Migrant Intake into Australia

Pre-release briefing
FINAL REPORT
UNDER EMBARGO
Until released by Treasurer or tabled in Parliament

Terms of Reference: 3 key components

1. Costs and benefits of immigration
   - including to Government budgets
     (entry charges, government-funded services, taxation)
   - income, wealth and living standards of citizens
     (economic, social and environmental dimensions)

2. Options for determining the intake of migrants, including through an entry charge as the primary basis for selecting migrants

3. Interaction between temporary and permanent immigration

What's new since the draft?

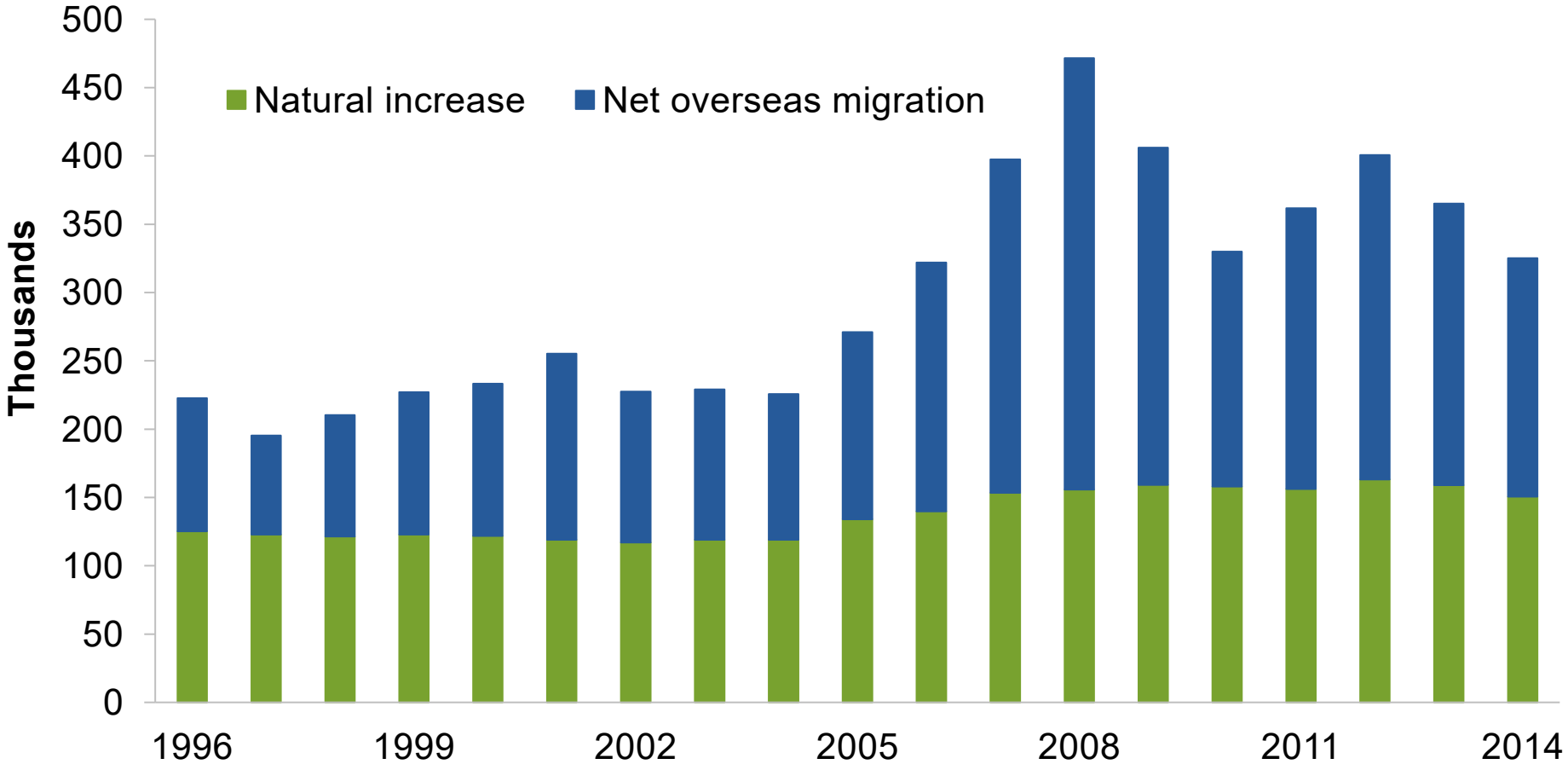
- The nexus between population and immigration policy
- Enhancing the permanent migration program
- Analysis of alternative visa charging options
- Commission modelling
  - partial equilibrium: now includes restricted access to government services and alternative charging scenarios
  - fiscal: new fiscal model developed from a lifetime perspective
  - general equilibrium: includes additional migration rate scenarios
  - peer review

- Some significant changes to recommendations

Immigration and its impacts

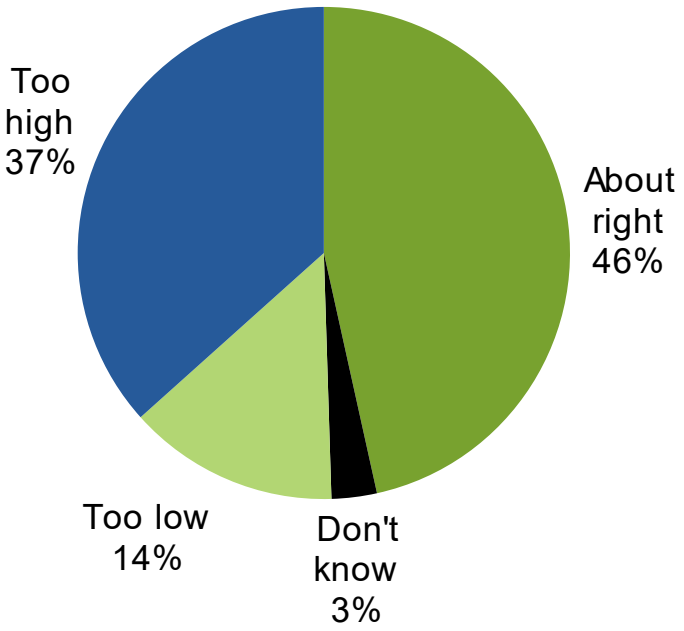
- Immigration policy has enduring effects on many dimensions of Australian life
- The objective of immigration policy should be to maximise the wellbeing of the Australian community
  (Australian citizens and permanent residents)
- Wellbeing has economic, social and environmental dimensions
- Getting the policy settings right is critical to maximising community wellbeing – both **level** and **composition** matter

Immigration – the main driver of population growth

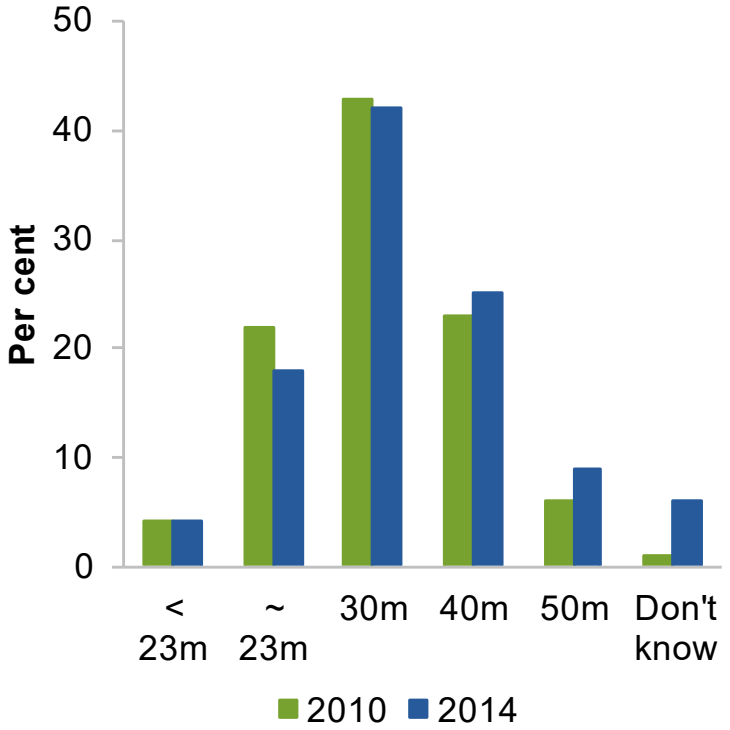


Community attitudes to population and immigration

a. Total number of immigrants each year

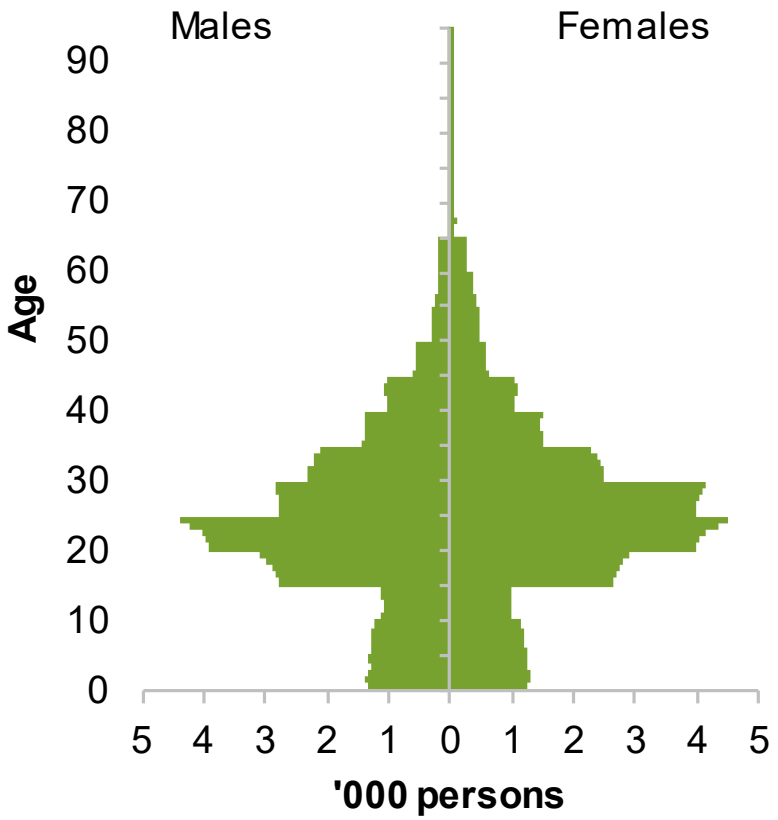


b. Best target population in the next 40 years

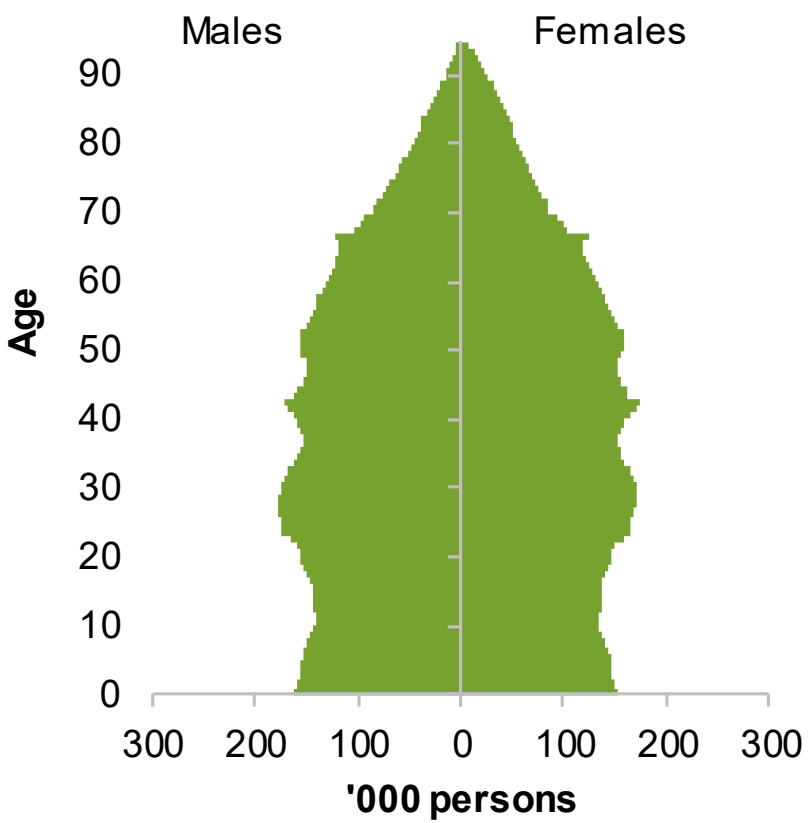


Newly-arrived immigrants have a younger age distribution than Australians

a. Current age structure of NOM

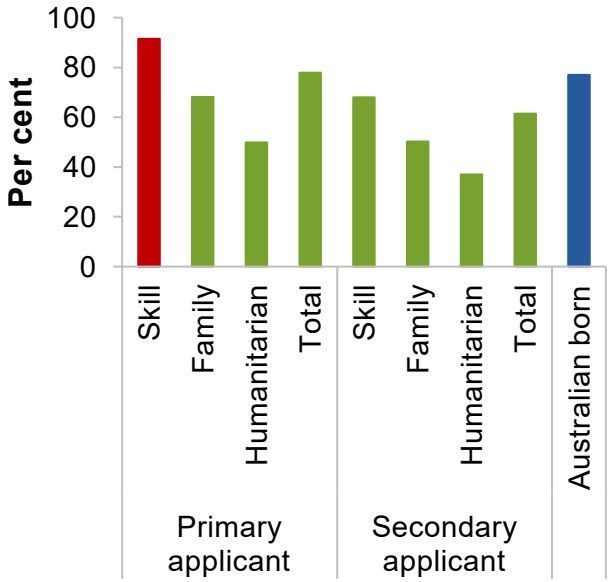


b. Current age structure of the population

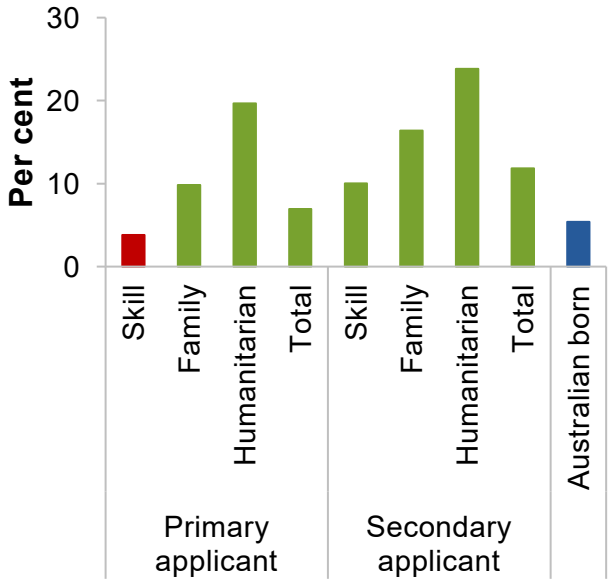


Immigrant labour market outcomes

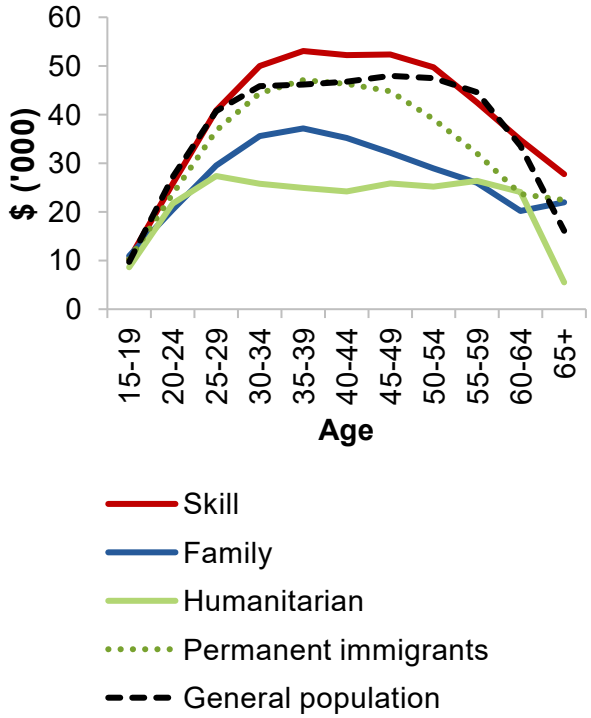
Labour force participation rates



Unemployment rates



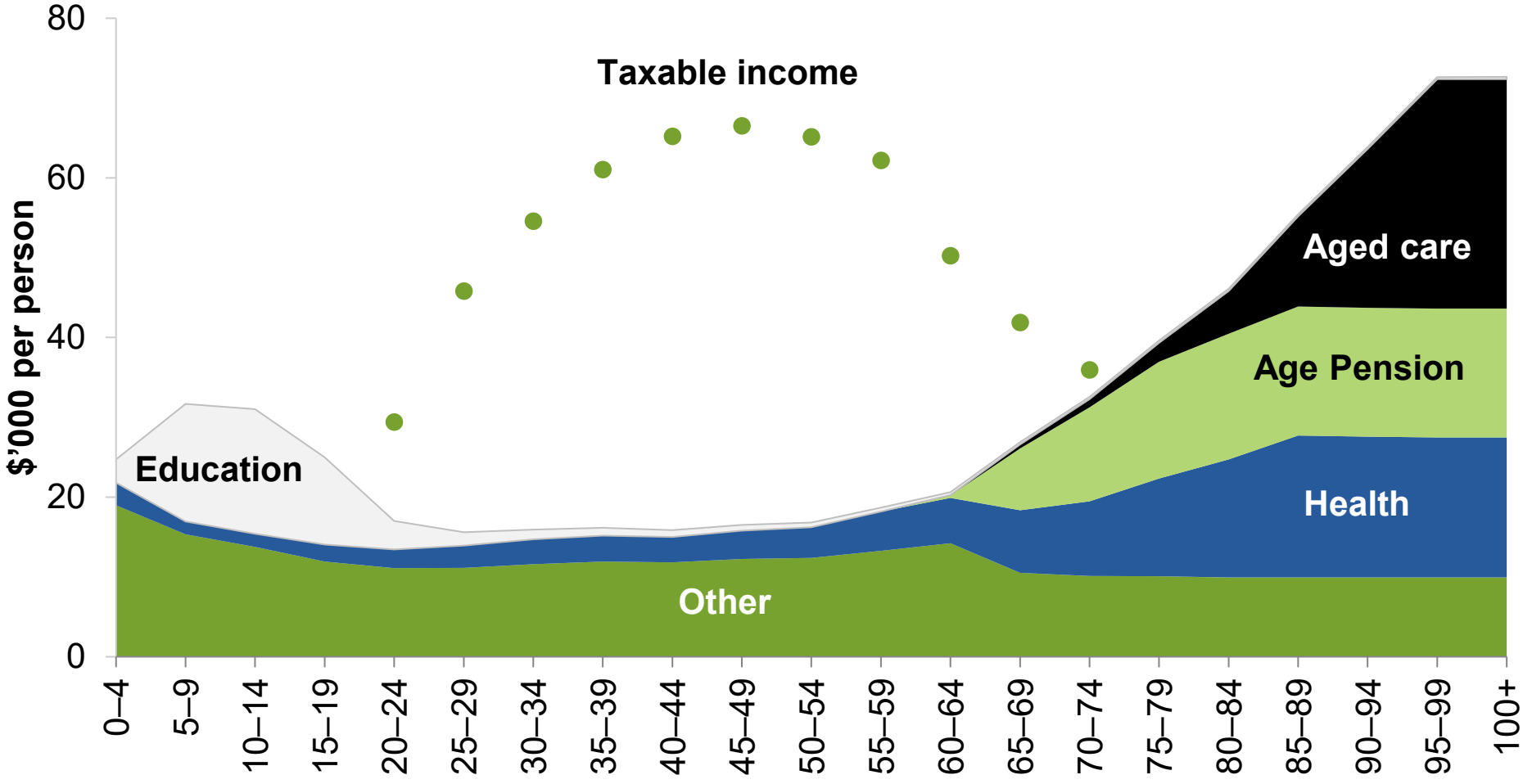
Median income



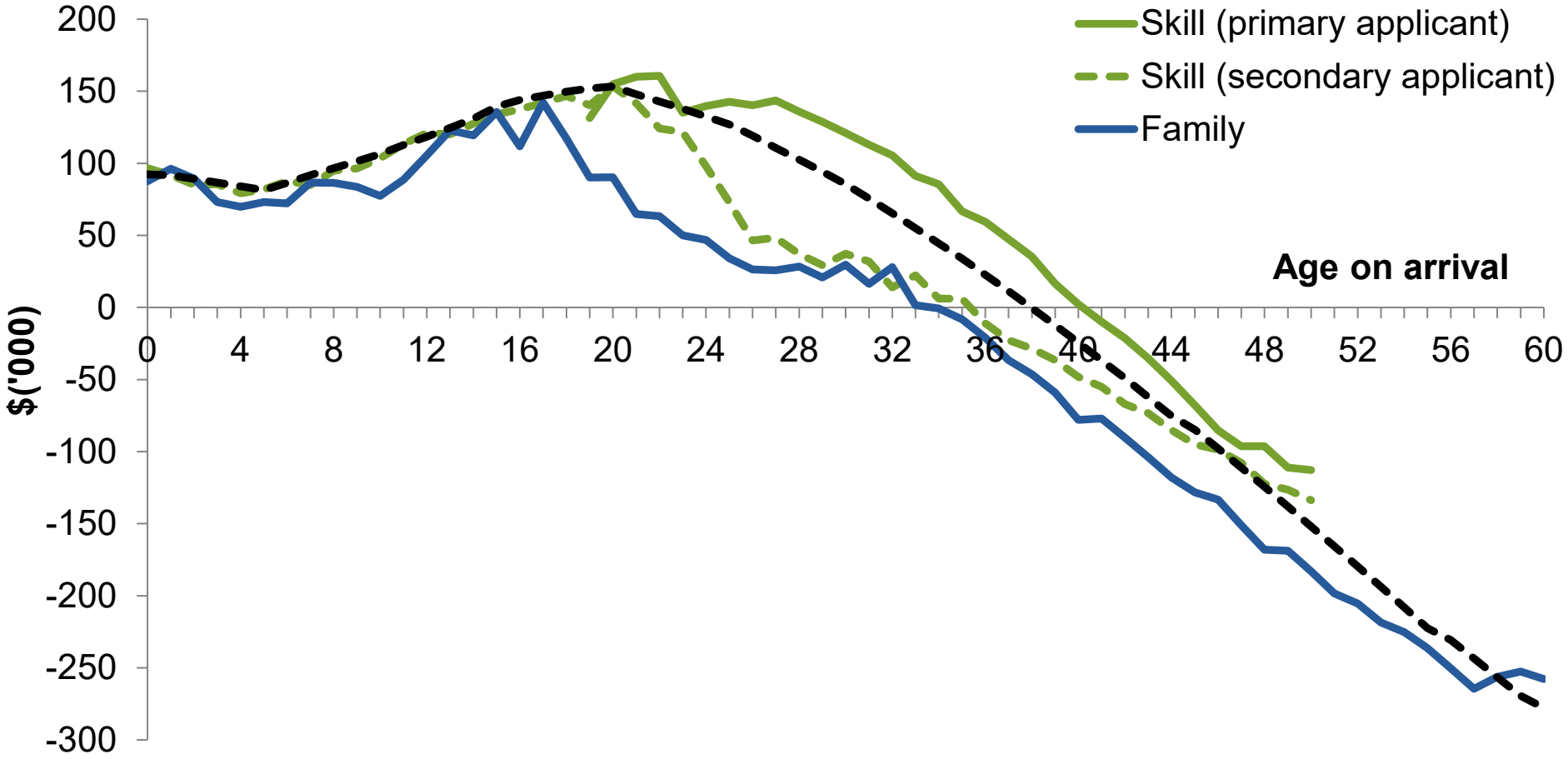
Impact on local workers is an empirical issue

- Commissioned research:
  - at an aggregate level, recent immigration has had negligible impacts on labour market outcomes of local workers
- Increased risk of displacement is more likely for the low skill and youth labour markets
  - immigration has boosted youth labour supply
  - difficult to isolate these impacts
- Ready access to temporary skilled immigration dampens incentives for employers to invest in training their workforce
  - training obligations for 457 visa sponsors remain justified

Fiscal profile – government spending increases with age



Indicative lifetime fiscal impacts – age on arrival is a key determinant



The demographic dividend

- Immigration can deliver a *demographic dividend*, but is not a panacea for population ageing

- Commission modelling – continuing NOM at long-term average rate, by 2060:
  - GDP per person would be 7 per cent higher than if NOM was zero
  - Australia's population projected to increase to 40 million
  - but GDP per person is misleading

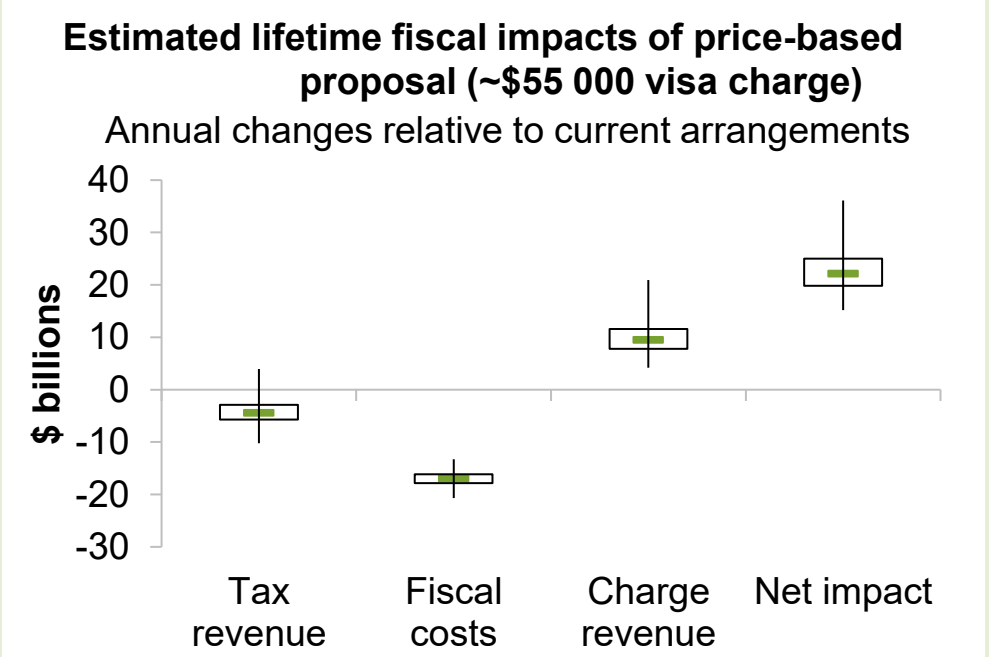
- Some positive rate of immigration likely to benefit Australia in the long term, but gains depend on level and composition

Accounting for social and environmental impacts

- An inclusive society and support for immigration requires:
  - continued attention to settlement services and other services to assist immigrants to integrate
  - investment in multicultural activities
- High levels of population growth impose adverse impacts on the quality of Australia's natural and built environment
  - the rate of immigration should be within Australia's absorptive capacity
- Views on population in Australia are highly polarised

Assessing a price-based proposal (with restricted access to govt supports)

- Using price to select immigrants comes with a high degree of uncertainty and downside risks in terms of migrant composition
- Difficulties in enforcing restricted access to essential services



- While it delivers significant fiscal benefits, many could be obtained through other reforms within the existing system
- The Commission is **not** recommending adoption of the price-based proposal

Modelling effects of alternative pricing options

Change relative to current arrangements

Charge	*Net fiscal impact*	*Age*	*Skill*	*Intake*
$ per adult	$ billion (per year)	share in young age group	share in skill stream	size
Uniform charge				
25 000	2–4	↑	↓	↓
50 000	8–11	↑	↓↓	↓↓
100 000	19–25	↑↑	↓↓↓	↓↓↓
Variable fiscally-reflective charges	7–9	↑↑↑	↑↑	↓

Why not use visa charging?

- A uniform charge could harm the skills composition
  - adverse selection problems
- Variable fiscally-reflective charges can improve incentives but sometimes lead to very high charges
  - tailoring precise charges vs. system complexity
- Concerns of 'selling' visas
- Uncertainty

Move towards better visa charging

- **Review of visa charging**
  - Increase transparency around the visa charging system by conducting and publishing detailed biennial reviews covering:
    - … changes to visa charges
    - … the underlying visa charging methodologies
  - Examine the effects of alternative models of visa charging, with a view to moving towards a more structured system of visa charging

Enhancing the current system

- **'Raise the bar' for the permanent skill stream**
  - Tighten entry requirements on age, skills & English proficiency
    - … consider reducing the age limit of 50 years
    - … add greater weight to younger immigrants
    - … demonstrate at least 'competent' English proficiency
  - Use the Skilled Occupations List as the sole basis for determining permanent skill requirements
  - Adopt a common points system for the entire permanent skill stream and add points for:
    - … employer-nominated applicants
    - … adult secondary applicants who are also skilled
  - Develop a more systematic empirical approach for determining the allocation of points (based on immigrant outcomes)

Business Innovation and Investment Programme

- **Business visas — more evidence is required**
  - Review the effectiveness of the Business Innovation and Investment visa to determine whether it is meeting its objectives
  - Use the results to inform the program's future
  - Do not increase planning levels until the review is completed

- **Investment visas — the case is not compelling**
  - Abolish the Significant and Premium Investor Visa Programmes

Family reunion

- Fiscal costs of parent visas are very large
  - net lifetime liability for 8700 parent visas is about $3 billion
  - benefits are largely private, but costs are borne by broader community
  - new inflows each year → big taxpayer liabilities over time
- Lengthy waiting period for non-contributory visas

- **Re-evaluating parent visas**
  - Restrict non-contributory parent visas to cases where there are strong compassionate grounds
  - Increase visa charges substantially and consider lowering caps for contributory parent visas
  - Introduce a more flexible temporary parent visa

Immigration policy development

- **Develop a population policy**
  - Develop and articulate a population policy to be published with the IGR – informed by evidence and community perspectives
  - Fund the CSIRO to publish projections of the environmental impacts of varying rates of population growth
  - Consider the implications for planning and investment in infrastructure in determining the migrant intake

- **Enhance immigrant integration**
  - Review settlement services, including English-language training and employment services
  - Improve the recognition of overseas qualifications obtained at high-quality institutions

Managing temporary immigration programs

- **Monitoring recent policy changes**
  - Assess the effectiveness of changes implemented as a result of the Azarias Review
  - Assess the costs and benefits of changes to the:
    - … tax status of working holiday makers
    - … eligibility of voluntary work to extend working holiday visas

- **Economywide effects of work rights**
  - Commission a public inquiry into the labour market effects of temporary visa programs
  - Allow for the use of matched tax and visa data to inform policy

Managing temporary immigration programs

- **Reduce the risk of exploitation**
  - Better inform temporary immigrant workers of their work rights with a smart phone app
- **The Special Category Visa for New Zealand citizens**
  - Implement previous Commission recommendation on improving access to government services for New Zealanders living long term in Australia

Investing in the evidence base

- **The need for better data and data analytics capacity across government agencies**
  - Continue to link immigrant information in government databases
  - Improve data collections on temporary immigrants
  - Collect and publish more detailed information on adult skill stream secondary applicants
  - Examine fiscal impacts from a lifetime perspective and include Australian, state and territory government items
  - Request that the Australian Government Actuary update its analysis of the fiscal consequences of immigrants arriving on parent visas