migration programs (including subsidised travel) transported millions of immigrants from post-war Europe into Australia. Today Australia is highly developed, has an excellent quality of living, and is home to around 24 million people who are, or have descended from, immigrants. As these historical events demonstrate, the capacity of Australia to take people is not fixed. During this period, income, wealth and living standards all rose.

2.2 Previous Productivity Commission research

The Productivity Commission paper *Roundtable proceedings - A 'sustainable' population* (2011) contained a number of relevant observations, including²:

- A 'sustainable population' did not imply a 'big' or 'small' population - sustainability is achievable at large and small population levels.
- The 'rate of change' appears to be more important than a final 'target level'.
- Immigration is a tiny proportion when compared to the established 'stock' of population and labour force - hence impacts are also proportionately small.
- Higher immigration does not counteract population ageing, as immigrants also age.

¹ Cover image: Creative Commons CC-BY-SA-3.0, Sydney Harbour Bridge from Circular Quay, Sydney, New South Wales, Australia. JJ Harrison photographer. http://en.wikipedia.org/wiki/Sydney_Harbour_Bridge#/media/File:Sydney_Harbour_Bridge_from_Circular_Quay.jpg

² <http://www.pc.gov.au/research/completed/sustainable-population>

- Over the life cycle, economic immigrants are generally are not welfare beneficiaries (at least under current arrangements).
- Population size itself is not a prerequisite for economic prosperity - prosperity is observed at large and small population levels.
- Migration is historically driven by changes in supply and demand for labour.
- While there is a 'focus' on skilled migration, there exists demand for unskilled labour as well

The Productivity Commission paper *Economic impacts of migration and population growth* (2006) contained a number of relevant observations about economic impacts, including:³

- English language proficiency stands out as a key factor in determining ease of settlement and labour market outcomes.
- Approximately 4.5 million, or 23% of Australia's workforce was born overseas.
- Australian residents are becoming more internationally mobile, and leave Australia to seek work overseas. The United States, New Zealand and the UK are top destinations.
- There is concern about the cost of Australians leaving Australia to live overseas, who take with them very expensive embodied human capital. There is little the Australian Government can do to slow this.
- The most common reason for Australians leaving Australia was 'better employment opportunities'. Other reasons included 'higher income', 'lifestyle' and 'marriage/partnership'.
- There are about 859 000 Australians living overseas long term or permanently (2001 figures), with about half of these within the EU.
- A 50% increase in skilled immigration would increase the labour supply by 1.2% after 21 years.
- Immigration did not displace training activities in Australia, and many immigrants provided training to Australians.
- Studies generally find that immigration does not cause unemployment among the existing resident population.
- Employed immigrants worked on average 30 minutes longer per week than Australian-born workers.
- The effect of increasing the skilled migration intake on Australia's per capita living standards was broadly neutral to slightly positive.
- The skills assessment and recognition scheme is complex, time consuming and bureaucratic.

The Parliamentary Library has a useful brief overview of Australia's migration program.⁴ Useful material may also be found within the Productivity Commission's Mutual Recognition Schemes inquiry.⁵ Mutual recognition is important as people who bring new skills into Australia may not be recognised or occupational licensing acts as a barrier to industry entry. While requirements may be necessary, if pursued too far or on unfair terms (i.e. very high certification of qualification fee, limited times per year for assessment) it may lock out legitimate and

³ <http://www.pc.gov.au/inquiries/completed/migration-population/report/migrationandpopulation.pdf>

⁴ <http://www.aph.gov.au/binaries/library/pubs/bn/sp/austmigration.pdf>

⁵ <http://www.pc.gov.au/inquiries/current/mutual-recognition-schemes>

competent individuals from employment and promote monopolisation or a 'gatekeeper' role by vested-interest professional bodies- which pushes up costs for everyone. Investigation of occupational licensing is an overdue Productivity Commission Inquiry all by itself.

2.3 The Current Migration Scheme

Australia's current migration policy (1) permits temporary visitors or workers into Australia, (2) permits family reunion and partner migration, (3) discharges humanitarian obligations, and (4) permits skilled migration into Australia. Accordingly, immigrants apply for a specific visa in either a 'family' or 'skilled' stream and pay a fee. Migration places in Australia were capped to 190,000 places for the 2013-2014 year.⁶ As the population of Australia is approximately 24 million people, this represents approximately 0.80% of the population. Births are another way for population to increase and may be helpful as a reference point. In 2013 there were 308 065 births, which represents approximately 1.2% of the population. The Australian Bureau of Statistics observes *'the average number of babies born to a woman throughout her reproductive life (measured by the TFR) has been insufficient to replace herself and her partner.'*⁷ Migration is therefore a useful way to make up this 'shortfall' in births.

2.4 Overseas Migration Schemes

The European Union (EU) is perhaps the largest example where free movement of people is not restricted by skill level or family connection between different countries. Other examples include the Trans-Tasman travel arrangement between Australia and New Zealand and, internally, the free movement of Australian citizens between Australian states and territories.

The European Union has free movement of goods and people between 28 very different member countries, each with their own languages.⁸ This represents free movement rights to approximately 507 million people - 21 times the population of Australia. Temporary residence in another EU member country is permitted for up to 3 months without a visa, and this period may be used to search for work. For residence longer than 3 months, the following conditions apply: (a) earning an income through employment or self employment, OR (b) have 'sufficient' resources and health insurance so that they do not burden the host country, OR (c) is following vocational training and have 'sufficient' resources and health insurance to ensure they do not burden the host country during their stay. If none of these categories apply, the member must be a family member of an EU citizen that meets the aforementioned criterion. Permanent residence is unconditional and is generally granted after 5 years.

⁶ Specific exceptions apply

⁷ Fertility Rates <http://www.abs.gov.au/ausstats/abs@.nsf/Products/3301.0~2012~Main+Features~Fertility+rates?OpenDocument>

⁸ http://europa.eu/legislation_summaries/justice_freedom_security/free_movement_of_persons_asylum_immigration/l33152_en.htm

In 2014, global accounting firm Ernst and Young (EY) conducted a report titled *Evaluation of the impact of the free movement of EU citizens at local level*.⁹ Uniquely, city level case studies were performed. Findings included:

- EU mobile citizens had become a significant portion of some EU cities. For example in Dublin, Ireland, 9% of total population are EU citizens from outside the host country.
- Young and working age people filled gaps in the labour market at the extremes of the skill spectrum - in *both* high and low skill occupations. EU mobile citizens often filled occupations that host country nationals were not attracted to.
- Major burdens on local communities or local public services were not observed.
- Despite the lack of barriers to movement, only 2.7% of the EU population resides in a member state that was not their country of origin.
- The countries with the greatest share of EU mobile citizens were Luxembourg (37%), Cyprus (12.6%) and Ireland (8.5%).
- "...concerns expressed in relation to the enlargement and, more generally, the free movement of EU mobile citizens across labour markets of the MS [member states], did not materialise."
- "econometric conclusions suggest that internal EU migration can hardly have negative economic impacts on the hosting cities, a risk that was much feared before enlargement, but in empirical evidence finds little support."
- A lack of local language knowledge remained a difficulty and a barrier in many cases.

2.5 Impact on immigrant use of health and welfare systems

The EU also assessed the impact of EU citizen mobility on national health and welfare systems in the report - *A fact finding analysis on the impact on the Member States' social security systems of the entitlements of non-active intra-EU migrants to special non-contributory cash benefits and healthcare granted on the basis of residence*.¹⁰ Under EU rules, access to health and welfare services is possible under the principles of co-ordination and non-discrimination.¹¹ Although Australia is unlikely to adopt European-style liberal open access to health and welfare services, it is nevertheless instructive to look at the EU experience because it represents one of the purest cases of free movement between countries.^{12,13}

The key findings of the report were:

- EU citizens from other Member States use welfare benefits no more intensively than the host country's nationals.

⁹ http://ec.europa.eu/justice/citizen/files/dg_just_eva_free_mov_final_report_27.01.14.pdf

¹⁰ <http://ec.europa.eu/social/BlobServlet?docId=10972&langId=en>

¹¹ What is co-ordination? <http://ec.europa.eu/social/main.jsp?langId=en&catId=850>

¹² European Health Insurance Card <http://ec.europa.eu/social/main.jsp?catId=559>

¹³ Unemployment and benefits http://europa.eu/youreurope/citizens/work/unemployment-and-benefits/index_en.htm

- Mobile EU citizens are less likely to receive disability and unemployment benefits in most countries studied.
- The vast majority of EU nationals moving to another EU country do so to work.
- On average, the expenditures associated with healthcare provided to non-active EU mobile citizens are very small relative to the size of total health spending (0.2% on average) or the size of the economy of the host country (0.01% of GDP on average).
- There is little evidence to support the idea that EU citizens are migrating to collect welfare benefits.
- The relationship between age and health care expenditure is J-shaped - children have higher expenditure, which falls in adulthood, before rising again at the age of 55-60 (p.85).

To summarise, granting free work and movement rights to 507 million people within the EU appears to have had little negative impact. And only a very small percentage (less than 3%) appear to exercise free movement rights. Immigration appears to facilitate labour specialisation - that is, unappealing work was taken up by migrants freeing up the native labour population to specialise in medium and higher skill work. The impact on health, welfare systems and public finances appears to be minimal.

An Australian policy stance is likely to be more cautious and conservative than EU practice on immigration. It is therefore reasonable to assume that the impacts of immigration in Australia would be no worse, and likely far smaller, than those observed within the 28 countries of the EU.

3.0 Key considerations

Main factors influencing the demand for immigration to Australia now and into the future.

Each country in the world can be conceptualised as offering a different 'bundle' of economic goods (private goods, job opportunities), public goods (healthcare, educational opportunity, legal rights, security from harm, style of government), environmental goods (climate conditions, clean air, clean water, natural parks and leisure activities, quality and style of built environment) and social goods (experiences, culture, language, presence of family ties, ability to live with partner) in return for paying a certain tax rate and cost of living. In other words, migration is driven by people maximising their expected overall quality of life according to their personal values versus costs of living (tax rate and costs of living) and alternative migration opportunities (including staying home).

To identify which countries are competitors for migrants to Australia, both now and in the future, a monopolistic competitive model was explored. A classic illustration of a monopolistic competitive model is a food court in a large urban shopping centre where all outlets sell food *but no two outlets sell exactly the same food, i.e.* each outlet sells imperfect substitutes. Under this concept, different countries are offering differentiated bundles of quality of life at different prices (tax level and private cost of living). This model is useful because it captures not only what the 'producer' (the state) is selling, and at what cost, but also the tastes of the person assessing the

prospects on offer. Therefore different countries will be in competition for migrants to different degrees, with the countries offering the most similar bundles being in the greatest competition with each other.

Under this model, the greatest competitor for prospective migrants is predicted to be New Zealand. Indeed, the New Zealand inland revenue department has a web page directly comparing the Australian tax environment to that of New Zealand.¹⁴ Migrants that reside in New Zealand can also fly to Australia without living in it. The model suggests Canada would be strongly behind New Zealand, and places such as Singapore, USA and UK next.

3.1 *Uncertainties and spatial effects*

The Productivity Commission has been asked to evaluate a price-based immigration policy for which there are little modern empirical 'real-world' examples to refer to. It therefore necessary to make forecasts, projections, assumptions and models for future scenarios that are inherently uncertain. These uncertainties should be made explicit and where possible estimated (\pm). Modelling based on high/medium/low scenarios could be used, as well as modelling for impacts on city-specific urban areas, for example, specific city impact assessments for Greater Sydney, Greater Melbourne, South-East Queensland, Perth etc. As a guide, impact evaluation of existing city areas with high proportions of migrants would also be interesting and add rigour.¹⁵

3.2 *Temporary migration*

A significant proportion of migration into Australia is temporary migration. The demand for both unskilled as well as skilled labour suggests the focus on only 'high' skill levels may be misguided. It may also reflect the emergence of a new class of highly-mobile international worker who is happy to move to wherever suitable work exists and quality of living is high. For this group of people, the ultimate goal may be self-fulfilment and the life experience that comes with being a global citizen, rather than citizenship. It could also be a 'trial run' before returning for permanent settlement.

If the duration of visas are too short, prospective migrants and employees may be deterred from investing their time and efforts. Starting at a new workplace always incurs risks, time and money costs, as well as familiarising oneself with the work environment and practices at the workplace. Compliance, migration agent fees, waiting for skills testing, skill assessment fees, paperwork, occupational licensing and 'training fund requirements' are additional costs and barriers. In principle, **the process should be no more onerous or costly than it absolutely needs to be**. An illustration of this philosophical approach can be found in *The Building Code of Australia*.¹⁶

¹⁴ Comparing New Zealand and Australia's income tax systems <https://www.ird.govt.nz/yoursituation-bus/bus-aust-nz/tax-basics/comp-inctax/>

¹⁵ A helpful paper is available on the Department of immigration and border protection website 'Population distribution effects of migration in Australia' (<https://www.immi.gov.au/media/publications/research/migration-in-australia/full-report.pdf>).

¹⁶ The Building Code of Australia <http://www.abcb.gov.au/about-the-national-construction-code/the-building-code-of-australia>

“The goal of the BCA is to enable the achievement of nationally consistent, minimum necessary standards of relevant safety (including structural safety and safety from fire), health, amenity and sustainability objectives efficiently.

This goal is applied so—

- *there is a rigorously tested rationale for the regulation;*
- *the regulation generates benefits to society greater than the costs (that is, net benefits);*
- *the competitive effects of the regulation have been considered and the regulation is no more restrictive than necessary in the public interest; and*
- *there is no regulatory or non-regulatory alternative that would generate higher net benefits.*

Proposals to change the BCA are subjected, as applicable, to a [Regulatory Impact Assessment](#) process.”

It is concerning that barriers appear to exist with temporary migration. If employers choose to hire non-Australian workers over Australian workers, it is because they perceive value in doing so. The government should not seek to substitute its judgment over that of employers, who actually bear the risk of hiring staff and know the needs of their business. The website [seek.com.au](http://www.seek.com.au) (<http://www.seek.com.au>) is Australia’s largest job search website. Searching this website with the keyword ‘citizen’ retrieved ten pages of results where employers had listed jobs advertised with restrictions such as ‘*Open to Australian citizens and permanent residents only*’. This is discrimination. In the public sector jobs advertised, the citizenship requirement here is understandable, however many others were private-sector jobs such as ‘*Japanese speaking sales representatives*’, ‘*Inbound customer service consultant - Financial services*’, ‘*Property manager*’, ‘*Customer service officer*’. It is less clear exactly what the justification for such restrictions on these jobs are.¹⁷

Consultation of the skilled occupations list (CSOL)¹⁸ which restricts what occupations are acceptable in a temporary (4-year) visa application reveals that the category ‘sales representative’ is not listed, so a Japanese speaking sales representative from Japan, even if Japanese, would likely not qualify for a 457 Skilled Temporary work visa. Further investigation also revealed that call centre staff (other than managers) are also not considered ‘skilled’, as this occupation does not appear on the list. Call centre staff are in high demand, and sometimes require foreign language. More than ten pages of results for call centre positions were retrieved from the SEEK website. This suggests the CSOL and similar requirements are preventing businesses finding the best person for the job by presenting a ‘soft’ barrier to entry.

¹⁷ The Universal Declaration of Human Rights, article 23, subsection 1 states ‘Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. <http://www.un.org/en/documents/udhr/>

¹⁸ Consolidated Sponsored Occupations List (2015) <https://www.immi.gov.au/Work/Pages/skilled-occupations-lists/csol.aspx>

Japanese Speaking Territory Sales Reps

Hays Sales - [More jobs by this advertiser](#)

HAYS Recruiting experts
in Sales

JAPANESE SPEAKING TERRITORY SALES REPS MANAGE YOUR OWN TERRITORY

Define your own, close-to-home territory
B2B field sales, Immediate Interviews
Permanent Residents or Citizens Only

My client is a boutique provider of mobile communications and utility business services. As a result of significant success with their unique business offerings they are looking to add bi-lingual sales professionals to their field sales team.

If you are a permanent resident/citizen, can demonstrate a successful background and passion for field-based sales and can fluently speak Japanese as well as English then we would love to hear from you.

In return for your efforts is a competitive commission structure, career growth and the chance to define your own sales territory.

Figure 1: Japanese sales representative sought with restrictions imposed. Sales representatives are not on the CSOL (except for managers, ICT, technical sales or similar). Source: <http://www.seek.com.au>

Mandarin/Cantonese Speaking Customer Service Consultants

Hallis - Brisbane - [More jobs by this advertiser](#)

Mandarin/Cantonese Speaking Customer Service Consultants

Are you fluent in English as well as Mandarin or Cantonese?

We are currently recruiting for Customer Service Consultants to join a leading health insurance provider that exists to support customers live a longer, healthier and happier life. Our client puts their customers at the centre of everything they do and we are looking for Customer Service Consultants who are passionate about delivering positive outcomes for their customers.

- Rotational rosters - Monday to Friday 8am until 8pm, every third Saturday 9am to 1pm
- CBD location – close to public transport
- Great team culture

As a Customer Service Consultant you will:

- Receive up to 120 calls per day
- Support customers with their general enquiries
- Maintain customer records
- Strive towards KPI's

Figure 2: Multilingual call centre representative sought. Call centre staff do not appear on the CSOL (except for Call centre managers). Source: <http://www.seek.com.au>

The insertion of residency and citizenship restrictions into job advertisements suggests that businesses find compliance with the sponsorship schemes too onerous to deal with. There may also be financial costs with having to contribute to an industry 'training fund'. It is arguable that in industries that have a shortage, wages are pushed upwards as a response to this shortage, and hence a HECS loan would be a more appropriate way of funding the training for industries that have skills shortages, particularly trades, rather than burden businesses which are happy to sponsor migration to quickly meet the shortage. HECS loans are a way the government makes it possible for a person to borrow money from their future income stream and are arguably more appropriate for funding training than imposing a *de facto* tax on businesses that hire immigrants.

It is also concerning that such restrictive citizenship/permanent residency clauses may contravene The Racial Discrimination Act 1975, specifically sections 15 (2), 15 (3) and 16 of the Act.¹⁹ It may be 'indirect

¹⁹ Racial Discrimination Act 1975 http://www.comlaw.gov.au/Details/C2014C00014/Html/Text#_Toc374609985

discrimination’ which the Human Rights Commission defines on its website: *‘Indirect discrimination occurs when there is an unreasonable rule or policy that is the same for everyone but has an unfair effect on people who share a particular attribute.’* Someone on a temporary visa is more likely to be a person who has a national or ethnic origin that is not Australian. This may extend to other examples such as having to demonstrate the ‘need’ to hire an international medical graduate (IMG), which may also disadvantage persons of a different national or ethnic origin.²⁰

The relevant sections of the Racial Discrimination Act (1975) are reproduced, with bolding added.

*(2) It is unlawful for a person concerned with procuring employment for other persons or procuring employees for any employer to treat any person seeking employment **less favourably** than other persons in the same circumstances by reason of the race, colour or **national or ethnic origin of the person so seeking employment** or of any relative or associate of that person.*

*(3) It is unlawful for an organization of employers or employees, or a person acting or purporting to act on behalf of such an organization, to prevent, **or to seek to prevent**, another person from offering for employment or from continuing in employment by reason of the race, colour or **national or ethnic origin of that other person** or of any relative or associate of that other person.*

16 Advertisements

It is unlawful for a person to publish or display, or cause or permit to be published or displayed, an advertisement or notice that indicates, or could reasonably be understood as indicating, an intention to do an act that is unlawful by reason of a provision of this Part or an act that would, but for subsection 12(3) or 15(5), be unlawful by reason of section 12 or 15, as the case may be.

in addition, the Australian Human Rights Commission in the section ‘Race discrimination’ clarifies the objects of The Act, which includes the concepts of national or ethnic origin. It appears, in the given example of hiring a foreign doctor, a direct contravention of this equality principle has occurred.

*“[The Racial Discrimination Act 1975](#) aims to ensure that **people of all backgrounds** are treated equally and have the same opportunities. The Act also makes discrimination against people on the basis of their race, colour, descent or **national or ethnic origin unlawful**.*

[Complaints](#) of race discrimination can be lodged with the Australian Human Rights Commission.”²¹

²⁰ Example - “Employing an overseas trained doctor - Apply for an Area of Need declaration to employ an international medical graduate... The process applies to positions where the employer has been unable to fill the vacancy with suitably qualified **Australian or New Zealand trained doctors**.”
<http://www.health.qld.gov.au/employment/overseas>

²¹ Australian Human Rights Commission <https://www.humanrights.gov.au/race-discrimination>

The Queensland Health website is explicit in the objects of the policy:

“Purpose

An AoN declaration allows employers unable to fill vacant medical practitioner positions with suitably qualified Australian or New Zealand trained medical practitioners, to recruit international medical graduates (IMG). It also ensures that qualified Australian or New Zealand trained medical practitioners are not disadvantaged and **every attempt is made to fill vacancies with Australian or New Zealand trained medical practitioners.**”²²

In other words, medically irrelevant criterion appears to form a basis for hiring decisions.

Contrast Australian practice to EU practice, where a citizen from an EU member country may be required to register their residency and prove their ID. Employers may hire anyone from any of the 28 different EU member countries, without having to prove ‘need’ or other procedural red tape. The process is simple and straightforward.

3.3 International reciprocity and mobility - The policies Australia adopts impacts how favourably other countries view Australian labour or migration abroad. Australia is just one country out of approximately 200 countries in the world. To use an analogy, in a trade war each country may act to ‘lock up’ or ‘protect’ its own industries to disadvantage ‘outsiders’ (monopolisation).²³ The end result is that all countries become worse off, even though each one separately set out with the intention to better its own position at the expense of others. Similarly, if Australia locks up its migration and labour market to others, other countries may well do the same. The end result is that Australians are effectively ‘locked’ into working only in Australia and New Zealand.

The world job market will always be a significantly larger and more diverse job market than what Australia could ever hope to provide within the confines of its own borders. Access to the world job market for Australians also means lower unemployment for Australians and better matching and utilisation of skills. These benefits are a principle behind the free movement of persons as *a fundamental right* within the European Union treaties, and s117 of The Australian Constitution, which states²⁴:

Section 117 - Rights of residents in States

A subject of the Queen, resident in any State, shall not be subject in any other State to any disability or discrimination which would not be equally applicable to him if he were a subject of the Queen resident in such other State.

²² Area of Need, General information, Queensland Health <http://www.health.qld.gov.au/aon/information.asp>

²³ Stages of Occupational Regulation: Analysis of Case Studies
http://ec.europa.eu/internal_market/economic_analysis/docs/presentations/130930-m-kleiner_en.pdf

²⁴ Commonwealth of Australia Constitution Act - sect 117 http://www.austlii.edu.au/au/legis/cth/consol_act/coaca430/s117.html

Australian values are also changing. While living and working one's entire life in their country of birth may have been the norm, the increased availability of low cost flights, an increased level of wealth, better connectivity through the internet, the opportunity to learn a second language abroad, and the global nature of multinational firms and their work is likely to increase the desire for Australians to travel and work overseas for long periods of time (years).

3.4 *Impact on salaries and employment of Australian citizens*

A number of complexities exist in this area, however impacts are likely to be minute.

Wages are prices. The social purpose of prices is to transmit information about demand and supply, and give people incentive to bring the two into balance. Higher prices (wages) encourage entry into an industry, whereas lower prices (wages) discourage entry into an industry. High wages indicate a shortage, lower wages indicate a surplus. It is often said that 'Australia should focus on skill shortages' and there is even a list of such occupations. While government shortage lists are useful for purely informative purposes, the price system and employers are already performing this allocation function. As demand exists for both high and low skill jobs, the focus on *high skill* may be misguided.²⁵ If there really is a shortage in a particular occupation, one would expect wages offered in that specific occupation (whether high skill or not) to rise to signal the shortage and make it more attractive relative to other occupations.

The general fear here is that wages would be pushed down, particularly at the lower end of the pay scale. The problem with this view is that (a) immigration is so small (c.a. 1%) the impact is likely to be small also, (b) Even if wages were to be pushed down (unlikely - see below), the effect would be self limiting. If wages are pushed down, further entry into the occupation will be discouraged - this view is borne out in the observation that temporary migration varies in step with Australian labour demand and supply, and (c) higher wages suggest a shortage. A policy of artificially 'keeping wages high' in all occupations implies that a good economic policy is one that imposes mass labour shortages and high production costs in as many occupations as possible. Such a policy does not make sense.

Wages are unlikely to be depressed for the same reasons wages do not fall in recessions and depressions, despite major unemployment and a large supply of workers competing for few jobs. Wages and prices are 'sticky' because contracts, awards, agreements, the minimum wage and social norms insure against downward wage movements and uncertainties in the open labour market. In addition, migrants have demands of their own (food, housing, transport etc) and therefore also represent a source of demand for goods and services, and thus employment. The impact of migration could be thus expected to be no better or worse than the impact on salaries and employment from arising from Australian births.

²⁵ Free migration from New Zealand (under the Trans-Tasman Agreement) suggests New Zealanders fill in a broad range of jobs across the spectrum, at all skill levels, which suggests demand for labour isn't limited to high skill workers only.

3.5 Equity considerations (Fairness)

A concern that comes with a price-based immigration is the potential inability of persons who have the skills but not the finances to enter Australia, particularly those from countries where earning capacity is low or currency exchange rates are unfavourable. In response, it is not at all unreasonable to expect that persons to have sufficient initial finances to support themselves before entering Australia, and many visas already have hefty fees. The solution proposed here is to permit the majority of the fee to be paid from income when the applicant begins working in Australia using their skills. This feature is expected to extinguish the need for a HECS-style loan.

Adjustments can be made to address the equity concern including (a) discounting the fee for skills that are in demand, (b) operating the PPV scheme as an addition to the current quota scheme, and (c) only demanding a deposit with the rest of the fee to be paid through work and the tax system while in Australia. To protect against default, the conversion of status from temporary to PPV would be contingent on full repayment. There may be some concern with applying paid immigration to the family stream, as an Australian wanting to bring their partner to Australia may suddenly be up for a large cost. However, the current scheme also charges large fees, and again this can be dealt with by (a) exempting the family stream from the PPV scheme, or (b) heavily discounting the migration fee required, or (c) allowing payment in small amounts over a longer period of time through the tax system.

3.6 *Illegal Migration* - A price based immigration system is likely to stamp out illegal enterprise more effectively and at a lower cost than current approaches. Illegal enterprise flourishes where barriers to access are high (i.e regulation, costs, protocol, waiting time, quotas etc) and the thing desired has a high value. This is why migration protocols need to be as simple, timely, affordable and straightforward as practicable. Unmet demand manifests itself as (a) visa scams, (b) sham marriages, and (c) smuggler-assisted irregular arrivals into Australia. A number of cases were retrieved from Google's search engine by using the key terms 'Australia visa scam'. Examples retrieved range from students paying thousands of dollars for fake documents, fake or unscrupulous migration agents, and fake marriages. The *Sydney Morning Herald* newspaper reported a case where an applicant was allegedly scammed AUD \$30 000 by a migration agent.²⁶ In an unrelated case reported by *ABC News*, women were allegedly offered \$30 000 for participating in scam marriage arrangements.²⁷ These 'black market' prices suggest the migration protocol to Australia is not simple, and that PPVs should be initially priced around \$30 000.

²⁶ Visa fraud suspects fled after wiring \$1m overseas (07/08/2014), The Sydney Morning Herald, <http://www.smh.com.au/federal-politics/political-news/visa-fraud-suspects-fled-after-wiring-1m-overseas-20140807-3dbmu.html>

²⁷ Woman promised \$30,000 to marry Indian man in alleged visa scam, Brisbane court told (12/05/ 2015) <http://www.abc.net.au/news/2015-05-12/woman-promised-30k-to-marry-indian-man-in-alleged-visa-scam/6464468>

If a price-based option were available, this type of activity could be greatly reduced. Why pay for a phony marriage arrangements when you could pay for a legal PPV? The money spent on compliance, investigation and enforcement, which is significant and borne by taxpayers, could be instead diverted to processing the apparent backlog of visa applications.²⁸ The funds which would otherwise flow to phony, illegal or unscrupulous activities would be captured by the Australian Government, putting illegal enterprise out of business.

4.0 Conclusions

4.1 In general, fears surrounding wage decreases, overuse of public services and high local impacts are simply not supported by the evidence.

4.2 Much of the work the Productivity Commission has been asked to do has already been done in previous productivity commission reports in 2006 and 2011. This suggests a stronger 'impression' needs to be made by any subsequent productivity commission report on policymakers.

4.3 Skilled Australians are leaving Australia. Updated research is required in this area, but skilled migration can counterbalance this 'brain drain'. It is important that Australians be able to access the international job market, in particular the EU area, and this means that Australia should seek to promote reciprocity by freeing up international movement between the EU and Australia.

4.4 There is demand for both skilled and unskilled work. Existing skilled permanent migration seems to have little impact on Australia because the numbers accepted by the program are extremely small compared with the domestic Australian annual increases in workers (200 000 in the 2009-2010 year). Migration from New Zealand, which can be at any skill level, does not appear to have had major negative impacts on Australia. Evidence from the EU suggests that migrants specialise in high skill or low skill work, and the filling of low skill positions by migrants allows the host country to specialise, with native labour moving to medium and high skill work.

4.5 Working immigrants pay tax and thus pay for public services also. Relative to the established population stock, migration is small and thus any effects could also be expected to be small. While migration adds to population and thus adds to demand on services, space and public services, it is the birth rate that appears to be the dominant driver of general population growth, and thus demand on these services. If immigrants are also paying tax then they are also contributing to the upkeep of public services.

4.6 Significant public investment is involved in raising an Australian child from birth: health care, child care, primary school education, secondary school education, tertiary or vocational education, family tax

²⁸ Backlog of applications <http://www.abc.net.au/news/2015-05-19/skilled-migrants-waiting-years-for-permanent-residency/6481916>

benefits etc. It may take around 15-25 years before an Australian child enters the workforce with this embodied 'human capital' and taxes begin to be paid from work. In contrast, a immigrant's country of origin has paid much of this investment in human capital already, and many immigrants are ready to work. *In other words, Australian births appear to represent a significantly larger draw on public finances than immigrants.*

4.7 Extend temporary migration visa validity. Temporary migration will form a key component of the PPV scheme, and will be necessary if a deposit option is chosen with repayment of the full amount collected through the Australian tax system. It is suggested that temporary migration visas be granted for five years, rather than four years, in line with EU practice of granting permanent right of residence after five years. This also permits persons granted a temporary visa who are on the path to a PPV enough time to work and save money to pay off the immigration fee.

4.8 English language competency is an area of concern. Indeed it may be a greater concern than skill level as lack of language proficiency hampers the acquisition of new skills. Observations from the EU suggest that poor language competency can be a problem, for instance, when applying for work, when signing contracts, and understanding one's rights and responsibilities. One interesting policy can be found in Sweden, where immigrants may apply to local councils for free evening Swedish lessons at private or public academies. This program, called *Swedish for Immigrants* directly addresses the language barrier issue after the immigrant has arrived.²⁹

It is important that the standard of English be at a similar level to that observed within the occupation itself, so as not to become a 'soft' barrier to entry.

5.0 Exploring A Paid-Permanent Visa (PPV) Scheme

5.1 How could the PPV fee be charged for?

Everything up front - the entire fee is demanded upfront. A temporary visa would be issued for 1 year (or other short probationary period). After this probation period, the temporary visa would be converted to a PPV.

Pay as you go - a percentage deposit is demanded before entry into Australia, with the rest paid off while the holder is employed, through pay deductions similar to how tax is deducted from employee pay packets. A temporary visa would be issued for 5 years, and only convert to a permanent visa once the total balance had been paid off. This option is useful for those who have the skills but perhaps could not afford the whole fee upfront.

²⁹ Swedish for Immigrants, The Government of Sweden <http://www.government.se/sb/d/6997/a/67940>

Combination option - The Australian Government would apportion applicants into different risk 'streams'. For example, if applicants are highly skilled, they could be offered a pay-as-you-go option, whereas applicants with lower skill levels could be offered the everything up front option.

While the option exists for HECS- style loans, this would create an upfront charge to government budgets. There is also little need for a loan if the pay-as-you-go option is made available. The inability to convert a temporary visa to a permanent one would guard against non-payment. PPV applicants should be free to choose their employer as this protects the employee, through resignation, from employers who do not provide a supportive work environment.

The pricing of PPVs could reflect the following: (a) the cost of administration and enforcement, (b) the cost of providing catastrophic emergency healthcare, (c) and the cost of a return flight and transport to the country of origin, (d) fees that would be forwarded to the applicant's local council and state government to cover public services, (e) policy considerations such as limiting the absolute number of migrants and (f) any discount for skills, special considerations or knowledge of the english language. Using the fees newspapers have reported for phony migration services as an indication of what the market is prepared to pay suggests \$30 000 is a good initial starting point for a PPV.

5.2 Where should the money go?

As a general principle, the fee should cover the administration of the program. Beyond that funds repaid each year should go to the state and local government where the PPV candidate resides based on the principle that the largest funding share should go to where the impacts are felt most. As the effects of immigration tend to be localised, it is expected that local government would receive the largest proportion of the funds, with the remainder disbursed to the host state or territory government. If the PPV candidate moves, the money will follow the candidate, so that the new hosting local government, and state or territory will benefit from the payment for that year. Some funding could be set aside for free english lesson vouchers.

5.3 How could a PPV work?

A PPV is flexible and could work a number of ways. Here is a limited sample of fictional scenarios using fictional fees.

Scenario 1. Alice wants to migrate to Australia.

Alice applies to the Australian Government for a PPV. She goes to the Australian Government PPV website and uses an online PPV pricing tool to work out the fee she needs to pay is \$30 000. After Alice passes basic ID and security and other checks, she pays a fictional 30% of the fee (\$10 000) to the Australian Government.

Alice is issued with a temporary visa valid for 5 years, which permits work rights. Alice finds a nice neighbourhood and a home to settle into. She registers with her local council who welcomes her and informs her of migrant services available. Alice now has 5 years to pay off the immigration fee. Alice works out this is around \$80 per week for 5 years. Meanwhile the Australian Government has now disbursed Alice's \$10 000 deposit money. In this fictional scenario, the city council receives \$5000, the State Government \$3333, and \$1667 is retained by the Australian Government, all paid out of Alice's first deposit. On the 1st of July the Alice's local council is paid immigration fee repayments collected and the rest is paid to the hosting state or territory government. Alice still has to pay income taxes like everyone else. The funding split ratio here is 3:2:1.

Alice finds a job and fills out a tax declaration. An amount is automatically deducted from Alice's pay each pay cycle and sent to the Australian Taxation Office. If Alice becomes unemployed, no fee is deducted until she is working again. If Alice wants to switch to a new employer, she can do so at any time. Alice can also elect to make voluntary repayments.

After 4.5 years Alice is recalled to an interview and informed that her visa will expire soon. Alice is asked if she wants to exercise the PPV option. An immigration officer assesses Alice's is made about whether she is likely to meet her fee obligations. Alice has paid the fee in full and after 5 years her temporary visa expires. Alice receives a paid-permanent visa (PPV). If she had not paid the fee in full she would have had to leave Australia.

Scenario 2. Bob wants to migrate to Australia

Bob applies to the Australian Government for a PPV. He goes to the Australian Government PPV website and uses an online PPV pricing tool to work out the fee he needs to pay. He expects to pay \$30 000. However Bob has in-demand brain-surgery skills that is on the 'hot' skills list. The Australian Government applies a discount of \$10 000, so the fee is now only \$20 000.

Bob has funds saved up so after he passes basic ID and security and other checks, he pays the \$20 000 fee to the Australian Government up front. Bob is issued with a temporary visa for 1 year; he registers with the local council and finds work. Meanwhile the Australian Government has now disbursed Bob's \$20 000 immigration fee. In this fictional scenario, the City Council receives \$10 000, the State Government receives \$6666 and the Australian Government retains \$3333. The funding split ratio here is 3:2:1

After 9 months Bob is recalled to an interview and informed that his visa will expire soon. Bob is asked if he wants to exercise the PPV option. An immigration officer assesses Bob to check he still meets the good character test. Bob receives a paid-permanent visa (PPV). If Bob had opted not to exercise the PPV option or had failed the character test, he would have had to leave Australia. Bob still has to pay income taxes like everyone else.

Scenario 3. Carol wants to migrate to Australia

Carol applies to the Australian Government for a PPV. She expects to pay \$30 000. However Carol is a refugee. The Australian Government recognises this and applies a discount of 100% taking the fee to \$0.00.

After Carol's application is processed and all necessary requirements are met, Carol is issued with a PPV.

Scenario 4. Dave and Eve want to migrate to Australia

Dave and Eve applies to the Australian Government for a PPV. They both go to the Australian Government PPV website and uses an online PPV pricing tool to work out the fee they need to pay. They expect to pay \$30 000. However Dave and Eve are both New Zealand citizens. The Australian Government applies a discount of 100% taking the fee to \$0.00. At the Airport Dave and Eve receive their PPV and are welcomed into Australia.

5.4 Implementation

A limited trial implementation of pre-paid permanent visas (PPVs) alongside the current immigration system would permit real-world testing of the 'paid entry' approach to migration. As a condition of entry, a consent to collect research data could be incorporated, with the Australian Bureau of Statistics, a university or similar organisation charged with looking at the impacts. This PPV scheme would be uncapped, and thus sit outside the 'planning level' set each year, but the right to cap the scheme would be reserved by the relevant minister. If desired, the option exists to open the scheme in stages to citizens of preselected countries.

6.0 Recommendations

- **TAFEs and Universities be added to the list of competent authorities** able to certify skills for migrants. Fees and charges should continue to be left up to the organisation performing the assessment. Implementation requires opening dialogue with Universities Australia, State and Territory Governments. It should be kept in mind that a professional association's goal is to minimise external competition as this helps raise member's incomes, and that placing such organisations in a 'gatekeeper' role may artificially limit competition and entry into a profession.
- **Consultation with recruitment agencies and job advertisement websites** to investigate what the reasons are for not offering jobs to applicants for holders of temporary working visas, given that a temporary visa may last up to four years.
- **Create a new class of visa - Paid Permanent Visas (PPVs)** alongside the current migration system. This would permit the extent and pace of transitioning the current system to one including prices to be carefully staged and controlled by the Australian Government.

- **Extend Temporary Visas from 4 years to 5 years.** This permits more time to pay back the immigration fee, and assures employers of longer stay employees. Allow conversion from temporary visas to PPVs.
- **Accelerate visa processing times by introducing an Express Fee option.** The times listed on the department of immigration and border protection website are long, ranging from 3- 12 months.³⁰ Time is the least renewable resource, and to waste time is to waste life. An express fee option should be made available to fund extra public servants to accelerate processing.
- **Continue to pursue Free Immigration Agreements** with other nations, such as Canada, United States or Singapore. This will allow Australians to access jobs overseas much more easily and with far less hassle. **Mutual recognition of free labour movement principles could be pursued with the EU**, which would be faster than negotiating with all 28 countries individually. This would permit Australians to freely work in European cities such as London, Paris, Berlin, Stockholm etc in exchange for Europeans having the right to work in Sydney, Melbourne, Brisbane etc. This is particularly important as approximately half of the Australians who have departed for overseas on a long term or permanent basis have chosen to settle in EU countries. Free movement could also be negotiated with Commonwealth nations.
- **English language competency** (to a year 12 level) may be a concern. Explore options such as using part of the fee for a voucher for English lessons or refunding part of the fee if a certain English language competency level is achieved. Such a measure will also create jobs in Australia for English teachers.
- **Find work abroad** - consider using part of the immigration fee to assist Australians, particularly unemployed young Australians, to find work overseas and enter the international job market.

--- End of Submission

³⁰ Skilled migration visa processing times <http://www.immi.gov.au/about/charters/client-services-charter/visas/8.0.htm>