# Migrant Intake into Australia, Productivity Commission Inquiry Report no. 77, 13 April 2016. Migrant Intake into Australia

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Publications enquiries

Media and Publications, phone: (03) 9653 2244 or email: maps@pc.gov.au

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| The Productivity Commission |
| The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.  The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.  Further information on the Productivity Commission can be obtained from the Commission’s website (www.pc.gov.au). |
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| 13 April 2016 | | | ***Canberra Office***  Level 2, 15 Moore Street  Canberra ACT 2600  GPO Box 1428  Canberra ACT 2601  Telephone 02 6240 3200  Facsimile 02 6240 3399  ***Melbourne Office***  Telephone 03 9653 2100  www.pc.gov.au |

The Hon Scott Morrison MP

Treasurer

Parliament House

CANBERRA ACT 2600

Dear Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission’s final report into *Migrant Intake into Australia.*

Yours sincerely

|  |  |
| --- | --- |
| Signed letter | Signed letter |
| Paul Lindwall  Presiding Commissioner | Alison McClelland  Commissioner |

# Terms of reference

**Productivity Commission Inquiry into the   
Use of Charges to Determine the Intake of Migrants**

### Terms of Reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake an inquiry into the greater use of charges relative to quotas and qualitative criteria to determine the intake of temporary and permanent entrants into Australia.

### Background

The intake of temporary and permanent entrants is currently regulated through a mix of qualitative requirements (e.g. skills, family connections, refugee-status, health, character and security), quotas (e.g. the size of the Migration and Humanitarian Programmes, and of components within these Programmes) and imposts (including the cost of investing under the Significant Investor Visa).

The Australian Government's objectives in commissioning this inquiry are to examine and identify future options for the intake of temporary and permanent entrants that improve the income, wealth and living standards of Australian citizens, improve the budgets and balance sheets of Australian governments, minimise administration and compliance costs associated with immigration, and provide pathways both for Australian citizens to be altruistic towards foreigners including refugees, and for Australia’s international responsibilities and obligations to foreign residents to be met.

### Scope of the inquiry

In undertaking this inquiry, the Productivity Commission should use evidence from Australia and overseas to report on and make recommendations about the following:

1. The benefits and costs that the intake of permanent entrants can generate with respect to:
   1. the budgets and balance sheets of Australian governments, including from:
      1. entry charges;
      2. government services used (including public health, education, housing, social and employment services) now and in the future;
      3. taxes paid now and in the future;
      4. the dilution of existing, government-held assets and liabilities across a larger population; and
   2. the income, wealth and living standards of Australian citizens, including with respect to:
      1. impacts on the salaries and employment of Australian citizens, knowledge and skill transfer, productivity, foreign investment, and linkages to global value chains;
      2. cultural, social and demographic impacts; and
      3. agglomeration, environmental, amenity and congestion effects.
2. An examination of the scope to use alternative methods for determining intakes – including through payment – and the effects these would have. This should include examination of a specific scenario in which entry charges for migrants are the primary basis for selection of migrants, such that:
   1. there would be no requirements relating to skills and family connections;
   2. qualitative requirements relating to health, character and security would remain;
   3. all entrants would have the right to work;
   4. entrants would have limited access to social security or subsidised education, housing or healthcare; and
   5. the charge could be waived for genuine confirmed refugees, whose entry would remain subject to current constraints.

The scenario should examine the way in which the above charges could be set, and what they might be, to maintain the current levels of the migrant intake or to maximise the benefits for Australian citizens. The scenario should also examine the impacts of such charges – based on assessment of the factors listed in (1) above and also taking account of:

* 1. opportunities for Australian citizens to be altruistic towards foreigners including refugees;
  2. the administration and compliance costs associated with immigration, including costs associated with criminal behaviour and the use of migration agents; and
  3. interactions with citizenship criteria and existing and potential bilateral agreements.

1. The benefits and costs of temporary migration with an examination of the use of charges as the primary basis for regulating the level and composition of this migration, having regard to:
   1. complementarity with the Australian workforce; and
   2. achieving flexibility in responding to structural and cyclical adjustments in the Australian economy.
2. Mechanisms for achieving an optimal interaction between temporary and permanent migration noting that temporary migration is an established pathway to permanent migration.

### Process

The Commission is to undertake an appropriate public consultation process including holding hearings and roundtables (where appropriate), and releasing a draft report to the public.

The final report should be provided within 12 months of receipt of these terms of reference.

J. B. HOCKEY  
Treasurer

[Received 20 March 2015]

# TREASURER extension letter: Peter Harris AO Chairman Productivity Commission Locked Bag 2, Collins St East Melbourne VIC 8003 Dear Mr Harris Thank you for your letter of 9 February 2016 seeking an extension of the due date for the Productivity Commission 's (the Commission) current inquiry into Migranr Intake into Australia to 15 April 2016. The current due date is 20 March 2016. I understand that additional insight from modelling now in progress appears likely to offer considerable policy value, and extending the time will allow the Commission to confirm this and translate it into recommended program improvements. On that basis, I agree to extend the due date for the Commission to present the final report of its inquiry into Migrant Intake into Australia to no later than 15 April 2016. I have copied this letter to the Prime Minister and the Minister for Immigration and Border Protection. Yours sincerely, The Hon Scott Morrison 23/2/2016Letter of extension

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# Acknowledgments

The Commission is grateful to everyone who has taken the time to discuss the very wide range of matters canvassed in the terms of reference.

The Commission appreciates the assistance from the Department of Immigration and Border Protection, including through the provision of unpublished administrative data and information about existing arrangements. The Commission also acknowledges the information and advice it received from the Australian Taxation Office and the Australian Government Departments of Employment, Health and Social Services.

This inquiry used data from a number of Australian Bureau of Statistics (ABS) collections and was aided by an in-posting arrangement that allowed access to unit record data. The Commission thanks the National Migrant Statistics Unit at the ABS for providing support to in-posted Commission staff.

The modelling undertaken for the inquiry benefited from the referee comments of Emeritus Professor Gordon MacAulay from the University of Sydney, Professor Philip Adams from Victoria University, Professor Peter McDonald from the Australian National University and Professor Peter Robertson from the University of Western Australia. The Commission also acknowledges the work of Professor Robert Breunig and his team (Nathan Deutscher and Dr Hang Thi To) from the Crawford School of Public Policy at the Australian National University who were commissioned to undertake an independent economic analysis of immigrants’ aggregate labour market impacts (published as technical supplement A to this inquiry).

The Commissioners would also like to express their appreciation to the staff who worked on the inquiry, led by Jane Melanie and included Joanna Abhayaratna, Meredith Baker, Catie Bradbear, Dominic Crowley, Paul Davidson, Luke Elliott, Lindsay Fairhead, Matthew Forbes, Owen Gabbitas, Jenny Gordon, Paul Gretton, Philip Harslett, Tracey Horsfall, Patrick Jomini, Ralph Lattimore, Alex Maevsky, Daniel Marshall, Nick McMeniman, Silvana Moro, Damian Mullaly, Marcelo Munoz, Tim Murray, Tom Nankivell, Hudan Nuch, Stewart Plain, Troy Podbury, Oliver Richards, Umme Salma, George Steel, Erin Turner, Stewart Turner and Shiji Zhao.

# Abbreviations and explanations

Abbreviations

ABA Australian Bankers’ Association

ABN Australian business number

ABR Australian Business Register

ABS Australian Bureau of Statistics

ACCC Australian Competition and Consumer Commission

ACCI Australian Chamber of Commerce and Industry

ACN Australian company number

ADI authorised deposit-taking institution

AFSA Australian Financial Security Authority

AICD Australian Institute of Company Directors

ANZSCO Australian and New Zealand Standard Classification of Occupations

APRA Australian Prudential Regulation Authority

ARITA Australian Restructuring Insolvency and Turnaround Association

ASIC Australian Securities and Investments Commission

ASX Australian Securities Exchange

ATO Australian Taxation Office

AUSTRAC Australian Transaction Reports and Analysis Centre

BAS business activity statement

CAMAC Corporations and Markets Advisory Committee

CAUSEE Comprehensive Australian Study of Entrepreneurial Emergence

CCIQ Chamber of Commerce and Industry Queensland

CGT capital gains tax

COAG Council of Australian Governments

CPA Certified Practising Accountants

CSIRO Commonwealth Scientific and Industrial Research Organisation

CSOL Consolidated Sponsored Occupations List

DIBP Department of Immigration and Border Protection

FSI Financial System Inquiry

GDP gross domestic product

GFC global financial crisis

GST goods and services tax

ICT information and communications technology

IELTS international English language testing system

IP intellectual property

IPO initial public offering

MIT Massachusetts Institute of Technology

NAB National Australia Bank

NOM net overseas migration

OECD Organisation for Economic Co-operation and Development

PC Productivity Commission

RBA Reserve Bank of Australia

SCV Special Category visa (subclass 444) for New Zealand citizens

SOL Skilled Occupations List

SME small- and medium-sized enterprise

STEM science, technology, engineering and mathematics

SVP streamlined visa processing

TFN tax file number

VC venture capital

Explanations

|  |  |
| --- | --- |
| Billion | The convention used for a billion is a thousand million (109). |

# Glossary

|  |  |
| --- | --- |
| Absorptive capacity | The capacity of the market and non-market sectors to respond to the increased demand for goods and services induced by immigration and population growth. |
| Australian community | Australian citizens and permanent residents existing at the point in time when the level and composition of the migrant intake is determined. |
| Capacity to pay | The ability of a consumer to pay the prevailing price for a good or service. This can include having available savings, being able to borrow the money or other means to raise the necessary money (such as through selling possessions, gifts or donations). |
| Consumer surplus | The difference between the maximum price a consumer is willing to pay for a good or service and the price they pay. |
| Main English‑speaking countries (MESC) | Includes Canada, Ireland, New Zealand, South Africa, the United Kingdom and the United States. |
| Migration | Refers to both immigration and emigration. |
| Net overseas migration (NOM) | The net increase or reduction in population through people arriving (immigrating) and departing (emigrating). It is measured based on the duration of stay in or away from Australia of at least 12 months out of the past 16 months. The concept captures both permanent and long-term temporary movements (including the movements of Australian and New Zealand citizens). |
| Non-main English speaking countries (NESC) | Countries other than those listed under Main English‑speaking countries. |
| Pathway | The route taken by an immigrant by which they move from an initial grant of a visa to the final grant of a visa for permanent residency. |
| Planning level | The number of places available for permanent immigration to Australia each year. |
| Price‑based system | A system where price (or a visa charge) is the primary mechanism used to allocate visas. |
| Primary applicant | The person who is declared to be the principal applicant on a visa application. |
| Refugee | Category within the Humanitarian Programme for people who face persecution in their home country and need to settle in another country. |
| Second generation immigrant | An Australian-born person who has at least one parent born overseas. |
| Secondary applicant | The partner, dependent children and other dependent relatives of a primary applicant who are included on the same visa application. |
| SkillSelect | An online portal for people to lodge an expression of interest for immigrating to Australia. |
| Special Humanitarian Programme | Category within the Humanitarian Programme for people who are subject to substantial discrimination amounting to a gross violation of their human rights in their home country, and are sponsored by an Australian citizen or permanent resident, an eligible New Zealand citizen or an organisation based in Australia. |
| Willingness to pay | A situation where a consumer would be willing to purchase a good or service at the prevailing price. This could include the situation where a consumer wants to purchase the good or service but does not have the capacity to pay. |