

## THE LOW INCOME MIGRANT TIDE

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*First release 2006 census data allow an examination of the income levels of recently arrived migrants. Their numbers jumped in the 2001 to 2006 period. This article focuses on men aged 25 to 45 as these provide the best approximate principal applicants visaed under the skilled migration program. Men in this age group who came from main-English-speaking countries (MESC) reported incomes consistent with employment in professional, managerial and trade positions. However, the majority of skilled migrants were drawn from non-English-speaking countries (NESC). Their reported incomes were well below those of their MESC counterparts. It appears that only a minority were able to find employment at the professional, managerial or trade level by the August 2006 Census date. This is despite the fact that most NESC males settled in Sydney and Melbourne.*

The size of the permanent resident migration program has doubled since the year 2000. The Coalition Government has turned on the immigration tap in the hope that additional skilled migrants will fill some of the skilled labour shortages opening with the economic boom.

By the year 2005–06 the number of settlers arriving in Australia who stated that their occupation was in the managerial, professional, associate professional or trade fields reached 48,865. In addition there were another 15,354 former overseas students who obtained permanent residence from within Australia in 2005–06.<sup>1</sup> Nearly 90 per cent of these overseas students were professionals, mainly in the accounting and information technology fields.

Most of these flows (settler arrivals and former students) were drawn from the various streams of the skilled migration program. That is, they were selected and visaed under a program deliberately targeted to bring in skilled workers relevant to the needs of Australian employers.

It is now well known that some of those selected under the skilled migration program have found difficulty gaining professional level positions despite the strong demand for such workers. The Coalition Government has acknowledged

this, and on 1 September 2007 implemented a set of reforms to the selection system. The most important was an increase in the minimum standard of English, which is to apply to all of the visa subclasses within the General Skilled Migration program (under which the great majority of skilled migrants are selected). For those selected under the points-tested Skilled Independent and Skilled Australian Sponsored visa subclasses, there is now also a greater emphasis in the selection grid on the possession of English skills above the new minimum standard.

The decision to reform the skilled migration program selection standards was based largely on anecdotal reports from employers that many recently arrived migrants (including former overseas students who had just completed their professional qualifications at Australian universities) lacked the communication skills necessary for professional level appointments. Most of the former students in question came from East and South-East Asia. For a significant minority, English language test results conducted in the course of their applications for migration since mid-2004 confirmed these anecdotal reports.<sup>2</sup>

Nevertheless, this is contested terrain. Employers continue to call for ever larger

migration intakes and some commentators continue to write as though the program is working as intended—that is filling gaps in Australia’s skilled workforce. The Coalition Government has responded to this pressure via successive increases in the skilled migrant intake. In 2001–02 there were 53,520 visas issued under the skilled programs for primary and accompanying secondary applicants. These numbers rose to 71,240 in 2003–04, 97,340 in 2005–06 and a similar number in 2006–07. For the year 2007–08 there is to be a further increase in the skilled program to 105,000.

The availability of first release items from the 2006 census provide a preliminary opportunity to assess the outcomes of the skilled migration intake since 2001. It is preliminary in the sense that data on field of qualification, occupation and employment status will not be available until late 2007. However, first release data by place of enumeration on the income of migrants by country of birth, time of arrival and place of residence in Australia as of the August 2006 census are available. These data form the basis of this article, which focuses on persons who arrived in Australia over the period 2001 to August 2006. If these migrants report incomes consistent with managerial, professional and trade positions then this is a good indication that they are meeting the underlying objective of the government.

We acknowledge that this measure is a blunt instrument for the purpose intended and that conclusions must be tentative at this stage. The census does not provide information on the visa category of recently arrived migrants. Thus the information used in this article cannot target the migrants entering under the skilled migration program. In order to minimise this deficiency, the study focuses on the situation of male migrants aged 25 to 44 who arrived in Australia between 2001 and August 2006. These migrants offer the

closest fit to principal applicants entering Australia under the skilled migration program.

The restriction to men aged 25 to 44 means that we have excluded older persons who would have entered Australia as parents over the 2001 to August 2006 period and young people under the age of 25 who may be in Australia as overseas students or working holiday-makers. But some foreign students and working holidaymakers aged 25 or more may be captured in the 25 to 44 year age group. The focus on males removes most of the recently arrived migrants who entered Australia under the spouse program (where the only criterion for entry is the bona fides of the partnering relationship). The spouse program has been running at the high level of between 30 and 35 thousand per annum over since 2000. However, most are female and thus the exclusion of women removes most of the impact of this migrant category. For example, 64 per cent of the 35,804 spouse visas issued in 2005–06 were female. This leaves those entering under the humanitarian program. These migrants are poorly equipped to compete in the Australian labour market and as a result tend to report low incomes. However, the number of males aged 25 to 44 in the humanitarian category who arrive each year is relatively small. Their number was 1621 for the year 2005–06, thus implying around 8000 arrivals over the 2001 to August 2006 period.<sup>3</sup>

In presenting the income information on 25 to 44-year-old males we differentiate between those born in Australia, in main-English-speaking countries (MESC) and in other countries. The latter are referred to as non-English-speaking countries (NESC). Though a residual category, the first language of most persons coming from these countries would have been a language other than English. Data on income levels by these two country-of-origin categories

are included because of the interest in assessing the implications of English language skills for employment outcomes.

### THE MIGRATION SETTING

Table 1 provides some introductory information on the scale of the migration program in recent years, which will help set the scene. There were 754,179 migrants (of all ages) in Australia as of August 2006 who had arrived here between 2001 to August 2006. This figure slightly understates the actual number since it does not include those who did not state an arrival date. The 754,179 number is equivalent to about 132,000 a year, taking into account that the period covered is about 5.7 years (given that for 2006 the period was less than eight months). As Table 1 indicates, this number represents a huge increase on the 447,998 residents as of August 2006 who arrived between 1996 and 2000 (89,599 per year) and the 351,948 who arrived between 1991 and 1995 (70,389 per year). The split between those from MESC and NESC countries of birth is also provided. This shows that about two-thirds of arrivals for each period originated from NESC birthplaces.

Table 2 provides information on the location of recently arrived migrants, as of August 2006. It shows that the main location (as in previous years) is still Sydney and Melbourne. Of all the migrants arriving in Australia over the 2001 to 2006 period, 55 per cent resided in Sydney and Melbourne as of August 2006. This may surprise given that the demand for skilled labour is strongest in

western Australia and Queensland. The explanation becomes clearer on examination of the location preferences for migrants from MESC and NESC birthplaces. Some 63 per cent of NESC birthplace migrants have located in Sydney and Melbourne compared with just 39 per cent of MESC migrants.

The pattern for males aged 25 to 44 who arrived in Australia between 2001 and August 2006 is similar. As Table 2 shows, the proportion of this group residing in Sydney and Melbourne was 58.6 per cent. Again, the reasons for this concentration were primarily the attraction of these two cities for the NESC group. The table indicates that 66.6 per cent of males aged 25 to 44 who were of NESC origin were located in Sydney and Melbourne

**Table 1: Overseas-born arrivals by time of arrival and birthplace (main-English-speaking countries and non-English-speaking countries), all ages, August 2006**

| Year of arrival           | Birthplace <sup>1</sup> | Arrivals  | Per cent |
|---------------------------|-------------------------|-----------|----------|
| 1990 or earlier           | MESC                    | 1,092,365 | 41.4     |
|                           | NESC                    | 1,548,022 | 58.6     |
|                           | Total                   | 2,640,387 | 100.0    |
| 1991 to 1995              | MESC                    | 92,937    | 26.4     |
|                           | NESC                    | 259,011   | 73.6     |
|                           | Total                   | 351,948   | 100.0    |
| 1996 to 2000              | MESC                    | 155,667   | 34.7     |
|                           | NESC                    | 292,331   | 65.3     |
|                           | Total                   | 447,998   | 100.0    |
| 2001 to 2006              | MESC                    | 252,536   | 33.5     |
|                           | NESC                    | 501,643   | 66.5     |
|                           | Total                   | 754,179   | 100.0    |
| All arrivals <sup>2</sup> | MESC                    | 1,675,394 | 38.0     |
|                           | NESC                    | 2,729,792 | 62.0     |
|                           | Total                   | 4,405,186 | 100.0    |

Source: Customised matrix from 2006 census held by CPUR

Notes: <sup>1</sup> Migrants with birthplace not stated, inadequately described or 'at sea' are not included.

<sup>2</sup> All arrivals figures include those with year of arrival not stated.

compared with 44.8 per cent of the MESC group.

NESC migrants are attracted to Sydney and Melbourne primarily because these two cities have long been the main settlement points for such migrants. New entrants from these countries continue to be attracted to these cities because that is where most of their family and fellow ethnic community members reside.

**Income levels**

Table 3 indicates the reported income levels of MESC and NESC male migrants aged 25 to 44 who had arrived in Australia between 2001 and August 2006 as well as the income levels of all Australian-born males in the same age group. The figures are for Australia as a whole.

The MESC group report incomes consistent with what would be expected given that, aside from the New Zealanders, most would have been selected under the offshore skilled migration program (that is, they were not former overseas students). To gain selection they must have held qualifications acceptable to Australian

accrediting authorities. Almost all would also have had several years job experience in their nominated managerial, professional, associated professional and trade occupation since applicants normally must have this work experience to be eligible for selection. According to the May 2006 Australian Bureau of Statistics Labour Force Survey, the average weekly cash earnings for males in Australia who were employed full-time as professionals was \$1407 per week and for tradesmen, \$980 per week (data for 25 to 44 male age group were not available). Most of the MESC group report incomes near this level. Table 3 indicates that 32.5 per cent report incomes of \$800–1299 per week and 37.6 per cent \$1300 plus per week. Table 3 also shows that the MESC group report incomes higher than their Australian-born counterparts. This is as it should be, given that the migrants in question are predominantly professionals.

The contrast with the NESC group is striking. Only a minority (33.7 per cent) report incomes above \$800 per week. The other 66.3 per cent report income from all

**Table 2: Overseas settler arrivals between 2001 and 2006 by birthplace and place of usual residence in Australia, all ages and males aged 25 to 44, August 2006**

| Place of usual residence | All settlers                         |         |         | Males aged 25 to 44 |         |         |
|--------------------------|--------------------------------------|---------|---------|---------------------|---------|---------|
|                          | MESC                                 | NESC    | Total   | MESC                | NESC    | Total   |
| Sydney                   | 56,805                               | 176,526 | 233,331 | 15,907              | 3877    | 54,684  |
| Melbourne                | 39,807                               | 141,879 | 181,686 | 10,362              | 29197   | 39,559  |
| Rest of Australia        | 155,924                              | 183,238 | 339,162 | 32,237              | 34,095  | 66332   |
| Total                    | 252,536                              | 501,643 | 754,179 | 58,506              | 102,069 | 160,575 |
|                          | Share of Australian total (per cent) |         |         |                     |         |         |
| Sydney                   | 22.5                                 | 35.2    | 30.9    | 27.1                | 38.0    | 34.0    |
| Melbourne                | 15.8                                 | 28.3    | 24.1    | 17.7                | 28.6    | 24.6    |
| Rest of Australia        | 61.7                                 | 36.5    | 45.0    | 55.2                | 33.4    | 41.3    |
| Total                    | 100.0                                | 100.0   | 100.0   | 100.0               | 100.0   | 100.0   |

Source: Customised matrix, 2006 Census, held by the CPUR

Note: Migrants with birthplace not stated, inadequately describes or ‘at sea’ are not included.

sources of less than \$800 per week or less than \$41,600 per year. Over a third (35 per cent) report incomes less than \$400 per week (or \$20,800 a year). This is an extraordinarily low income for males in this age group. Since there were 102,069 NESC men aged 25 to 44 this 35 per cent share represents some 33,000 men. This number is well above the approximately 8,000 men aged 25 to 44 thought to have entered Australia under the humanitarian program between the years 2001 and August 2006. The relatively small proportion reporting incomes in the \$1300 or more per week category (13.7 per cent) appears to be a further indication of the difficulties the NESC group face in the Australian labour market. By contrast, 37.6 per cent of the MESC group report incomes above \$1300 per week. The proportion of the NESC group in the high income group (13.7 per cent) falls well short of that of their Australian-born male counterparts in the 25 to 44 age group (23.9 per cent). This is despite the fact that the Australian-born group includes men with all levels of education and the NESC group is selected from those with trade or above skills targeted to skills in demand in Australia.

Table 3 also includes information on the income levels of MESC and NESC

migrants in the 25 to 44 age group (in August 2006) who arrived in the period 1996 to 2000 as well as the later period. The interpretation of data for this earlier arrivals group is less straightforward because it will include some who arrived in Australia at age 15 to 19 and received much of their education and training in Australia.

It is sometimes argued that migrants need time to adjust to Australian expectations before obtaining professional level employment. These concerns do not seem to apply to the MESC group, since there is only a marginal difference in the income levels of those arriving in the period 2001 to 2006 and those arriving between 1996 and 2000. As noted above, the income reported by the recent (2001 to 2006) MESC arrivals suggests that they slot into the Australian professional, managerial and trade labour markets with a minimum of adjustment.

In the case of the NESC group, the incomes reported by those who entered Australia between 1996 and 2000 are somewhat higher than their later arriving counterparts. The proportion in the very low \$400 or below category is 23.1 per cent. Though still substantial, it is lower than the 35 per cent level for the most recent arrivals. There is also an

**Table 3: Income of males aged 25 to 44 by birthplace and year of arrival, Australia, 2006**

| Individual weekly income \$ | Australia born | Arrivals 2001 to 2006 |         | Arrivals 1996 to 2000 |        |
|-----------------------------|----------------|-----------------------|---------|-----------------------|--------|
|                             |                | MESC                  | NESC    | MESC                  | NESC   |
| 0–399                       | 15.4           | 8.7                   | 35.0    | 7.1                   | 23.1   |
| 400–799                     | 28.8           | 21.2                  | 31.3    | 21.2                  | 34.6   |
| 800–1299                    | 31.9           | 32.5                  | 20.0    | 31.8                  | 26.6   |
| 1300 or more                | 23.9           | 37.6                  | 13.7    | 39.9                  | 15.7   |
| Total                       | 100.0          | 100.0                 | 100.0   | 100.0                 | 100.0  |
| Number                      | 1,806,510      | 58,505                | 102,069 | 36,072                | 63,406 |

Source: Customised 2006 census matrix held by CPUR

Note: Those not stating birthplace or income or stating negative income are not included.

improvement at the higher income levels. Some 42.3 per cent of the 1996 to 2000 arrivals reported incomes above \$800 per week, compared with 33.7 per cent of the later arrivals. Nevertheless, the fact that more than half (57.7 per cent) of men from NESC countries who arrived in Australia between 1996 and 2000 had incomes of less than \$800 per week in 2006 suggests that their disadvantages in the Australian labour market are persistent.

The final table (Table 4) looks at the income levels for recently arrived MESC and NESC migrants (men aged 25 to 44) who were living in Sydney and Melbourne at the time of the 2006 census. It might be expected that migrants locating in these two metropolises would report relatively high incomes, since average income levels in these two cities are amongst the highest in Australia. This expectation is borne out for the MESC migrants. Fifty-two per cent of those arriving from 2001 to August 2006 and living in Sydney reported incomes above \$1300 per week, as did 38 per cent of those living in Melbourne.

The situation is quite different for the NESC group. Those settling in Sydney do feature marginally more in the top income group (14.8 per cent) than for NESC men

in this age group in Australia as a whole (13.7 per cent—see Table 3). However in the case of Melbourne the reverse is the case. The proportion in the high income group was just 11 per cent. Furthermore, 69.3 per cent of the NESC group in Melbourne reported incomes below \$800 per week compared with 65.5 per cent in Sydney and 66.3 per cent for all NESC migrants in this arrival cohort and age group resident in Australia. Thus residence in these two high income settings delivers little or no income advantage for NESC migrants relative to the earnings of NESC migrants located elsewhere in Australia.

The low income levels for those settling in Melbourne is partly explained by the fact that around half of those visaed under the Skill Designated Area Sponsored (SDAS) visa subclass settle in Melbourne.<sup>4</sup> This is by far the largest of the state-specific and regional sponsored visa subclasses. Those visaed under the SDAS subclass were not points tested during the period to 2006. Melbourne is the dominant settlement point because, for the purpose of this visa, Melbourne is defined as a regional location and thus residents in Melbourne can sponsor their relatives (an opportunity unavailable to residents of Perth, Sydney

**Table 4: Income of males aged 25 to 44, resident in Melbourne and Sydney, who arrived in Australia 2001 to August 2006 (MESC and NESC birthplaces) and Australian-born, August 2006**

| Individual weekly income (\$) | MESC      |        | NESC      |        | All Australian-born |         |
|-------------------------------|-----------|--------|-----------|--------|---------------------|---------|
|                               | Melbourne | Sydney | Melbourne | Sydney | Melbourne           | Sydney  |
| 0–399                         | 8.4       | 6.6    | 36.1      | 34.8   | 13.1                | 12.4    |
| 400–799                       | 20.7      | 14.6   | 33.2      | 30.7   | 27.0                | 23.5    |
| 800–1299                      | 32.4      | 26.8   | 19.8      | 19.7   | 32.4                | 31.7    |
| 1300 or more                  | 38.5      | 52.0   | 11.0      | 14.8   | 26.5                | 32.4    |
| Total                         | 100.0     | 100.0  | 100.0     | 100.0  | 100.0               | 100.0   |
| Number                        | 10,362    | 15,907 | 29,197    | 38,777 | 323,840             | 323,199 |

Source: Customised 2006 census matrix held by CPUR

Note: Those not stating their birthplace or income or stating negative income are not included.

or Brisbane). According to a recent survey (discussed below) of the income levels of recently arrived principal applicants, those in the SDAS subclass reported much lower income levels in 2005 (average earnings of \$658 per week) than most other recent arrivals.<sup>5</sup>

Table 4 also provides an opportunity to compare the earnings of recently arrived male migrants aged 25 to 44 with their Australian born counterparts in the same cities. Again, despite the fact that most of the NESC group were selected on the basis of their skills, their reported income levels in 2006 were well below those for all Australian-born men living in these two cities.

### **WHY ARE THE NESC GROUP DOING SO POORLY?**

Most of the NESC migrants under study were selected on the basis of characteristics thought to enhance their prospects of gaining skilled positions in Australia. Yet many clearly are not achieving positions consistent with their professional or trade qualifications. Part of the explanation is attributable to the difficulties former overseas students (almost all of whom are from NESC countries) have had in obtaining professional positions. About 60 per cent of the former overseas students when visaed are aged 25 to 44.<sup>6</sup> Thus they make up a substantial minority of the NESC group under study.

As part of the 2006 Review of the General Skilled Migration Program the Department of Immigration conducted a survey of the incomes of recently arrived migrants. It found that the average weekly earnings in 2005 of former overseas student graduates who had recently been granted onshore permanent residence (PR) visas was just \$641 per week (or \$33,332 per annum).<sup>7</sup> These figures indicate that they are earning much less than their counterparts amongst recent domestic

student graduates. According to the 2000 Graduate Salaries report published by the Graduate Careers Council, the median annual starting salary of full-time male graduates aged less than 25 was \$42,000 and \$45,000 for those aged 25 or over who were in first full-time employment.<sup>8</sup> These figures do not include former overseas students, who, according to the author of the study (personal communication) are not normally defined as 'domestic graduates' in the Graduate Destination Surveys. As indicated earlier, a key explanation for this outcome appears to be the relatively poor English language communication skills of many overseas student graduates.

Why aren't the skilled migrants visaed in overseas migrant posts, that is the offshore visa group, doing better? They, like their MESC counterparts, would have had to have had several years experience in their nominated professional, trade or managerial occupation. They constitute the majority of the men in the age group under study. All of those selected under the skilled visa categories were required to have their qualifications assessed as equivalent to Australian standards in the field in question by the relevant professional or trade credential authority in Australia. Also, all would have had to meet the minimum standard of English required until recently (5 on each of the four bands assessed under the IELTS test).

We must await further information releases from the 2006 census before attempting a detailed assessment of outcomes of professional or trade qualified migrants arriving in Australia since 2001. This will allow a better comparison of like with like than the first release data used here. But the record of difficulties that professionals from NESC countries have in gaining professional positions in Australia has been evident for decades.<sup>9</sup> A recent example is a study of accountants

(one of the largest occupational groups). This showed that over 75 per cent of persons with degree level qualifications in accounting from the UK and New Zealand who arrived in Australia over the 1996 to 2001 period had found managerial or professional positions by 2001. However, only 45 per cent of migrants from Malaysia/Singapore/Hong Kong, 32 per cent of those from India, 32 per cent of those from China and 15 per cent of those from the Philippines had achieved this outcome by 2001.<sup>10</sup>

There seems little doubt that the minimum English language standards required of both overseas student graduates applying onshore and skilled migrants applying offshore (until the implementation of the reforms to the General Skilled Migration Program on 1 September 2007) were far short of what is required by contemporary Australian employers. But other factors may also be involved. The accreditation standards and methods of the migrant skills assessing authorities may not reflect the realities of the contemporary Australian labour market. In short, their standards may be too low. It is known that there are employer concerns about the relevance of the qualifications and experience of NESC migrants to their needs. These concerns perhaps lead to negative employer attitudes towards these qualifications and experience and thus to some discrimination against NESC professionals.

### **IMPLICATIONS FOR MIGRATION POLICY**

After the Coalition came to power in 1996 it initiated a formal review of the skilled migration selection system, which reported in 1999.<sup>11</sup> The review gathered evidence on the occupational outcomes of recently arrived migrants with professional qualifications at the time of the 1996 Census.

This confirmed earlier studies that there remained a gulf in the share of migrants from the UK, New Zealand and other MESC countries who obtained professional positions in their field of qualification and those from NESC countries. It also showed that migrants trained in Australia had better occupational outcomes, other things being equal, than those trained overseas in NESC countries.<sup>12</sup>

On the basis of these findings the Coalition Government privileged visa applications from former overseas students who had trained in Australia. In 2001 a new visa regime was introduced which encouraged such students to apply from within Australia, as long as they did so within six months of completing their training. Also the work experience requirement that those applying from overseas had to meet was waived for onshore applicants. Policy makers expected that Australian training would overcome two of the longstanding concerns about skilled migrants coming from NESC countries, that is, the quality and relevance of their credentials from the point of view of Australian employers and their English communication skills.

The information provided above from the 2006 census suggests that these expectations have not come to pass, at least as regards the large NESC component of the recently arrived skilled migrant cohort. The Coalition Government has tried to cover the deficiencies in its domestic skilled training programs by massively boosting the skilled migration intake. The findings of this study suggest that this solution is partial, at best. The study also provides additional support for the Coalition Government's decision to increase the minimum English language requirements for those seeking skilled migration visas and to put greater focus on high-level English language skills in the selection system.

## References

- <sup>1</sup> Department of Immigration and Citizenship, *Overseas Arrivals and Departures data, 2005–06*; visa issued data, 2005–06, unpublished
- <sup>2</sup> See B. Birrell, L. Hawthorne and S. Richardson, *Evaluation of the General Skilled Migration Categories*, Commonwealth of Australia, Canberra, 2006, pp. 29–30.
- <sup>3</sup> Unpublished data drawn from CPUR holdings of settler arrival statistics for the year 2005–06
- <sup>4</sup> B. Birrell et al., op cit, p. 50
- <sup>5</sup> *ibid.*, p. 80
- <sup>6</sup> *ibid.*, p. 18
- <sup>7</sup> Birrell et al., op. cit., p. 80
- <sup>8</sup> *Graduate Salaries 2006*, Graduate Careers Australia, 2007, p. 13
- <sup>9</sup> L. Hawthorne, *Labour Market Barriers for Immigrant Engineers in Australia*, Bureau of Immigration and Population Research, 1994
- <sup>10</sup> B. Birrell and V. Rapson, *Migration and the Accounting Profession in Australia*, CPA Australia, 2005, p. 16
- <sup>11</sup> Review of the Independent and Skilled-Australian Linked Categories, Report, Department of Immigration and Multicultural Affairs, 1999
- <sup>12</sup> *ibid.* See attachment C, 'Skilled Migration Outcomes as of 1996'.