

**Submission to the Productivity Commission  
Inquiry into Migrant Intake into Australia, Issue Paper**

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## Overview

This submission responds to the Productivity Commission's Issue Paper on Migrant Intake into Australia (the "Issue Paper"). The Inquiry raises a large number of questions, not all of which can be thoroughly dealt with in the current submission. The focus in the terms of reference and in this submission is on the proposal to use a visa charge rather than selection criteria as the central mechanism for admission of immigrants into Australia. After considering the fiscal costs and benefits of immigration, this submission argues that this proposal raises significant diversity and logistical concerns that undermine the very purpose of Australia's immigration program. The proposed charge policy should not be adopted.

### Do current visa charges reflect the cost of services?

The Issue Paper argues that the current cost of processing immigration visas is not set at a cost recovery basis. Yet, the Issue Paper also notes that the cost of processing "economic migration, family migration, resident return and former resident visas, students, temporary residents and visitors and working holiday makers amounted to over \$600 million" while revenue charges from these groups amounted to \$1.7 billion (page 9 of the report). At present therefore, processing of the vast bulk of the immigration program is revenue positive in terms of processing costs. However, this analysis does not include the costs of processing of the humanitarian stream, where total costs in offshore processing alone amounted to \$3.3 billion in the financial year 2013-2014 (Commission of Audit 2014, 10.14).

Many of the visa charges imposed upon applicants through immigration processing have been set since 1996 following a review of government services including within the immigration bureaucracy (DIMA 1999, p. 31, cited in Crock & Berg 2011, p. 129). Some of these charges are very high, such as the charges and health bonds paid for contributory aged parent class visas. For other visas, such as the temporary work skilled visa (457), the charges are much lower (see Table 4 of the Issue Paper).

The rationale behind differential charges appears to be related to the likely contributions of individuals to the Australian economy following admission, including the likely future reliance of these individuals on government services. Therefore, temporary skilled workers who have access neither to Medicare nor most social security payments are charged less for visas than contributory parent applicants who have been identified as a long-term cost to Australian government (AGA 2002, p.6). Permanent visa holders are charged more than temporary visa holders. This rationale rather than capacity to pay (with the exception of the Business Talent visa) appears to underpin the logic of the existing visa charges structure.

On the basis of the overall revenue positive nature of visa charges to the Department of Immigration and Border Protection (DIBP), it would appear that

this Inquiry is analyzing the issue of “cost recovery” in a broader and more complex sense – related to the ongoing costs of immigration to the social security, health and education systems of Australian government following admission.

## The costs of immigration to the social security, health and education systems

Putting aside the cost of processing immigration visas, a broader issue arises as to the current costs of the immigration program to Australian government. It is clear that some visa classes are more costly than others. The contributory aged parent visa is an example of a costly immigration category. A study by the Australian Government Actuary (AGA 2002, p.6) estimated that from 41 to 50, there was a 1.3 per cent increase in health costs of aged parent migrants per year of age. From 51 to 60, this would increase to 4.8 per cent and an additional 4.1 per cent from 61 to 70. These costs are not that different from the majority Australian population who also place more pressure on health services as they age. Nonetheless, in light of the costs of permitting the reunification of aged parents with their family members in Australia, a health charge and bond was introduced in 2003 to offset some of this provision (Boucher 2014). Further, there are lengthy welfare waiting periods or qualifying periods for both the aged pension and disability support payments, as the Issue Paper notes. In contrast, other visa categories such as skilled immigration visas, particularly those with an employer connection, have been identified through econometric analysis as costing far less to Australian government. This relates not only to the welfare waiting periods that preclude permanent immigrants from access to social security for a two year period post settlement but also due to the higher rates of engagement of such individuals in full-time work, which necessarily removes reliance on many forms of welfare (Richardson et al 2004; DIAC 2010, 6). Clearly, for temporary residents who are denied access to either Medicare or most forms of social security payments, the costs to the Australian state are further reduced.

## Measuring the fiscal effects of immigration

Which migration streams have resulted in the greatest benefits? To what extent have the effects in Australia been different to those in comparable countries with large migration programs?

In evaluating the potential fiscal effects of immigration for Australia, it is important to offset these against the potential gains of immigration. It is also important to ask what the baseline for comparison should be. For instance, all individuals in Australia cost government some money either through use of services or through the disamenities created through environmental impacts. Further, the cost of any one individual varies across the life course. Children and the elderly are more costly than individuals in their key years of labour force engagement. The central question should not be therefore whether immigrants cost anything but rather, how much they cost compared to the majority



Australian population (referred to here as “native born population”). Results from the DIBP’s Continuous Survey of Immigrants to Australia reveal that skilled immigrants have lower levels of unemployment than the Australian native born population. The full-time median salary of skilled workers was \$60,000 in 2009, which was higher than the median Australian native born salary for full-time workers of \$56,000 in the same year. It is important to note that these data were collected prior to changes to the skilled program from 2011 onwards which tightened selection criteria and prioritized higher-earning employer-sponsored immigrants over those entering through standard skilled independent channels (DIAC 2010, pp5-6). For temporary skilled immigrants on 457 visas, a salary minimum of \$53,900 operates, and a threshold of \$96,400 for those exempt from English language requirements (DIBP 2015). Further, as noted, these immigrants, unlike Australian permanent residents and citizens, have limited access to the health and welfare systems. Comparing across the major visa categories, former Chief Economist of the DIBP, Mark Cully demonstrated in a 2011 research paper that the fiscal effects of Australian immigration were positive in all but the humanitarian category (Cully 2011, cited in OECD 2013, Table 3.1). These estimates held both at the point of time of admission and with regard to forward-looking projections of up to twenty years.

This analysis is consistent with recent comparative data from the Organisation for Economic Cooperation and Development (OECD) that demonstrates that the fiscal effects of immigrants are generally cost neutral or negligible in most OECD countries. In nations like Australia, where the majority of immigrants are either skilled or highly skilled, the benefits accrued are greater than in those countries with a family-focused mode of admission (OECD 2013). This outcome relates to the lower reliance on social welfare among skilled immigrants and their higher rates of labour force engagement, resulting in larger contributions to tax revenue. Further while in most countries immigrants have a lower net fiscal impact than the native born, this relates less to use of social welfare and more to lower levels of contribution to tax and accrued social security benefit schemes (OECD 2013, p128.).

## Measuring the social and cultural capital of immigration

What is the relevant timeframe for measuring the social and cultural impacts of immigration and what are the best indicators of those impacts?

The assumptions underpinning calculations of fiscal impacts of immigration are highly complex. In general, such assessments focus on quantitative measures of “contribution” and do not consider some of the important non-economic contributions that immigration generates. For instance, in assessing the economic costs of aged parent immigration to Australia in 2002, the Australian Government Actuary did not calculate the considerable unpaid care work provided by these immigrants to their children and grandchildren, reducing the need for claims to childcare assistance and childcare rebate. The AGA “restricted [its analysis] to the tangible costs of Commonwealth Government programs

which are likely to be accessed by the additional migrants. As such, it “ignore[d] the benefits which such immigrants may provide.” It noted that “[t]hese benefits would be difficult to quantify...” (AGA 2002, 15). Immigrants also make considerable contributions in terms of cultural capital however, these effects can be difficult to quantify. In recent times, economists have begun to attempt to measure some of these more intangible benefits of immigration, including the “diversity” effect of immigrants upon economic prosperity. They have found that nations that bring in a diverse range of skilled immigrants from different countries enjoy considerable benefits in terms of income and productivity (Alesina et al 2013). As such, evidence-to-date demonstrates that the net effects of immigration, particularly in systems like Australia that are skewed towards the highly skilled, are beneficial and it is also likely that these models underestimate some of the less easily measurable contributions of immigration.

What is the relevant timeframe for measuring the impacts of immigration on the per person incomes of the Australian community?

Generally, the benefits of immigration are measured over short time spans by Australian government. For instance, the Australian government in its Longitudinal Analysis of Immigrants to Australia (LSIA) assessed immigration over three cohorts of two years each (Richardson et al, 2002). However, Australia’s historical experience with immigration demonstrates that we would benefit from a longer-term perspective. For instance, the labour market impacts of Australia’s post-war immigration flows would be very different if we compared these immigrants immediately post-settlement, or after several decades of settlement. Further, the labour market and educational outcomes of the offspring of these post-war immigrants have been in the main even more positive (Collins 1991). A short-term perspective in comparison across immigration streams might lead to a preference for temporary over permanent immigration, as the short-term costs to the social security and in particular, health service, are lessened. However, longer-term projections by Mark Cully again demonstrate that permanent immigrants might bring more fiscal benefits:

**Table 3.1. Estimated net impact of immigration on the Australian Government Budget, by visa category, 2010-11**

Entry category	Visa grants in 2010-11	Net fiscal impact (AUD million)				
		Period of settlement in Australia (years)				
		1	2	3	10	20
Family	54 543	212	60	43	201	146
Labour (including accompanying family)	113 725	747	839	915	1033	1154
Humanitarian	13 799	-247	-69	-62	-12	48
<b>Total permanent</b>	<b>182 067</b>	<b>712</b>	<b>829</b>	<b>896</b>	<b>1221</b>	<b>1349</b>
<b>Temporary Labour (business long stay)</b>	<b>90 120</b>	<b>889</b>	<b>955</b>	<b>383</b>	<b>441</b>	<b>586</b>

Source: Adapted from Cully (2011).

Graph sourced from OECD 2013.

On this basis it would appear that longer planning periods are more appropriate in ascertaining the economic effects of immigration than the very short time frames employed by the Australian government over the last two decades of immigrant program planning and analysis.

## What is the purpose of Australia's current immigration regime and ought it be changed?

A new system of visa charges would only seem to be warranted if a clear policy problem in need of rectification emerged. However, as the above analysis demonstrates, at present, the Australian immigration program is largely budget neutral. Across most visa classes, immigration also brings clear financial benefits to Australia and this conclusion does not factor in the non-economic contributions of immigration, which are considerable. Nor is there a clear policy problem to be solved through the imposition of a tariff rather than quota and criterion-based approach to immigration selection. In his submission to the Issue Paper, Jason Potts argues that a tariff-based charge to immigration control would solve the immigration-people smuggling nexus (Potts 2015). However, this claim conflates the comparatively minor inflows of offshore humanitarian immigration and illegal maritime arrivals with the vast bulk of the permanent and temporary immigration program where people smuggling does not emerge as a concern. Further, as argued below, the imposition of a charge-based selection system would raise considerable equity concerns at odds with the current principles of the Australian immigration program.

As is clear from the statement of Australian's non-discriminatory immigration policy on the DIBP website: 'Australia's Migration Program does not discriminate on the basis of race or religion. This means that anyone from any country, can apply to migrate, regardless of their ethnic origin, gender or colour, provided that they meet the criteria set out in law' (DIAC 2009). This central policy statement continues: "Migrants may be selected on the basis of such factors as relationship to an Australian permanent resident or citizen, skills, age,

qualifications, capital and business acumen. All applicants must also meet the health and character requirements specified by migration legislation” (DIAC 2009). As such, the grounds for selection at present are diverse, reflecting the various purposes of entry ranging from maintaining familial relationships between overseas citizens and Australian citizens and permanent residents to skilled-based criterion to assist Australian economic growth and development. Although not included in this policy statement, the existence of a humanitarian stream in Australia’s immigration program is also a policy acknowledgement that there is a place for individuals who have a well-founded fear of persecution and who are in need of protection.

These three major pillars (family, skill and humanitarian) are the central bases for selection into Australia and have been since at least the late 1970s, when the points test was first developed (Hawkins 1989). Prior to this point, immigration was centrally divided according to humanitarian and general immigration entry, with some race-based selection mechanisms at play as well. Division of immigration selection into these three streams (family, skill and humanitarian) is also the primary basis for selection of immigrants in most contemporary democratic states and even, in many autocratic ones, as a recent survey I completed of 61 immigration states, demonstrates (Boucher and Gest 2015). In fact, in most countries, the only major departure from this pattern is that family immigration rather than skilled-based criteria comprise the bulk of program admissions (Boucher and Gest 2015). A complex array of rules accompany the selection of immigrants on this basis, designed not only to fulfill the purposes of each channel of entry but also to select the most appropriate immigrants for that channel (for instance, in the case of family immigrants, a central purpose is that there is a genuine family relationship, while in the case of economic immigration, the individual must make an economic contribution to Australia). While we might disagree about the detail of policy design of individual visas, the fundamental structure of Australia’s immigration program, designed according to these three streams, is not only sound, it also represents good practice globally and is widely sought as a model of emulation. As such, aside from design impediments to the replacement of this qualitative-based selection system with a charge-based model, there is no clear evidence that the current model presents major policy problems.

## A charge-based immigration system

A charge-based approach to immigration selection would remove these various policy imperatives and replace existing rules with a capacity of the applicant to pay. Although the level of the charge is unclear, one estimate provided is that of around \$60,000 per applicant (Potts 2015). This figure is considerably higher than the charges under any of the major immigration visas other than the contributory aged parent category. This radical policy proposal presents several concerns addressed in turn:



## Compatibility of a charged-based model with Australia's current migration objectives

The imposition of a charge-based system would raise considerable challenges for compatibility with Australia's current immigration system. First, it is clear that not all individuals would be able to afford the charge, and yet existing bases for selection (such as relationship to an Australian citizen or permanent resident) would be supplanted by capacity to pay. For humanitarian immigrants, the imposition of a charge is even more worrisome as those with a well-founded fear of persecution would also need to possess the financial capacity to fund a visa. While some immigrants might have the capacity to borrow funds for a charge from family or friends, others will not and the existence of the charge will operate as an obstacle to application.

Second, given global income inequalities that fall strongly according to country of origin, there is a real concern that a charge-based system would lead to racialised inequalities in the admission of immigrants into Australia. The historical record demonstrates that head taxes and charges were used to block Chinese immigrants from entry into Canada in the first part of the twentieth century (Hawkins 1988). It is realistic to assume that a charge-based system could in the modern period also undermine the commitment to a non-discriminatory immigration program that is a central component of Australia's immigration system and indeed, a key part of the success of our much celebrated multi-ethnic society.

Third, global gender inequalities in the distribution of wealth and in men and women's engagement in paid labour also raise considerable equity concerns with a charge-based system. Recent research and case law on the imposition of wage thresholds on admission of female immigration applicants and sponsors indicate that these can act as a considerable impediment to entry (i.e. Boucher 2015; (MM v SSHD [2014] EWCA Civ [985] UK).

Fourth, with regards to skilled immigration, the proposed model conflates wealth with the qualities needed of future residents and immigrants. An individual might have the capacity to pay for a visa but this does not guarantee that he or she would be able to make a positive contribution to the Australian economy or society over the longer term. If we remove carefully designed selection criteria and replace them with a blunt charge measure, we overlook the importance of current rules in selecting those best suited for particular needs in the Australian economy.

Fifth, politically, with regard to family reunification, the proposed model is likely to face considerable backlash from Australian citizens and residents. As the Issue Paper notes, 43 per cent of Australians have at least one parent born overseas. Australia is an extremely diverse nation with high levels of intermarriage between Australians and overseas born. 31.6 per cent of marriages in 2013 involved individuals from two different countries (ABS 2014). The imposition of a costly charge beyond the means of many will likely not be met with a positive response from this large, and growing, component of the population. There is

also a real risk that such a policy could create an ethnic and cultural divide between families with migrant or overseas born members, and those of “native” stock, undermining the egalitarianism that has underpinned integration of immigrants historically in Australia.

Sixth, Australia is a signatory to international conventions, which create binding obligations in terms of the way immigration laws are designed and administered. The United Nations Convention Relating to the Status of Refugees (1951) is incorporated into the Migration Act 1958 and creates an obligation to provide protection for persecuted individuals. Failure to do so results in refoulement (UNHCR 1951; Article 33(1). Further, the Convention on the Rights of the Child (1990) and the International Covenant on Civil and Political Rights (1966) are both instruments to which Australia is a signatory. Both create requirements to respect the sanctity of family life, a right that would be undermined by a visa scheme that prioritised capacity to pay over existing familial relationships. Importantly, family relationships also form an important component of the skilled category and temporary skilled visas through the admission of secondary applicants so these international law concerns should not be delimited to the humanitarian and family streams.

Logistically, it has been proposed that the charge could operate as a HECS-style loan. However, given the challenges that have bedevilled the Australian government in terms of non-payment of HECS debts among Australians living overseas, it would appear that an immigration loan scheme would present even greater challenges for government, especially in cases where former immigrants left Australia on a permanent basis. In this respect, we can learn from the history of immigration and welfare provision in both Australia and Canada. Over the 1980s and 1990s, both countries imposed contractual requirements for repayment upon sponsors whose sponsorees utilised welfare during the operation of the contract. In both countries, these contractual instruments failed to protect against welfare default and ultimately, in Australia, upfront bonds have proven a more useful means to ensure payment (Boucher 2014 for a history).

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