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Scarce Jobs: Migrants or Locals at the end of the Queue?

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Executive Summary

During the 2013 election campaign, the major parties professed to be concerned about employment opportunity. The mantra was jobs, jobs, jobs.

This is appropriate in a context where growth in the number of employed persons has fallen sharply, from 259,000 in the year to May 2011, to 171,000 in the year to May 2012 and 126,900 in the year to May 2013. According to Treasury forecasts, it will fall to around 110,000 in 2013-14, followed by a modest rise to around 150,000 in 2014-15.

Yet, the Australian government's permanent-entry migration program was set at the record high level of 214,000 in 2012-13 and it is encouraging temporary migrants to work in Australia in unprecedented numbers. There are almost no caps on the number of visas issued in these temporary visa subclasses. However, the desperation of people in job scarce countries to access Australia's labour market is enormous. One key illustration of the outcome is that the number of WHM visas issued has grown from 185,480 in 2010-11 to 249,231 in 2012-13.

As of March 2013, there were 1.1 million temporary visa holders (not counting New Zealanders) in Australia, most of whom held work rights. This stock is growing rapidly, in part because of the ease with which temporary residents are permitted to switch to another temporary or permanent visa.

The incompatibility of this migration policy stance with the stated concern about jobs for locals is jarring. This is because recently-arrived migrants (defined as those arriving in Australia since the beginning of 2011) are dominating the growth in the number of employed persons in Australia.

The key statistics are as follows. In the year to May 2013, there was an increase of 168,000 recently-arrived overseas born migrants aged 15 plus in Australia. Of these, 108,200 were employed. This is almost as large as the 126,000 increase in employment in that year.

The migration surge would not be an issue if the local working age population was stable or shrinking as some commentators assert. But it is not. Their numbers are growing strongly.

It is young local workers who are the main losers in the competition for employment. This is especially the case for those without post-school education, who are seeking less skilled, entry-level jobs.

They encounter a weak labour market where a growing share of local workers in the 55 plus age category is staying in the workforce. For example, the share of those aged 60-64 in the workforce increased from 39 per cent in May 2003 to 54 per cent in May 2013. Young people also have to compete for less skilled entry level work with an increasing number of job hungry temporary migrants looking for the same work.

Currently, around 250,000 young people leave school and enter the workforce each year. This is about the same number of Working Holiday Maker (WHM) visas issued in 2012-13. All these WHMs are aged 30 or less. They include a new breed of WHM, primarily looking for work rather than a holiday supplemented by work. They include large numbers from Taiwan, Ireland and Italy, all leaving economies where employment is difficult to find.

The consequence is seriously high unemployment amongst locals aged 15-24 (14.5 per cent for 15-19 year olds and 9.5 per cent for 20-24 year olds). In addition, there has been a persistent decline in the labour market participation rates of these cohorts since 2007 (from 59.4 per cent in May 2007 to 54.1 per cent in May 2013 for 15-19 year olds and from 81.3 per cent to 78.1 per cent over the same period for 20-24 year olds). While a good thing if they obtain valued skills, many are seeking refuge in low-level training courses because of lack of employment opportunities.

Not a word is being heard about these issues from the major political parties. The Coalition, at least, is not responsible, since it does not have its hands on the policy levers. But, it is proposing to make the situation much worse by extending work rights to overseas students who complete vocational training courses.

While this study focusses on the plight of young locals, it also contains a technical analysis of the way the official Labour Force Survey (LFS) reports on the Australian labour market. This is relevant to the points made above because the LFS coverage does not include many of the recently-arrived migrant groups under discussion (including the majority of the WHMs). The LFS only includes migrants if they stay in Australia or are estimated to stay in Australia for 12 months of the 16 months after first arrival in Australia.

As a consequence, it misses at least 500,000 recently-arrived migrants, of whom some 250,000 are likely to be employed. This finding does not significantly affect the conclusions of our inquiry regarding who is losing in the competition for employment. However, it does mean that policy elites and commentators alike, tend to underestimate the scale of the recent migrant challenge for local youth who are seeking employment.

Introduction

The growth in the number of persons employed in Australia fell sharply at the time of the Global Financial Crisis. A strong recovery followed in 2010-11 when, in the year to May 2011, employment grew by 259,000. It fell to 171,000 in the year to May 2012 then further to 126,900 in the year to May 2013. These numbers are drawn from the Australian Bureau of Statistics, Labour Force Survey (LFS).

There is little prospect of any immediate improvement. According to the forecasts in the Labor Government's Economic Statement of August 2013, the growth in the employed workforce will be 1 per cent in 2013-14 and 1.5 per cent in 2014-15. This equates to growth in employment of around 110,000 in 2013-14 and 150,000 in 2014-15.¹ This means that unemployment in these two years will reach 6.25 per cent.

This slowdown in employment growth has occurred at a time when the number of people in the prime working ages in Australia continues to grow rapidly. This growth is coming from two sources. One is recently-arrived migrants, who are defined in this paper as those who arrived in Australia since the beginning of 2011 (including New Zealanders). The second source in potential workers is all other persons in Australia who are not recently-arrived migrants. They are referred to in this study as locals.

Our analysis shows that the gap between growth in the working age population and the growth of those employed is widening. It also shows that, in the resulting increased competition for scarce jobs, locals (particularly young people) are losing out to recently-arrived migrants.

The bottom line

Here are the key numbers. As noted, in the year to May 2013, there was a net increase of 126,900 in the number of persons employed in Australia. Over the same year, there was a net increase in the number of recently-arrived migrants of 168,700 aged 15 plus. Of these, 108,200 were estimated by the LFS to be employed as of May 2013. This means that almost all of the recent net growth in employment is attributable to recently-arrived migrants.

This would not be a serious issue if there were little or no increase in the local population seeking work. However, as is shown below, the number of local job seekers is growing strongly.

It would not be so bad if the Government were adjusting its migration policy settings to take account of this situation. That is not happening and, it seems, is unlikely to happen. The Government's August Economic Statement has much to say about its plans to promote job creation, but not a word about any intention to diminish migrant competition for these jobs.

The Labour Force Survey

The findings just summarised depend on the accuracy and the scope of the LFS. We, as with other commentators on the labour market, are reliant on this survey. It is an invaluable resource for such research. Nonetheless, a key limitation for understanding the recent migrant contribution to Australia's workforce is that it does not survey those who do not meet its definition of the civilian

population. To be included a migrant must have been resident in Australia for 12 months out of the 16 months following arrival in Australia or be estimated to be likely to stay for this period. It does not matter whether the migrant is on a permanent or temporary visa.

There is good reason for the ABS to use this definition. It is the standard United Nations definition for measuring the resident population. It is used for all ABS and Department of Immigration and Citizenship estimates of the contribution of Net Overseas Migration (NOM) to Australia's population. It is also a very accurate measurement of the civilian population.

Prior to 2006, DIAC based its estimates of NOM on self-reporting from passenger cards as to the intended length of stay in Australia of those arriving, or absence from Australia in the case of departures. Since 2006, DIAC has kept a record of all persons who move in and out of Australia. All such persons have a unique individual identifier. The stock in Australia can be measured at any point in time because it is continually being adjusted as people move in and out of Australia. DIAC can also calculate the length of stay for each person, even if the person moves in and out of Australia, by adding the days that this person was in Australia. This information is used by the ABS to calculate preliminary and final NOM estimates.

Nevertheless as is shown later, the consequence for estimates of the current employed workforce is that it misses at least 250,000 recently-arrived migrants. Few commentators understand this limitation. Its significance from the point of view of locals seeking employment will be explored at the end of this paper.

The following section of the paper is based on the workforce estimates derived from the LFS. For those who doubt our assertion about the missing recently-arrived migrant group, it can be read as a stand-alone document. The calculations of the scale of the missing group and their significance follow at the end of the paper. The missing group constitutes a shadow workforce, seemingly out of sight and out of mind when it comes to the Australian Government's immigration and employment policies.

Recently-arrived migrants and the labour force

As of May 2013, there were 473,000 persons in the civilian population aged 15 plus, who were born overseas, who had arrived in Australia since the beginning of 2011, and who met the NOM definition.

Is this huge number plausible? It is, because it is a count which derives from the DIAC movement data base. As to the origin of these 473,000 recently-arrived migrants, there are two sources. One is the permanent migration program. It was set at the record high levels of 198,751 in 2011-12 and 214,000 in 2012-13 (including the humanitarian component). The other is migrants who entered Australia on temporary visas.

The permanent program is a significant contributor, but perhaps not as large as might be thought. This is because half of the 190,000 permanent residence visas issued in 2012-13 under the skill and family reunion programs were granted to persons already in Australia on temporary visas.ⁱⁱ After deducting the minority who have subsequently left Australia (and excluding those aged under 15), it

is likely that permanent arrivals comprise around 200,000 of the 473,000 recently-arrived migrants in Australia as of May 2013.

The rest is attributable to recently-arrived migrants who are temporary resident visa holders. This group also comprises around half of the increase in the number of recently-arrived migrants. As noted earlier, the LFS estimates that the number of recently-arrived migrants in Australia’s civilian population increased by 168,000 in the year to May 2013. This is far more than the annual increase in arrivals holding permanent-resident visas.

This assertion may surprise, because since temporary visa holders can only stay for a limited period, it might be thought that they were a circulating rather than an accumulating group. Most do stay for short periods. But, as long as the annual number of temporary visas issued keeps increasing (other things being equal) they add to the stock of temporary migrants here at any point in time. Their numbers are increasing because of the Government’s open-ended policy settings on temporary visas (there are next to no annual caps) and because of the enormous interest in coming to Australia on the part of residents of countries where employment opportunities are weaker, and/or wages are lower than in Australia.

The scale of the addition to the stock of temporary visa holders between March 2012 and March 2013 is shown in Table 1. It was 92,490, including New Zealand citizens. We have shown the New Zealanders separately in Table 1 because New Zealand citizens arriving in Australia since 2001 are unique in being ‘permanent’ temporaries. That is, they do not have to leave, but the vast majority do not hold permanent resident visas. In both 2011 and 2012, according to the New Zealand Government, around 50,000 New Zealand citizens left New Zealand for Australia.ⁱⁱⁱ

With the exception of the New Zealand citizens, most of stock of temporary entrants will eventually leave Australia. But, because the number of visas issued continues to increase and many of the recipients find ways to prolong their stay (discussed further below) the stock is increasing.

	Mar-12	Mar-13	Change
Students	344,480	332,470	-12,010
Visitors	220,380	248,250	27,870
457s	160,420	190,920	30,500
Working Holiday Makers	142,600	170,700	28,100
Bridging visas	132,320	118,820	-13,500
Temporary Graduate visa holders	27,980	41,090	13,110
Others	28,670	30,310	1,640
Total	1,056,850	1,132,560	75,710
New Zealanders	616,110	632,890	16,780
			92,490

Source: DIAC, *Temporary Entrants in Australia, 31 March 2013*

Neither the 1.1 million temporary visa holders detailed in Table 1, nor the 632,890 New Zealanders is a count of those who meet the NOM definition. Rather, it is a count of all persons who were born

overseas, who were present in Australia as of March 2013, and who held a temporary resident visa, regardless of how long they have been in Australia. The Australian Government does not publish figures on the length of stay in Australia of those included in this stock.

There is no doubt that several hundred thousand of this stock do meet the NOM definition and thus are part of the civilian population surveyed by the LFS. Many overseas students would be in this category (especially those in the higher education sector). Some others in the visa subclasses listed in Table 1 also stay for extended periods, even permanently. This is because it is Australian government policy to facilitate onshore change of status to permanent residence and to facilitate 'visa churn'. An example of visa churn is a migrant here on a student or Working Holiday Maker visa who is subsequently sponsored for a 457 visa.^{iv}

Recently-arrived migrants and the labour market

As indicated, there was an increase in the civilian population of 168,700 in the year to May 2013, consisting of persons who were born overseas and who had arrived in Australia since January 2011. These are all people who meet the NOM definition. As such it is a count, which is reliable, because it derives from the DIAC movement data base.

How many of these people were employed as of May 2013? One might expect it to be high because all of those in this group who hold permanent-entry visas have work rights, as do most of those included in the temporary-visa subclasses listed in Table 1. All have a powerful pecuniary motive to take advantage of their stay in Australia. Moreover, the temporary residents do not have access to unemployment benefits, nor do those who gain permanent residence (other than humanitarian visa holders) until after two years of residence in Australia.

According to the LFS, 108,200 of this 168,700 increase (or 64.1 per cent) were employed as of May 2013 and another 13,600 were unemployed. These figures derive from the sample of recently-arrived migrants included in the LFS survey. The 64.1 per cent employment participation rate is plausible given the pressures on these migrants to find work.

Impact on locals

The public discussion (or lack of it) on this issue is bedevilled by the widely held belief that, because Australia's population is ageing, in the absence of migration there would not be enough workers. If this were the case, there would be less reason to worry about the influx of migrants. For example, in 2011, the former Minister for Immigration, Mr Chris Bowen, stated that:

Without immigration, it is projected that Australia's labour force growth will almost cease within the next decade and actually start going backwards from 2036.^v

KPMG demographer, Bernard Salt is another vocal advocate of this mistaken position. In his recent book, *The Big Tilt*, he asserts:

2011 is a break point year. From this year onwards, more baby boomers exit the workforce than generation Ys enter.^{vi}

The work of ANU demographers Peter McDonald and Jeremy Temple should have dispelled these assertions. They have shown that, even with zero net migration, the numbers exiting the 55-64 age group do not exceed those entering the 15-24 year age group until around 2042.^{vii}

The current situation, as reported in the LFS, should also help allay these fears. Table 2 shows that there were 1,470,600 15-19 year olds in the civilian population in May 2013, compared with 1,252,800 persons aged 60-64 years. Some of the 15-19 age group would have been recently-arrived migrants, but not many because 15-19 year olds are normally not eligible for a temporary or a permanent resident visa (except as an accompanying dependents).

Table 2 Civilian population aged 15-19, 55-59 and 60-64 (000s) May 2013			
	15-19	55-59	60-64
Australia-born	1278.2	949.3	807.6
Overseas-born	192.4	441.9	445.2
Total	1470.6	1391.2	1252.8

Source: ABS, *Labour Force Survey*, May 2013

These numbers imply that the civilian population in Australia is growing from both domestic and migrant sources. This is indeed the case. According to the LFS, the total civilian population aged 15 plus grew by 335,700 over the year May 2012 to May 2013. Half of this increase was due to the addition of recently-arrived migrants who met the NOM definition and the rest was the result of natural increase.

It is true that Australia's civilian population is ageing as a consequence of the large baby boomer population currently in the 50-65 age group (persons born 1950 to 1965). Once people reach the age of 55 the proportion who participate in the workforce declines. The Australian experience of this phenomenon, as measured by the LFS over the years since May 2003, is shown in Table 3. As a consequence, as the baby boomer population moves through their late 50s and 60s, there will be an increase in the number of persons exiting the workforce.

However, Table 3 shows that this outcome is being offset by a remarkable increase in the labour force participation of those in the 55-59, 60-64 and 65 plus age groups throughout the years 2003 to 2013. Such is this increase that the overall participation rate of the civilian population aged 15 plus, after increasing between 2003 and 2007, has since remained stable at just over 65 per cent.

Table 3 Labour force participation rate by five-year age groups, as of May 2003, 2007, 2009, 2011 and 2013

	May -03	May-07	May-09	May-11	May-13
15-19	58.2	59.4	56.9	55.1	54.1
20-24	80.7	81.3	80.1	79.6	78.1
25-34	81.3	82.4	82.8	83.2	82.9
35-44	81.4	83.1	83.7	83.5	83.5
45-54	81.1	82.6	83.9	83.1	83.1
55-59	63.2	68.5	70.4	72.4	73.4
60-64	39.0	46.9	50.7	53.3	54.3
65 plus	6.5	8.5	9.8	10.8	12.9
Total	63.7	65.2	65.7	65.5	65.3

Source: ABS, *Labour Force Survey*, various issues

This stabilisation of the workforce participation rate is occurring in a context where the overall civilian population aged 15 plus is increasing strongly due to natural increase as well as migration. Our focus is on where employment competition is most evident. It is obvious from Table 3 that this is amongst young people. They have to cope with a situation where an increasing proportion of older workers is staying in work, implying that there are fewer vacancies through the exits of older workers than a decade ago and where there is growing competition from recently-arrived migrants.

Each year, around 350 000 young people aged 15-24 leave school, some 250,000 of whom enter the labour force (half while enrolled in post-school education or training). They are entering the labour market at a time when this market has deteriorated after the brief post-GFC recovery in 2010 and early 2011.

The decline in the labour force participation rate of people aged 15-19 and 20-24 since 2007 is the most telling statistical indicator that young people are having difficulty finding a job. In all recent Australian economic downturns, there has been an increase in the proportion of young people staying on in school and enrolling in post-school education and training institutions. Conversely, when the economy has been strong, the reverse has been the case. The increased workforce participation between 2003 and 2007 for both 15-19 and 20-24 year olds is a case in point.

This generalisation particularly applies to those from lower-middle and blue-collar backgrounds, where parental expectations about university training are relatively weak. For a young person from this background, the attraction of an immediate job and money to spend usually outweighs the long-term benefits that may flow from post-school education.

The recent strong response to the opening up of tertiary places following the Australian Government's removal of caps on these places owes much to the concurrent weakness of the job market for young people. This is not to say that such enrolment is unwise as an investment for the future. But, the proliferation of training activities at the Certificate 2 level is another matter. Some public and private institutions have taken advantage of government subsidies and the desperation of some young people for a competitive edge in a crowded job market to exploit the vulnerability of young people.

For those young people who have entered the job market, there is plenty of evidence that the going is tough. By May 2013, the unemployment rate for 15-19 year olds at the national level was 14.5 per cent and 9.5 per cent for 20-24 year olds. These rates are well above the unemployment levels for these age groups in 2007. The LFS estimates of unemployment for lower socio-economic areas of the major metropolises and regional coastal communities in NSW and South Eastern coastal settlement areas show highly elevated rates of unemployment for young people.

The employment market is particularly tight at the entry level for low-skilled service jobs in the retail and hospitality industries and also semi-skilled jobs in the construction and manufacturing industries. Jobs are scarce and locals also have to compete with recently-arrived migrants for available work. The consequence is a widespread breakdown of award wages and conditions. There is a mountain of anecdotal evidence that this is going on, and that locals are losing out to migrants who are desperate for the work in question.

Young people with university and trade qualifications have yet to feel this heat. However, if there is no rapid economic recovery, they soon will. Take the case of accounting. This is an area where university and TAFE enrolments (at the sub-professional level) have flourished. But, according to labour market research conducted in 2011 and 2012 by the Australian Government, there is no shortage of accountants. The conclusion of this research was that: 'There is a more than adequate supply of accountants. Employers generally experience little difficulty filling their vacancies, attracting multiple suitable applicants.'^{viii}

Notwithstanding this situation, large numbers of accountants are still being visaed. For the past decade or so, there have been more visas issued under the Government's skilled visa programs for accountants than for any other occupation. In the program year 2012-2013, this honour was won by cooks, with 8,449 principal applicants being visaed. Nevertheless, accountants still came in second with 5,766 visaed issued. In addition, around a thousand accountants a year are being granted temporary entry under the 457 visa program. The combined total of around 6,800 exceeds the annual number of domestic undergraduate completions in accounting. There will be no abatement to the migrant influx, because the Australian Workplace Productivity Agency has decided to leave accounting on the Skilled Occupation List (SOL) for 2013. This list determines which occupations are eligible for selection under some skilled visa subclasses. Accountants are also eligible for sponsorship under the 457 regime. Similar competition for professional jobs is likely to emerge in other fields, including engineering if the Australian economy does not pick up quickly.

We have what amounts to an employment crisis, which is highly likely to get worse given the prospect of a continuing weak labour market over the next couple of years. Growth in the net number of persons employed is set to slow down, leaving large numbers of local job seekers and increasing numbers of recently-arrived migrants to fight over entry to these jobs.

Why has this employment crisis been allowed to occur?

All sides of politics purport to be troubled by the recent slow-down in job creation and its manifestation in increased unemployment, especially amongst young people. However, apart from some sections of the trade union movement, there is silence on the extent to which current migration policies are making the unemployment situation worse.

The flood of recent arrivals and their concentration in metropolitan low-skilled labour markets appears to have escaped attention. The only exception is the union campaign on 457 visas which did lead to some restrictions on employers' sponsorship rights being passed on the last day of the recent parliament. Unfortunately, these restrictions will do little to arrest the flow of other temporary visa holders who end up competing for employment in low-skilled and casual labour markets.

How could such a serious situation be allowed to prevail with such little public comment, especially in an election context?

Part of the answer is that it is largely hidden from view. It does not help that the LFS is structured so as to omit hundreds of thousands of the recent entrants to these labour markets from its monthly reports. Their numbers are estimated below. Furthermore, no government agency, including the ABS in its LFS, draws attention to what can be concluded from its own statistical reports. This is that the increase in the number of recently-arrived migrants employed is currently almost the same as the total net growth in employment in Australia over the same period.

The enormous number of recently-arrived migrants in the workforce is a product of a multitude of Australian Government decisions. They include the ramping up of the permanent resident program and the liberalisation of the various temporary-entry visa categories which comprise the stock of temporary entrants presently in Australia.

The Government has to deal with the lobbying of well organised special interests, who have in common a desire to increase the flow of migrants. These include the education industry, the horticultural industry, employers and the tourist industry. All, including the education industry, want those attracted to have work rights. In the case of the education industry, the goal is to maximise overseas student numbers. As the industry is acutely aware, a major attraction for such enrolments is work rights in Australia. The stage is set for a major extension in overseas student enrolment because the Coalition has announced that it favours the reintroduction of work rights for those who complete vocational (TAFE) courses. This implies they will be able to work in Australia for two years after completing their vocational qualification. The numbers are likely to be very large if the experience in the mid to late 1990s is repeated.^{ix}

On the other hand, the young people affected by the job competition resulting from this influx will have little or no voice in shaping the Government's policy settings.

More fundamentally, there is a systematic blind spot on the issue among the policy elite. For business and political interests preoccupied with restoring strong economic growth, Australia's rapid population growth, currently around 370,000 a year or 1.7 per cent, is one of the few positives

around. For economic commentators familiar with the academic literature on the issue, there is the ready reassurance from this literature that migrants create as many jobs as they do job seekers. This is a position that has influenced much of the journalistic comment on the matter – as we have had many occasions to observe when raising the issue in the media.

However, this belief has little substance in today's circumstances. When there are few skilled vacancies, high migration is of little help in clearing skilled bottlenecks or enhancing productivity. True, extra people mean more demand. But, such is the loss of Australia's manufacturing capacity, that most of the cars, electronic devices, appliances and other high value added goods being consumed are sourced through imports. Nor is there a strong link between population growth and the housing industry. Housing starts are well below the levels reached in 2010 despite rapid population growth. The bottom has dropped out of the first home buyer market because of uncertainty about employment prospects and because much of the stock available is beyond the financial means of most first home buyers.

There is a new set of players on this issue who by implication reassure the public that there should be no fears about increased competition for jobs. These are those who assert that, with the end of the mineral investment boom, and the decline in the value of the Australian dollar, there will be a surge in employment deriving from the sale of knowledge-intensive goods and services into the booming Asian economy. This is the message that Prime Minister Rudd has communicated during the election campaign.

The much publicised recent report from the Grattan Institute on *The Mining Boom; Impacts and Prospects*, is another example. This report asserts that the current decline in the dollar will prompt a restructuring of the Australian economy towards knowledge intensive-industries, including manufactures. The Institute's forecast is based on a comparative study of other economies which have experienced significant currency devaluations.^x This is the latest of a long line of similar predictions since the blow torch of engagement in the international economy was applied to Australian businesses following the Hawke/Keating reforms in the late 1980s and early 1990s. It has never happened. It would be a flimsy basis indeed, for government policy on migration to rely on it eventuating over the next few years.

Implications for policy

The LFS shows two clear outcomes of the recent downturn in the growth of employment in Australia. The first is that the growth in the population in the working ages derives about half and half from locals and recently-arrived migrants. This combination of these two sources of growth substantially exceeds the increase in the number of persons employed in Australia. The second outcome is that the great majority of the net growth in employed persons comprises recently-arrived migrants. They have achieved this outcome at the expense of locals, mainly young people.

If the issues discussed are to be addressed, the first requirement is greater public awareness of the way current migration settings are impacting on the interests of locals, particularly young people.

Moreover, as we elaborate shortly, the LFS statistics do not tell the full story about the involvement of recently-arrived migrants in the Australian labour force. The Government should provide funding to enable the ABS to assess these numbers.

As to the migration policy settings, these do not reflect the serious problems young locals face in competing for employment. They need to be adjusted accordingly via a contraction in the permanent program and through caps on the temporary-entry programs responsible for the situation.

The Working Holiday Maker (WHM) visa subclass requires urgent attention. The numbers visaed have increased sharply from 175,746 in 2009-10, to 185,480 in 2010-11, and 214,644 in 2011-12. There was a further surge to 249,231 in 2012-13. As Table 1 showed, the resulting stock of WHMs increased from 160,420 as of March 2012 to 170,700 in March 2013. The country of origin of these WHMs has also changed with big increases from Ireland, Taiwan and Italy and continuing high numbers from Korea. Those coming from these countries are not the traditional holiday and work seekers, but rather job hungry migrants anxious to maximise their income from work here. In effect, the Australian economy is acting as a safety valve for the youth unemployment problems of other countries, at the expense of its own young people's employment prospects.

It is disturbing that, in the current youth employment crisis, no cap has been placed on the WHM inflow. The 250,000 WHM visas likely to be granted in 2012-13 is equivalent to the total current annual number of school leavers entering the workforce.

WHMs are a force in the hospitality and other service industries and increasingly evident in the construction industry, where they often find employment in the lesser skilled trades like carpentry and bricklaying. The latter are not registrable trades where a trade qualification is required. It is entirely up to the employer as to who is engaged for such work. This is a serious situation for local workers at a time when employment growth in the construction industry has dried up.

The Labour Force Survey – uses and misuses

First some minor quibbles. Mistakenly, the LFS survey is often said to be an estimate of jobs. For example, business reporter, Gwenda Kwek, in commentating on the findings of the June 2013 LFS, states that: 'A deterioration in the unemployment rate was expected, with the monthly growth in jobs unlikely to keep pace with the growing population.'^{xi} However, the LFS refers to persons, not jobs. Some persons hold multiple jobs.

A more significant and common misunderstanding is the belief that the LFS takes into account such indicators of the labour market as payroll data and vacancy rates. For example, again commentating on the June 2013 LFS release, the Economics correspondent for the *Australian Financial Review* referred to 'payrolls falling by 10,200, according to the Australian Bureau of Statistics'.^{xii}

In fact, the LFS takes no account of indicators such as payroll or vacancy data. It surveys a representative sample of the Australian civilian population. The survey provides the basis for estimates of the shares of the civilian population who are participating in the labour market, who

are employed or unemployed. These shares are then applied to the estimates of the civilian population provided to the LFS by the Demographic branch of the ABS.

By contrast, the U.S. Department of Labour's monthly estimate of employment levels 'surveys about 145,000 businesses and government agencies, representing approximately 557,000 individual worksites'. While also a sample survey, because it is based on payrolls it is anchored in actual employment data and it includes all persons on these payrolls regardless of time of arrival in the United States.

Our major concern, however, is the consequences of the LFS definition of the civilian population. It only includes overseas born persons who are aged 15 plus if they have resided in Australia for 12 months out of the 16 months since they first entered Australia, or are estimated to be likely to stay for this period. We now turn to explore the size of the excluded group.

Those not included in the LFS

The stock of recent arrivals holding temporary entry visas in this category is probably at least 500,000. It has to be at least this high because, as Table 1 shows, there were 1.1 million persons born overseas in Australia as of March 2013 (not including New Zealanders) who held temporary visas. As indicated, DIAC does not publish figures on the time migrants within each of these visa subclasses have been in Australia. However it is obvious that most would have arrived since the beginning of 2011, since with the exception of students, the length of time they are permitted to stay in Australia is usually well less than the two years and five months that have elapsed between the beginning of 2011 and May 2013.

In the case of WHMs, the limit of their stay is one year, unless they obtain another visa (via visa churn) or, as a minority do, they obtain a second WHM visa. This is available if the WHM is employed for 88 days in agriculture, mining or construction in regional Australia. This also means that the majority of the 190,920 in Australia as of March 2013 will stay for less than twelve months and therefore will not be counted in the civilian population and will not be eligible to be surveyed by the LFS.

According to the LFS there were 473,000 overseas born persons who arrived in Australia since the beginning of 2011 and were in Australia as of May 2013. All met the NOM definition. This is way below the overall stock of 1.1 million persons in Australia holding temporary visas listed in Table 1. To this number we must add recently arrived New Zealand citizens as well as the permanent resident visa holders who arrived in Australia since the beginning of 2011. Since most of the New Zealanders and the permanent residents would fit the NOM definition, the implication is that most of the 1.1 temporary visa holders (including the majority of the WHMs) did not.

It is likely therefore that at least 500,000 to 600,000 overseas born persons were in Australia as of May 2011 who were not counted in the civilian population and thus not surveyed by the LFS.

It is only possible to provide a rough estimate of the proportion of this group who were employed as of May 2013, because there is no information on their participation in the labour force reported in the LFS. However, it is likely to be at least 50 per cent (or 250,000 plus), given the high priority that many of these migrants, particularly the rapidly growing number of WHMs intent on making money while in Australia.

A number of this order is not significant in relation to the total number of employed persons estimated by the LFS to be employed as of May 2013 of 11.5 million. However, it is significant in the context of the employment situation for local youth, particularly those without post-school education who are seeking a job. They are bearing the brunt of the current job shortage, in part because they have to compete with recently-arrived migrants for a limited number of low-skilled, entry-level jobs.

The great majority of the temporary visa holders have much in common with young resident job seekers who do not hold post-school qualifications. They are predominantly young, as is obviously the case for students and Working Holiday Makers (who have to be aged 18 to 30 years in order to be eligible for the visa). Also, regardless of their education level, they usually have no choice but to seek low-skilled and often casual employment, since employers of skilled workers prefer to employ either migrants with permanent residence visas or local graduates.

Appendix: More of the LFS methodology

The ABS Labour Force estimates are based on a large sample of nearly 30,000 homes from which data are collected on about 60,000 people. The ABS states that the sample is 'a very good representation of the Australian population'.^{xiii}

The information on participation in the workforce gathered from the survey is then weighted to an 'independent population benchmark' based on the Estimated Resident Population (ERP). This ensures that the LFS estimates add up to an independently estimated distribution of the usually resident civilian population aged 15 years and over, regardless of any sample loss due to non-response'.^{xiv} After appropriate weighting, the labour force participation data (including the percentage of persons employed, unemployed and not in the labour force) are then applied to the ERP at the time of the survey in order to calculate the numbers who are employed, unemployed and not in the workforce.

The civilian population is calculated by the Demography branch of the ABS. The branch is 'independent' in the sense that the ERP estimates that it prepares are based on hard data from the Department of Immigration and Citizenship (DIAC) on Net Overseas Migration (NOM) and on birth and death registrations in Australia. It is 'hard' in the sense that it is based on actual records of length of stay for those moving in and out of Australia. However, in the case of those who are very recent arrivals and thus have not been in Australia long enough to reach a stay of one year over the 16 months since their first arrival, the demographers estimate how long they are likely to stay in Australia. They do this by applying propensity estimates for length of stay based on the past record for each visa subclass. The actual record of stay is examined over subsequent months to see if it accords with the original estimate. If not, the LFS figures are amended.

As might be imagined this is an immense statistical task given the enormous flow of people in and out of Australia. As a result there is a lag of around six months before the most recent arrivals are processed by the demographers in the ABS. As concluded in the text, at least 500,000 recently arrived migrants in Australia are not included in the ERP; of these around 250,000 are likely to be employed. This does not mean that the LFS employment rates have been underestimated, even

though the total number of those employed in Australia is much larger than estimated by the LFS. This is because those missed in the LFS add to both the numerator (employed and unemployed) and denominator (civilian population).

Another issue not discussed in the text concerns the reliability of the published LFS on the employment outcomes for migrants, by time-of-arrival in Australia. It is only since 2006 that ABS demographers have had access to NOM data informed by actual periods of stay in Australia. Prior to this date, such estimates were based on passenger card records in which travellers stated their intentions re staying in or leaving Australia. These proved to be highly unreliable.

This means that the NOM estimates used for the civilian population are reliable for those arriving or leaving since 2006, but much less so for those arriving before 2006. The latter are based on benchmarks updated with each Census. When we tried to use the data published in the LFS on the civilian population and employment outcomes for pre-2006 arrivals, we found sharp variations from one LFS release to another. This is why there are no tables in the text which differentiate the migrant contribution to the civilian population or to the workforce, by time-of-arrival prior to 2011.

ⁱ Australian Government, *Economic Statement*, August 2013, p. 1

ⁱⁱ DIAC, *2012-13 Migration Program Report*, Attachment A

ⁱⁱⁱ New Zealand Government, *International Travel and Migration*: December 2012

^{iv} Bob Birrell and Ernest Healy, *Immigration Overshoot*, CPUR Research Report, November 2012, pp. 25-26

^v Chris Bowen, *Australia's Migration Program as part of Australia's Future*, 11 March 2011

<www.minister.immi.gov.au/media/cb/2011/cb160145.htm>

^{vi} Bernard Salt, *The Big Tilt*, Hardie Grant Books, 2011, p. 17

^{vii} Peter McDonald and Jeremy Temple, *Immigration, Labour Supply and Per Capita Gross Domestic Product: Australia 2010-2050*, DIAC, December 2010

^{viii} Australian Government, *Department of Education, Employment and Workplace Relations*, Labour market Research – Accountants 2011-12, p. 1

^{ix} Bob Birrell, Ernest Healy and Bob Kinnaird, 'Cooks galore and hairdressers aplenty', *People and Place*, Vol. 15, No. 1, 2007, pp. 22-29

^x Jim Minifie, *The mining boom: Impacts and prospects*, Grattan Institute, July 2013, pp. 28-30

^{xi} Glenda Kwek, 'Employment weakens on mining decline', *The Age*, Business Day, August 9, 2013

^{xii} Jacob Greber, 'Male workers feel pinch', *AFR*, 9 August 2013, p. 10

^{xiii} ABS, 6202.0 – *Understanding the Australian Labour Force using ABS Statistics*, Oct 2012, p.2

^{xiv} ABS, 6105.0, Australian Labour Market Statistics, July 2013, *A comparison of the Census and the Labour Force Survey*, p. 2