Migrant Intake into Australia

Post-release briefing
FINAL REPORT
9 November 2016

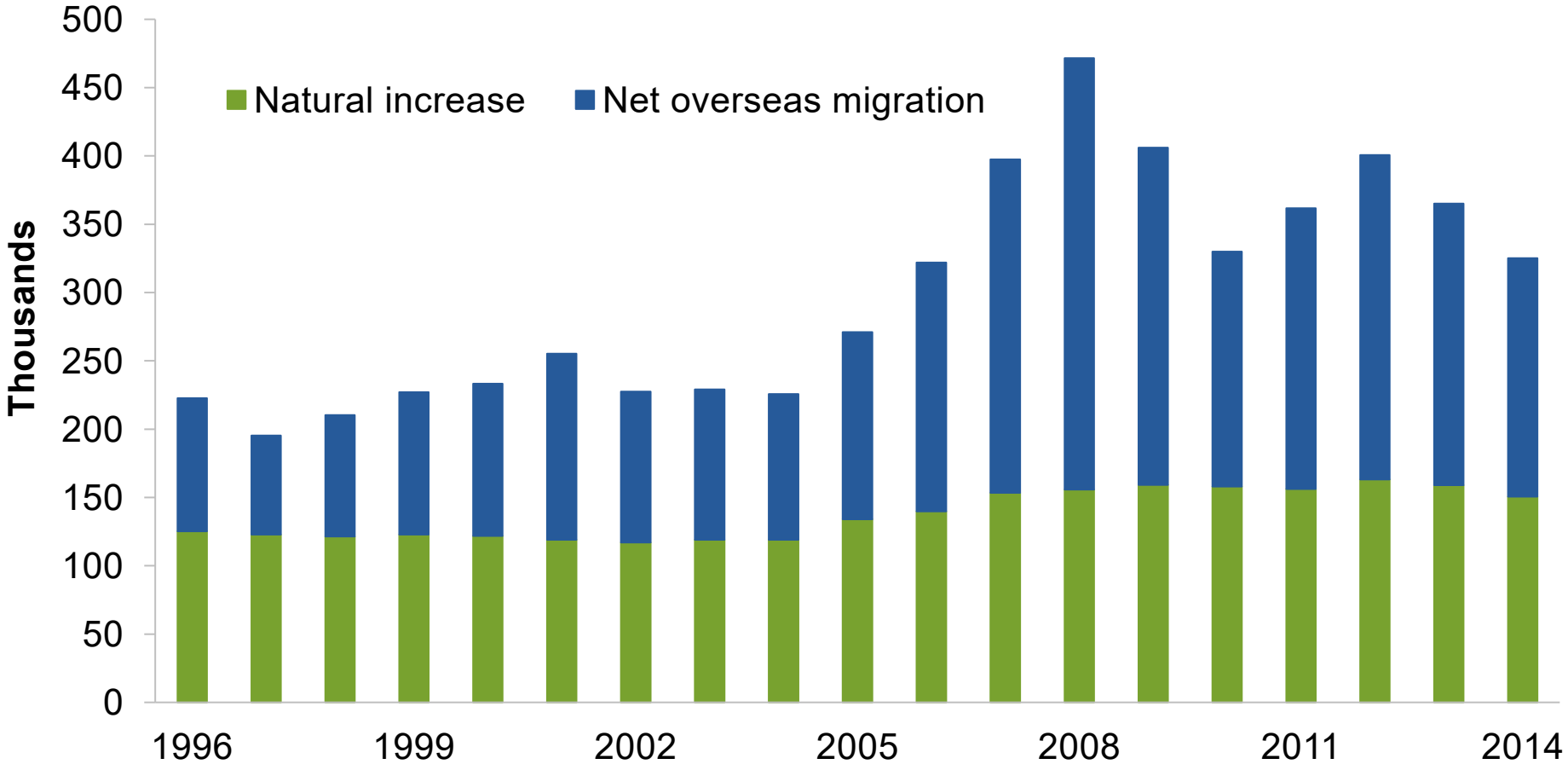
Migrant intake: key policy levers

1. Size of the permanent program
   - *It matters*
   - *How meaningful is GDP per capita?*

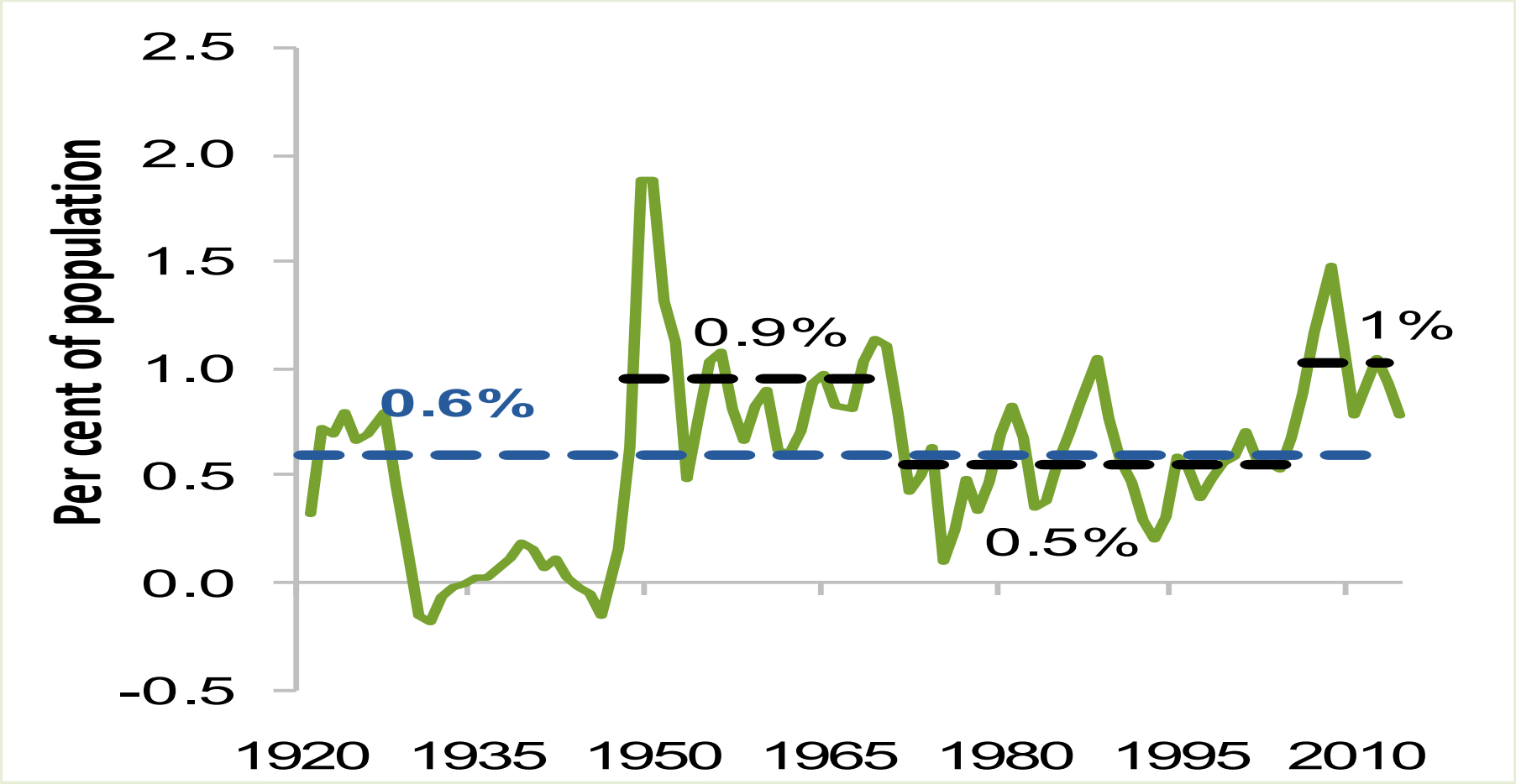
2. Composition of the permanent program
   - *Skill stream – the criteria*
   - *Parents visa*

3. What, if any, role for visa charges?

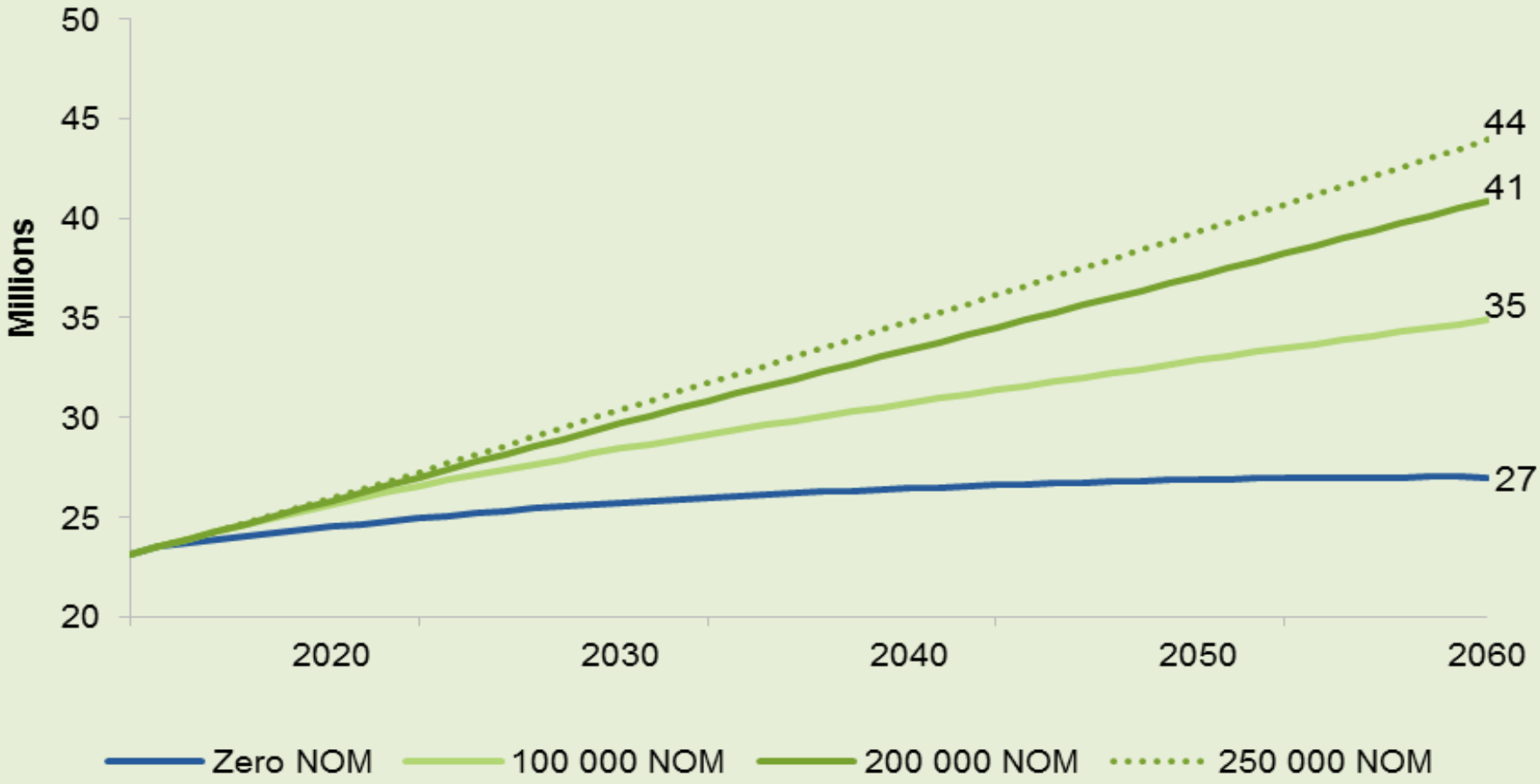
Immigration – the main driver of population growth



Current NOM is relatively high

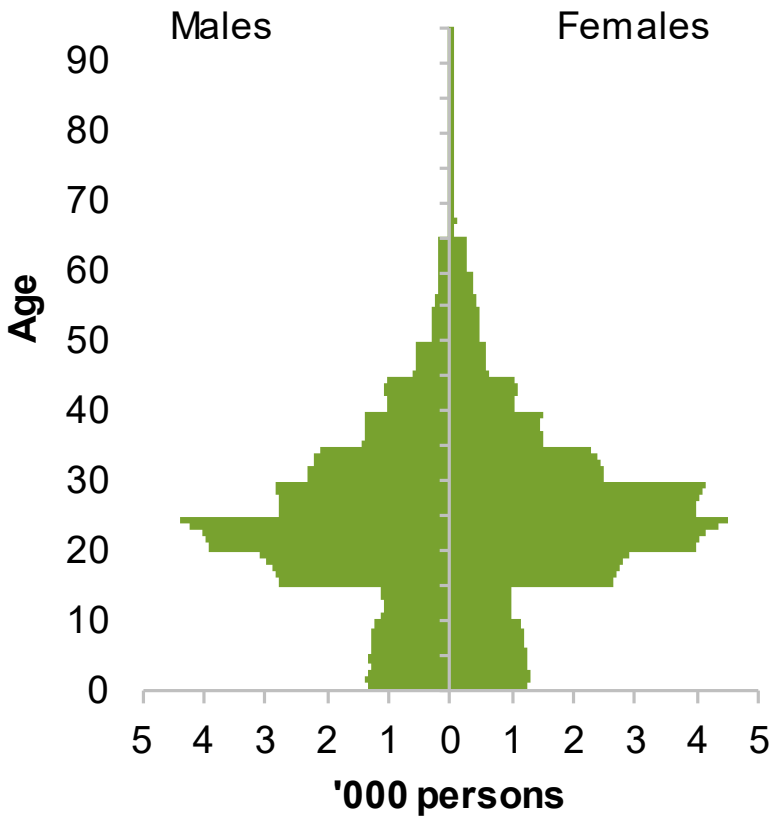


Demographic projections

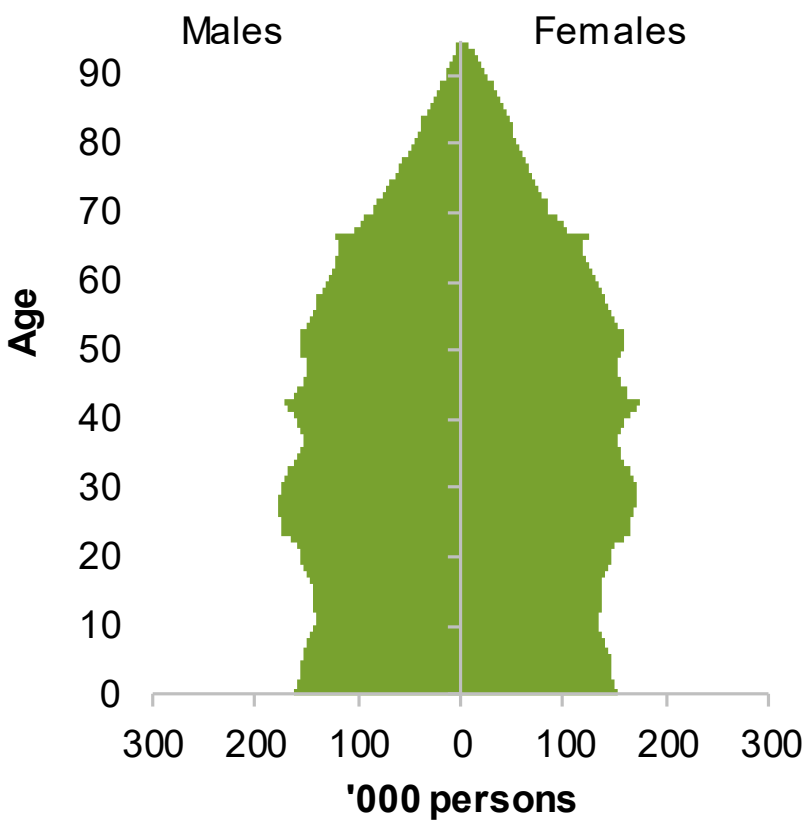


A 'demographic dividend' but with a larger population

a. Current age structure of NOM



b. Current age structure of the population



The demographic dividend

- Immigration can deliver a *demographic dividend*, but is not a panacea for population ageing as migrants age too.

- Commission modelling – continuing NOM at long-term average rate (0.6 per cent a year), by 2060:
  - GDP per person would be 7 per cent higher than if NOM was zero
  - Australia's population projected to reach 40 million (compared to 27 million if NOM was zero)

How meaningful is GDP per capita? (1)

- GDP is only part of the picture
  - *Immigration has long term environmental and social impacts*
  - *2/3 of survey respondents had strong preference for population below 30 million (which could be reached by 2030 with current rates of immigration)*
  - *Most migrants settle in major cities*
  - *Concerns about the liveability of cities (impact on the natural and built environment, housing affordability, general cost of living pressures)*
  - *Social inclusion – importance of integration*

How meaningful is GDP per capita? (2)

- …nor does it account for impacts on GDP that are relevant to *current Australian citizens*
  - *Many of the economic gains go to migrants themselves. It is only that part of GDP that goes to the existing Australian community that is relevant to their overall wellbeing.*
- GDP per capita is a highly misleading indicator of the benefits of migration – and should be given little weight in policy decision-making

Our assessment

- A positive rate of immigration that is within Australia's *absorptive capacity* (oriented towards young and skilled immigrants) is likely to generate long term benefits.

- However, unless the annual intake is calibrated to take account of broader and longer term considerations, sustained high intake levels raises risks to the wellbeing of the Australian community.

Our recommendations

- **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

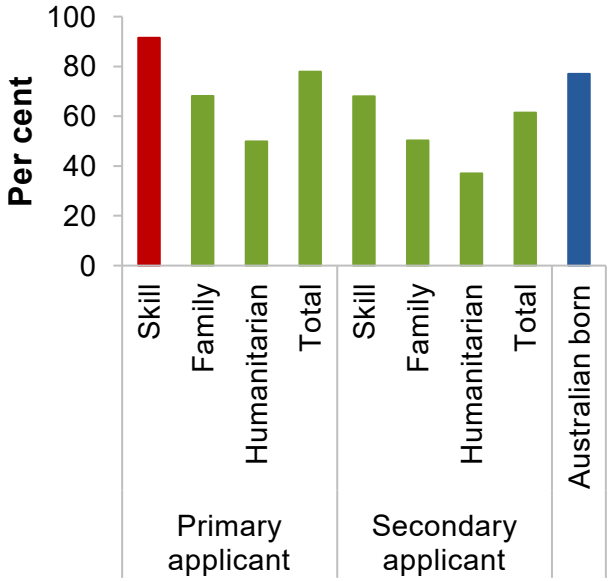
Composition also matters

- While the focus on skills has served Australia well, there is scope for significant reforms.

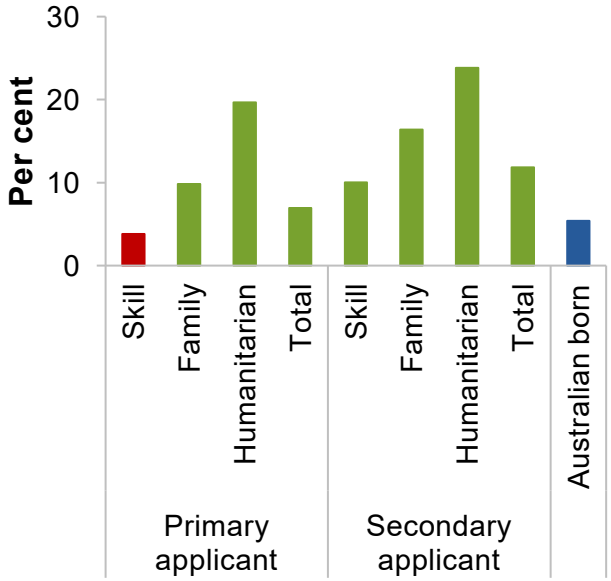
- Key policy levers
  - *The entry point (points test vs employer nominated)*
  - *The criteria (age, English language, skill lists)*
  - *The treatment of secondary applicants*

Immigrant labour market outcomes are mixed

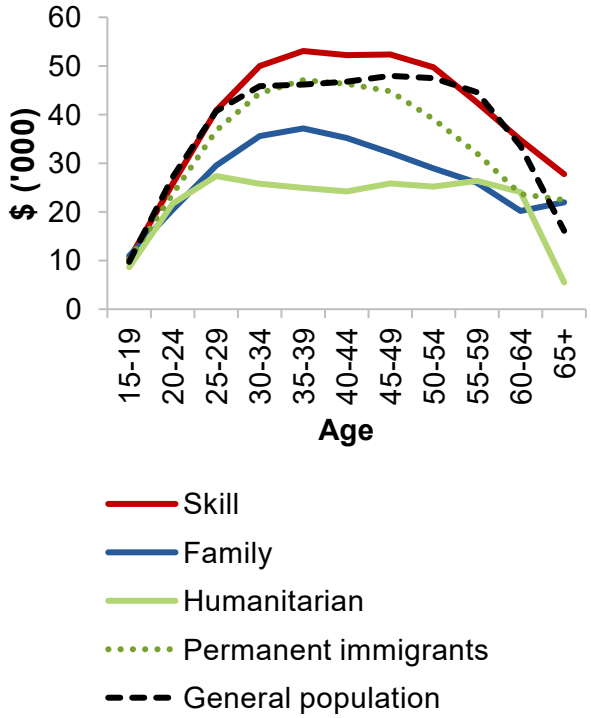
Labour force participation rates



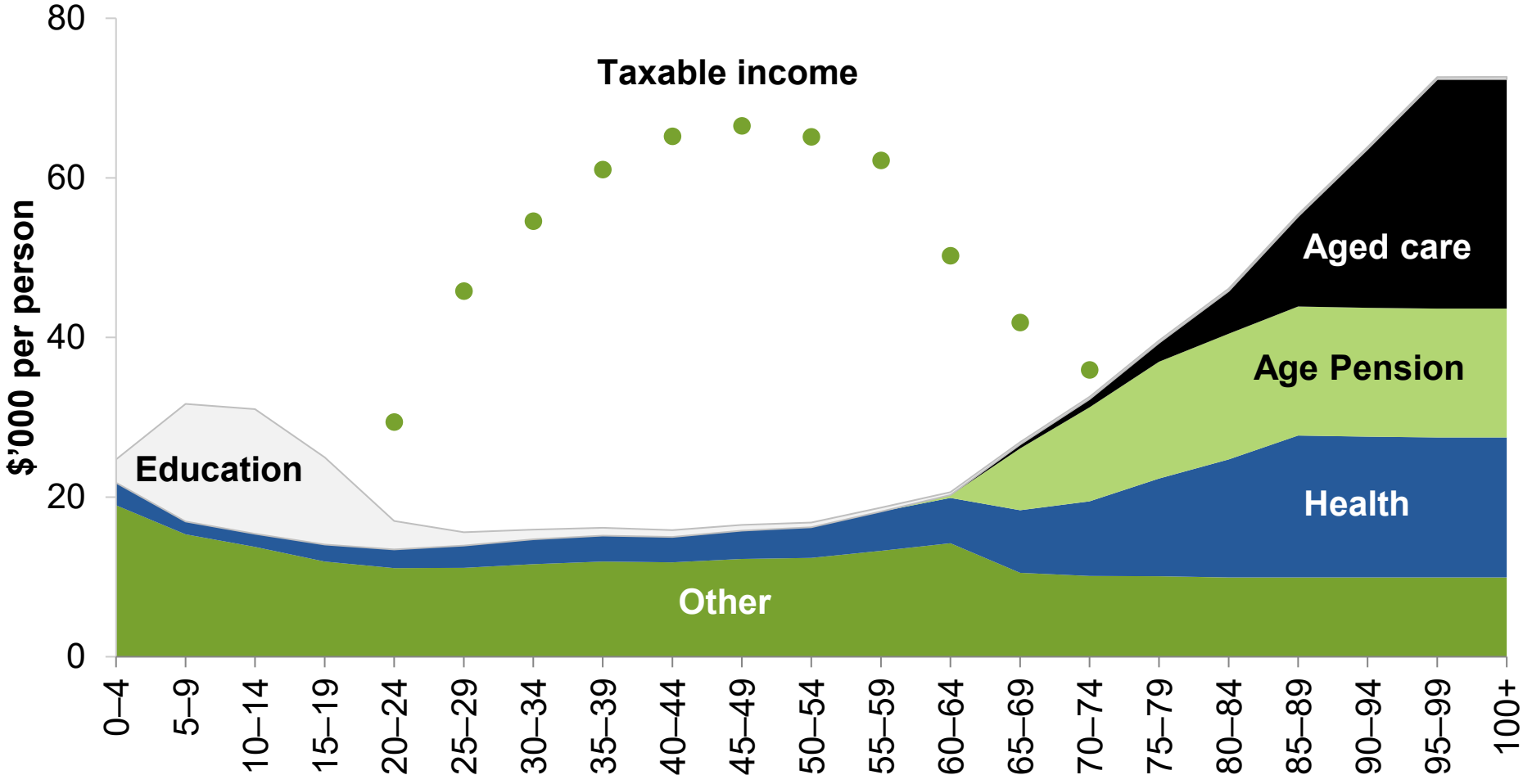
Unemployment rates



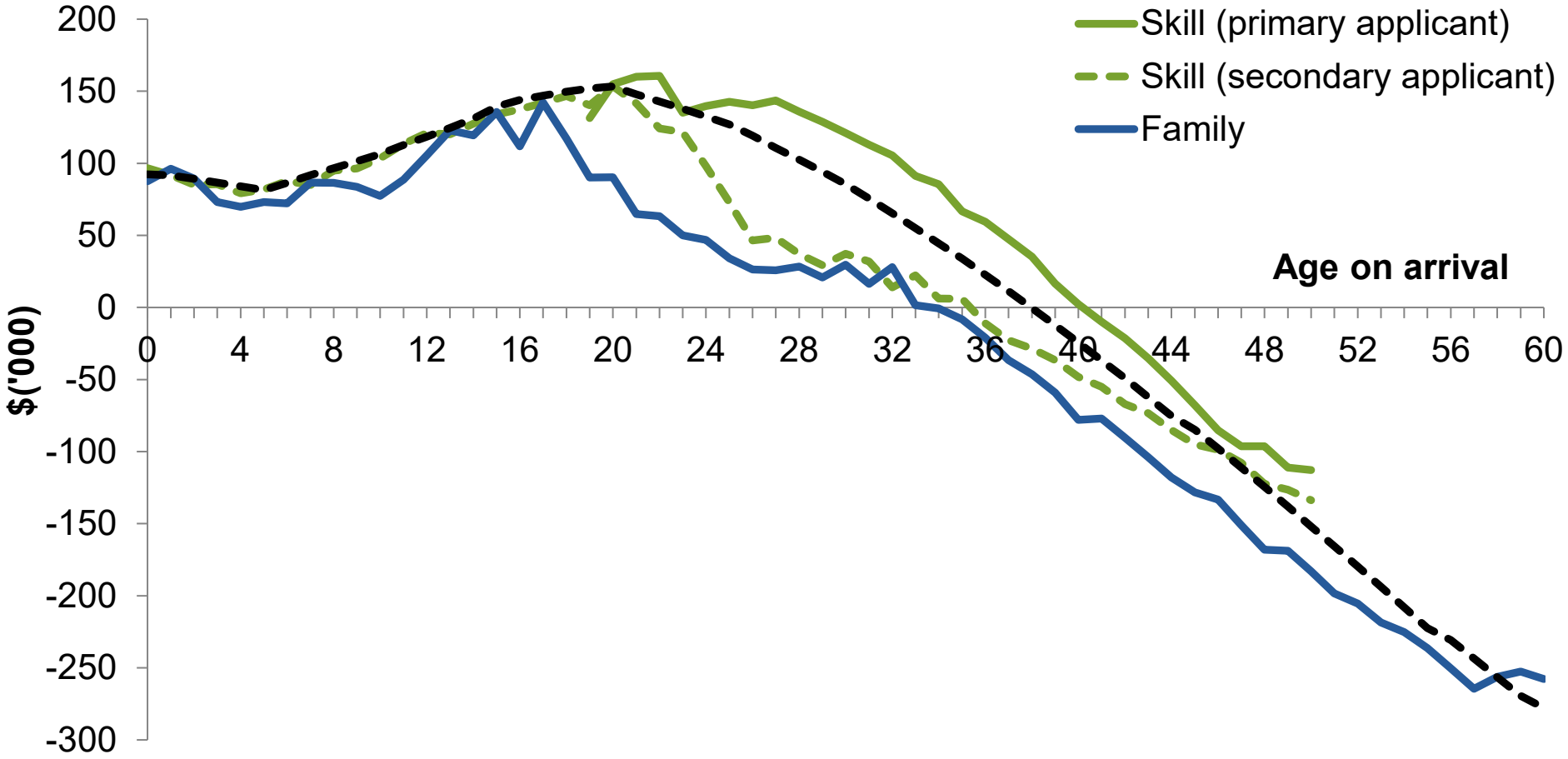
Median income



Fiscal profile – government spending increases with age



Age on arrival - a key determinant of lifetime fiscal impacts



Skill stream – what can be done now

- **'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)

Investor visas

- **SIV / PIV — the case is not compelling**
  - The broader economic benefits of these visas are negligible, and any benefits accrue mainly to those visa holders and to fund managers.
  - Likely that immigrants through these streams have less favourable social impacts than other skilled immigrants.
  - Abolish the Significant and Premium Investor Visa Programmes

What about parent visas?

- 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

Any role for visa charges?

- Visa charging can influence the impacts to Australia from the immigration program, both ***directly*** through the revenue gained and ***indirectly*** through its impact on the level and composition of the migrant intake.
  - *A more structured visa charging regime could complement other reforms.*
  - *Uniform charges are likely to create 'adverse selection' problems*
  - *Fiscally reflective visa charges can potentially reduce these problems, although there can be tradeoffs between more precise tailoring and system complexity.*

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	↑↑↑	↑↑	↓

What needs further thinking

- The Commission sees scope to move towards a more structured system of charging for permanent visas, but further work is needed in the form of a detailed review of visa charges.

- The potentially significant fiscal gains warrant further assessment of alternative charging mechanisms, extending upon the models presented in this inquiry and drawing on new information as it becomes available.

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