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The 2012–13 immigration program: record numbers, city-bound

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The Australian Government is running a record-high migration program, which it intends to increase in 2012–13. The justification is that the program is delivering migrants with scarce skills needed in the resources industries. However, none of the skilled permanent entry or temporary visa categories targets such migrants. Employers can sponsor migrants regardless of the industry, occupation or location of their workplace.

The result is that just over half of the migrants currently being visaed are locating in Sydney and Melbourne, rather than in the resource industry states. Domestic Australian workers can expect increased competition for jobs from migrants at a time when there is little growth in employment in either Sydney or Melbourne.

The 2012–13 immigration program

At the time of the 2012 May Budget announcements the Labor Government indicated that there would be a further increase in the permanent-entry program from 163,000 in 2010–11 and 185,000 in 2011–12 to 190,000 in 2012–13.

The program comprises two major categories: family reunion and skill. The family reunion target was set at 60,185 for 2012–13 (an increase of 1,585) and the skilled target at 129,250 (an increase of 3,415). The skilled program includes points-tested, state-sponsored, business-sponsored and employer-sponsored migrants. The humanitarian program is likely to add another 14,000. These categories add to 204,000, which is the highest annual permanent entry level since World War Two.

This record-high intake will occur at the same time as the Labor Government is permitting employers to sponsor an unlimited number of temporary entry 457 visa holders. There is also an open-ended influx of New Zealand citizens. According to *Statistics New Zealand*, the net permanent and long-term movement from New Zealand to Australia has increased from 30,526 in the year to April 2010 to 53,462 in the year to April 2012.ⁱ Our focus is on the permanent program, but in identifying the location of migrants it is sometimes difficult to separate the contribution made by those allocated permanent entry and temporary visas.

A program of 204,000 will add some 100,000 to Australia's workforce. This will be offset in part because a minority are already in Australia and employed on 457 visas. On the other hand, as the New Zealand numbers indicate, there will be a major influx of workers from across the Tasman. In addition, the uncapped 457 program will add thousands more to Australia's workforce. Together, these migrant workers will be augmenting the labour force at a time when employment has flat-lined in the Eastern states.

The Government states that the increase planned for 2012–13 'comes in the context of significant skills gaps in both the short and medium term in certain sectors of our patchwork economy'.ⁱⁱ This justification would make sense if the extra migrants were employed in the mining industry, or in the related construction and other industries involved in the current phase of the minerals boom. In addition, given the acknowledgement about the 'patchwork economy', one would expect the government to introduce measures to protect job seekers in the locations experiencing labour market stress from competition from newly-arrived migrants. There is a clear need for such policies because around half of the migrants issued permanent resident visas under the current skilled program are locating in Sydney and Melbourne. Yet, as our analysis shows, no such measures have been introduced.

The Government has claimed that the increase of 3,415 in the skilled program is targeted to skills needed in the minerals industry. This cannot be confirmed because for the first time in memory, the Government has

not published and does not intend to publish its program targets by visa category for 2012–13. We do not know, for example, whether the Government has increased the share of the State-sponsored program allocated to Western Australia (as it should) at the expense of the share allocated to Victoria or South Australia.

Most of the increase in the skilled program will probably come from the employer-sponsored category, though even the Department of Immigration and Citizenship (DIAC) cannot be sure of this because it is a demand driven visa category. In any case, as detailed below, employers can sponsor migrants under this category regardless of their industry or the location of their workplace in Australia.

We are confident, however, that there is no plan to reduce the number and share of migrants visaed outside the employer-sponsored category. These include the points-tested visa categories, state-sponsored visa categories and business migrants. These will compose the majority of the skilled program in 2012–13. None of these visa categories is targeted to scarce skills needed in the resources industries, nor is there any requirement that those visaed are employed in such industries.

The settlement implications of the skilled program can be anticipated from the recent record. Table 1 shows that 53 per cent of those allocated permanent entry visas during 2010–11 under the skill program located in New South Wales and Victoria. This outcome reflects the very high propensity of migrants other than in the employer-sponsored category to settle in NSW and Victoria (61 per cent), offset somewhat by a lower propensity of the employer-sponsored category to locate in these states (44 per cent).ⁱⁱⁱ Of all permanent additions in 2010–11 (including skill, family, humanitarian and New Zealanders), 56 per cent located in NSW and Victoria.

‘NSW and Victoria’ effectively means ‘Sydney and Melbourne’, because there is irrefutable evidence that recently arrived migrants to the various states (other than in Queensland) gravitate to the respective capital cities. For example, according to the 2006 census, 30.9 per cent of all migrants who arrived in Australia between 2001 and 2006 were living in Sydney and 24.1 per cent in Melbourne. The main reason for this pattern is that most migrants to Australia originate in Asia and they like to settle where family, community and ethnic institutions are located—which is predominantly in Sydney and Melbourne.^{iv} The major exceptions are those from New Zealand, who favour South East Queensland, and those from the UK and Ireland, who prefer Perth. Those sponsored by employers must, at least initially, work where their jobs are located, which may be in regional areas.

The employer-sponsored visa category

As Table 1 shows, NSW and Victoria do not dominate the employer-sponsored category. The Labor Government has increased the numbers in and the share of the skilled program going to the employer-sponsored program over the past few years (though, as noted, for 2012–13 it will nevertheless constitute a minority of the skilled program). The justification for this policy is that employers are the best judges of the skills in short supply in Australia. There has been some attempt to target the employer sponsorships to regional areas (the Regional Sponsored Migration Scheme), with a quota of 16,000 allocated for this group. However, both Perth and Adelaide are eligible locations under this scheme.

Table 1: Permanent additions by eligibility category by state, 2010–11

| Eligibility category(a) | No. | | | | | | Per cent | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|-----------|-----------|-----------|-----------|-----------|------------|
| | NSW | Vic | Qld | WA | Other | Australia | NSW | Vic | Qld | WA | Other | Australia |
| Skill | 31,754 | 26,372 | 16,144 | 19,713 | 13,673 | 107,656 | 29 | 24 | 15 | 18 | 13 | 100 |
| Employer sponsored | 11,580 | 8,119 | 9,068 | 10,652 | 4,882 | 44,301 | 26 | 18 | 20 | 24 | 11 | 100 |
| Other skill | 20,174 | 18,253 | 7,076 | 9,061 | 8,791 | 63,355 | 32 | 29 | 11 | 14 | 14 | 100 |
| Other eligibility category(b) | 33,981 | 26,832 | 22,708 | 14,520 | 7,712 | 105,753 | 32 | 25 | 21 | 14 | 7 | 100 |
| Total persons | 65,735 | 53,204 | 38,852 | 34,233 | 21,385 | 213,409 | 31 | 25 | 18 | 16 | 10 | 100 |

Source: Derived from DIAC, *Immigration Update 2010–11*, Table 1.3

(a) Data based on visa sub-class at time of arrival for settlers.

(b)'Other eligibility category' includes Family, Special, Humanitarian program and Non-program migration (primarily from New Zealand).

The Government has also strengthened the link between the recruitment of migrants on temporary entry work visas (the 457 visa subclass) to subsequent permanent entry via the employer sponsored visa categories. By 2010–11, 88 per cent of employer sponsored visas were issued onshore and, of these, over 90 per cent were issued to migrants first recruited to Australia by employers on a 457 visa.^v To date, migrants on 457 visas may be sponsored by their employers after two years' work in Australia, one of which must be with the sponsoring employer. From July 2012, the 457 visa holder must have worked for two years with the sponsoring employer.

Table 1 shows that the share of those visaed under the employer sponsorship category who locate in WA and Queensland is higher than for the rest of the skilled program. Nevertheless, just as many migrants were sponsored by employers in NSW (26 per cent) and Victoria (18 per cent) in 2010–11 as were sponsored in WA (24 per cent) and Queensland (20 per cent).^{vi}

In the case of the 457 visa, there were 48,080 grants to primary applicants in 2010–11. Of these, 17,240 (36 per cent) were granted for employment in NSW and 11,510 (24 per cent) in Victoria (or 60 per cent across the two States). Another 9,280 (19 per cent) were granted for employment in WA.^{vii} For the first nine months of 2011–12, 53 per cent of the 457 visas were granted to primary applicants for employment in NSW and Victoria. This slight decline was more than offset by a sharp increase of 36 per cent in the total number of 456 visas issued in the first nine months of 2011–12 compared to the number issued over the same period in 2010–11.^{viii}

That over 50 per cent of these visas are being sponsored by employers in NSW and Victoria is extraordinary. The 457 visa program is presented as the sharp face of Australia's new employer-focused immigration program and its goal of providing scarce skills in the resources industries. This is clearly not true, since most of those visaed are locating outside the resource industry states.

The dominance of NSW and Victoria is likely to affect the subsequent pattern of permanent-entry sponsorship, since the Government has recently made it easier for employers to sponsor permanent-entry visas for those on existing 457 visas. From July 2012, those sponsored by their employers and holding 457 visas do not need to have their skills or qualifications assessed.^{ix} All they need is rudimentary English (level 5 on the International English Language Testing System).

This outcome has occurred because there is no targeting of either the 457 temporary entry or the employer-sponsored permanent-entry visas by location or industry. Any employer, regardless of the industry or location of the employer's workplace, can sponsor under these programs. There is no labour market testing (to ensure no Australian workers are available) for either of these two visa categories.

There are several motives for employers to sponsor 457 visas in locations and industries unrelated to the resource industries. For example, by far the largest occupational group among the 17,200 migrants granted 457 visas in NSW in 2010–11 were programmers, software specialists and engineers in the information technology industry. They were recruited predominantly from India, with the result that those born in India were the second largest source country for 457 visas in 2010–11 (after the UK) sponsored by employers in NSW.^x It is convenient for Indian and other IT firms to recruit Indian professionals (even though there is no shortage of local workers) because, among other reasons, they can facilitate the subsequent off-shoring of IT work to India.

Another reason employers might wish to recruit a 457 visa holder stems from the fact that most 457 visa holders hope to obtain permanent residence. To achieve this goal they must meet their employers' expectations. They are, in effect, indentured workers.^{xi} For example, one of the largest occupational categories for 457 visas is doctors. In 2010–11, 457 visas numbering 2,350 were issued to Resident Medical Officers and General Medical Practitioners. Yet there are thousands of permanent resident overseas-trained doctors already in Australia who cannot find work but whose qualifications match those of the newly-recruited 457 visa holders. The power the employer holds over the 457 visa holder is an important part of the explanation for this outcome.^{xii}

Australian Bureau of Statistics' (ABS) estimates of migrant location

There is an independent source of data on settlement patterns. This is the ABS Labour Force Survey. In preparing its monthly employment estimates the ABS samples some 30,000 households across Australia. Respondents are asked about their time of arrival in Australia and place of residence. The survey includes all residents, including migrants who have resided in Australia for 12 of the 16 months following their arrival in Australia. It thus includes all those with permanent resident visas (family, humanitarian and skilled) as well as all temporary residents (including 457 visa holders, overseas students and others holding work rights in Australia who meet the residence definition).

The authors obtained unpublished data from the November 2011 Labour Force Survey for migrants of working age (15 years or more) by year of arrival in Australia and employment status. The residential locations specified in the data set were Sydney, Melbourne, Perth, South-East Queensland and the rest of Australia. Since the survey date was November 2011, the data does not include those who arrived in Australia in November or December 2011. A subsequent request for parallel data as of February 2012 was rejected by the ABS because the organisation has recently instituted new restrictions on data release flowing from new Government privacy rulings.

Table 2 shows that 366,900 migrants of working age arrived in Australia in 2010 or 2011 and were still here as of November 2011. Of these, 186,200 (51 per cent) were located in Sydney and Melbourne. Only 16 per cent were located in Perth, which is the focus of the resources boom and where unemployment is lowest. The Labour Force Survey identifies place of residence rather than place of work. Thus those who are flying or driving in to work in mines or construction associated with the mining boom, but are domiciled in Perth, are included in the Perth numbers. The same applies to those domiciled elsewhere in Australia but working in regional WA.

Table 2: Arrivals January 2010 to October 2011 by labour force status, major destinations

| | No. | | | | | | Per cent | | | | | |
|---------------------------|--------------|-------------|-------------|-------------|-------------|--------------|-----------|-----------|-----------|-----------|-----------|------------|
| | Sydney | Melbourne | Perth | SE Qld(a) | Other | Australia | Sydney | Melbourne | Perth | SE Qld(a) | Other | Australia |
| Total in labour force | 55.2 | 47.0 | 39.6 | 26.9 | 50.9 | 219.5 | 25 | 21 | 18 | 12 | 23 | 100 |
| Employed | 49.2 | 41.5 | 35.6 | 25.1 | 47.7 | 199.1 | 25 | 21 | 18 | 13 | 24 | 100 |
| Unemployed | 6.1 | 5.4 | 3.9 | 1.8 | 3.2 | 20.4 | 30 | 27 | 19 | 9 | 15 | 100 |
| <i>Unemployment rate</i> | — | — | — | — | — | — | 11 | 12 | 10 | 7 | 6 | 9 |
| Not in the labour force | 46.4 | 37.7 | 17.9 | 20.9 | 24.6 | 147.3 | 31 | 26 | 12 | 14 | 17 | 100 |
| <i>Participation rate</i> | — | — | — | — | — | — | 54 | 55 | 69 | 56 | 67 | 60 |
| Total | 101.6 | 84.6 | 57.4 | 47.8 | 75.4 | 366.9 | 28 | 23 | 16 | 13 | 21 | 100 |

Source: Australian Bureau of Statistics, Labour Force Survey, November 2011, customised dataset.

(a)Includes Brisbane, Sunshine Coast and Gold Coast Statistical Districts

The proportion of these migrant arrivals actually in the workforce and living in Sydney or Melbourne was slightly lower, at 47 per cent (102,200). This is not surprising, since they were entering the workforce at a time when the ABS estimates that employment growth in Sydney and Melbourne was flat-lining.

The outlook is disturbing. The number of migrants locating in these cities is likely to increase next year despite the poor employment prospects. Between July 2011 and April 2012, according to the ABS Labour Force Survey estimates, the total number of persons employed and residing in NSW fell, and in Victoria has increased by just 11,000.^{xiii} The outcomes for Sydney and Melbourne over the same period are similar. From the point of view of new domestic entrants to these labour markets the Government's migration program is sure to increase job competition.

Conclusion

The Labor Government plans to increase the permanent entry migration program to 204,000 in 2012–13. This decision is consistent with the Government's stance since it came to power in late 2007. It has acted on two assumptions. One is that the minerals boom will require a huge increase in skilled workers who must be drawn in part from migration. The other is that, as a consequence of the resources boom, the rest of the Australian economy will surge, generating a nation-wide shortage of skilled workers.

The first of these assumptions is correct, but not the second. DIAC's skilled visas are structured on the assumption that there are nation-wide shortages of skilled workers and that employers everywhere should be allowed to sponsor 457s and permanent migrants in any skilled occupation, industry or location in Australia. As a result most of the migrants in the record-high intake planned will end up in East coast cities, particularly Sydney and Melbourne. They will add to the stresses of Australian workers struggling to find work in a weak labour market.

The Government's migration program is out-of-date. It is now part of the problem. The new circumstances require a smaller and better targeted intake, which delivers scarce skills to the industries and locations which really need them. The rest of the program should be culled until the current employment crisis is over.

ⁱ Statistics New Zealand, *International Travel and Migration*, April 2012

ⁱⁱ Chris Bowen, Ministerial Press Release, 9 May 2012, 'Targeted migration increase to fill skill gaps'.
<http://www.chrisbowen.net/media-centre/allNews.do?newsid=5906>, accessed 16 May 2012.

ⁱⁱⁱ DIAC, calculated from *Immigration Update 2010–11*, Table 1.3.

^{iv} ABS, 2006 Census, customised request.

^v Bob Birrell, Ernest Healy, Katharine Betts and Fred T. Smith, *Immigration and the Resources Boom Mark II*, Centre for Population and Urban Research, Monash University, Melbourne, July 2011, p. 34.

^{vi} DIAC, calculated from *Immigration Update 2010–11*, Table 1.3.

^{vii} DIAC, *Subclass 457 State/Territory Summary Report 2010–11*, p.4.

^{viii} DIAC, *Subclass 457 State/Territory Summary Report 2011–12 to 31 March 2012*, p. 3

^{ix} DIAC, *Reforms to the Permanent Employer-Sponsored Visa Program*, March 2012, p. 3.

^x DIAC, *Subclass 457 State/Territory Summary Report 2010–11*, pp. 11, 21.

^{xi} This situation will be exacerbated from July 2012, after which (as noted above) 457 visa holders must work for two years for their employer before they can be sponsored for permanent residence under the employer sponsorship category.

^{xii} Bob Birrell, *Australia's New Health Crisis—Too Many Doctors*, Centre for Population and Urban Research, Monash University, Melbourne, September 2011, pp. 12–13.

^{xiii} ABS, *Labour Force, Australia*, cat. 6202.0, April 2012