



The relationship between immigration to Australia and the labour market outcomes of Australian-born workers

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Key findings

Immigration to Australia in the 2001 - 2011 period had no detectable effect on:

- the employment prospects of Australian-born workers; and
- the wages of Australian-born workers; and
- employment or wages of all workers who have lived in Australia for more than five years.

What we knew

- A simplistic, theoretical economic analysis of immigration suggests that immigrants shift the labour supply curve to the right, resulting in a decrease in equilibrium wages.
- However, the international, empirical literature mostly finds no effect of immigration on employment prospects and wages of natives. One important exception is work by Borjas (2003) showing that the prospects of low wage workers in the United States have been harmed by immigration.
- Several large migration shocks, such as the repatriation of over one million French citizens to metropolitan France following the Algerian civil war, were found to have very little effect on employment and wages of incumbent workers.
- Previous research on Australia, while very limited, finds no effect of immigration on employment or wages of the Australian-born.

What we do

- We use census data from 2001, 2006 and 2011 to estimate migration flows.
- We combine this with survey data from waves 1, 6 and 11 of the Household Income and Labour Dynamics in Australia (HILDA) Survey and five waves of the Australian Bureau of Statistics' Survey of Income and Housing (SIH) from 2003-2004 through 2011-2012.
- We use a novel approach suggested by Borjas which avoids shortcomings of previous research that relied on geographical variation in migration rates to estimate the impact of migration.
- We consider forty distinct national labour markets defined by education and experience (as opposed to local labour markets defined by geography) where immigrants and Australians (potentially) compete with one another.

What we know now

- There is no evidence that immigration harms the labour market prospects of those living in Australia. This holds whether we restrict the comparison to the Australian-born or if we include those who have resided in Australia for more than five years.
- We find almost identical results when using HILDA or when using the SIH.



- The evidence for no effect is incredibly strong. We estimate a large number of models on different sub-groups of data by sex and age and using six different labour market outcomes. Using a five per cent significance level, we would expect to find five per cent of these to be statistically significant even if the true effect was zero. We find statistically significant coefficients in less than two per cent of cases, lending strong evidence to a zero effect.

What this means for policy

- The immigration rates and policies in Australia between 2001 and 2011, combined with the patterns of economic growth and labour market demand, were well-balanced to avoid any negative effects on the local labour market.

Caveats

- Census data, which we use to track flows of migrants, does not include short-term migrants. In the Census, those who stay in Australia for less than one year are not counted by design. In the SIH, short-term migrants are only captured if they are resident in private dwellings. Thus, for the most part, 457 visa holders will not have much influence on our results.
- Our technique assumes that immigrants in a skill group compete against Australians in the same skill group. We provide some evidence that this is mostly the case.
- We do not examine the effect of migrant outflows which may also impact wages and employment prospects of those who stay.

Where to now?

- Further research on immigration and assimilation would be greatly aided by data which covers both migrants and resident Australians, gathering the same information for both.
- Detailed administrative data from the Department of Home Affairs and other agencies covering both migrants and incumbent Australians, combined with survey and census data, may allow for estimating the impact of policies associated with sharp changes in inflows of migrants in particular skill groups or occupational categories.
- Linked employer-employee data which include migrant and visa status may allow researchers to address questions such as:
 - What is the effect of 457 visas on firm productivity and innovation?
 - What is the effect of 457 visas on co-worker productivity?
 - How do co-workers benefit or suffer from the presence of migrants in a firm?
- Australia should build a comprehensive policy evaluation strategy around immigration policies by developing an evaluation plan in concert with planned policy interventions.

More information

- Get the full working paper at: https://crawford.anu.edu.au/files/uploads/crawford01_cap_anu_edu_au/2017-07/outcomes_v3_wp.docx or the published version at: <https://onlinelibrary.wiley.com/doi/abs/10.1111/1475-4932.12328>
- We would welcome the opportunity to present our research to your team and to discuss potential joint research projects on related or similar topics.
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