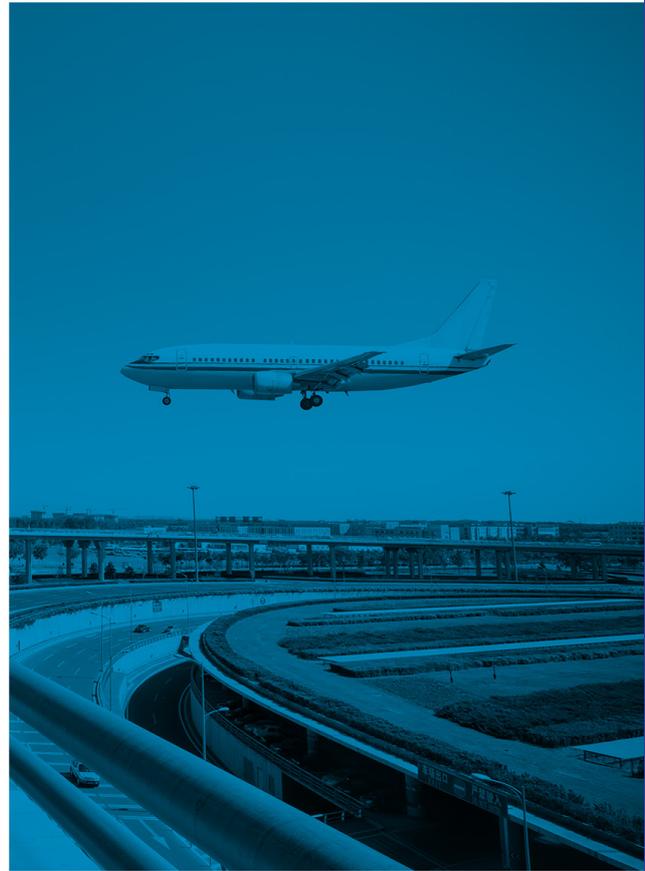


# Labour market policy after COVID-19

## Immigration and COVID-19



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## Introduction

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COVID-19 has had an enormous impact on economies around the world. In order to stem the spread of the virus, many countries have temporarily imposed extreme restrictions on migration. This comes on the back of rising populism and increasing scepticism about the benefits of migration in the lead-up to COVID-19.

This crisis will have long-lasting repercussions for migration policy across the world and in Australia – a country that is dependent on migration for its major industries and economic growth. While many countries will seek to impose more permanent restrictions in the wake of COVID-19, Australia should resist such policies and promote migration as part of the national economic recovery. Migration has been a key enabler of Australia’s economic development and will continue to be in the decades ahead.

There are three actions that governments can take to ensure that migration comes back better in the wake of COVID-19.

### 1. Provide better financial support for temporary migrants through the crisis

JobKeeper and JobSeeker payments should be extended to temporary migrants.

Australia has an obligation as a good global citizen to support temporary migrants who now can’t return home due to international border restrictions. Australia’s social compact should extend to all migrants in such extreme circumstances.

Temporary migrants pay taxes but don’t receive welfare benefits. We accept this net fiscal benefit in periods of prosperity, and in return we should provide insurance through an adequate safety net during extreme economic downturns. Recognising this, countries such as the United Kingdom, Canada, France and New Zealand have all extended support to temporary migrants.

### 2. Continue to support the critical role of international education

In absence of an extension to JobKeeper and JobSeeker payments, states should top up their relief packages for international students, particularly in Victoria where students are experiencing the impact of a second lockdown. As soon as it is safe to do so, Australia should restart the flow of international students into the country in carefully controlled circumstances, beginning with the previously proposed ACT trial.

International education is Australia’s largest service export, contributing \$37.6 billion to the Australian economy last year and supporting 240,000 jobs.<sup>1</sup> This sector cannot be left to wither on the vine.

### 3. Lead the world in attracting the best global talent

Australia should introduce an intra-company transfer visa to assist multinational businesses looking to invest and expand their operations in Australia. The new National Skills Commissioner can also boost community confidence that Australia's skilled occupation lists are targeted to attract skilled migrants in areas of the greatest demand that will assist Australia's economic recovery. In addition, these lists would greatly benefit from the ABS conducting a comprehensive review of the ANZSCO occupation codes to ensure that the list can remain up to date into the future.

The likelihood of increasingly restrictive migration policies in the wake of COVID-19 and the relative effectiveness of Australia's health response presents an opportunity for Australia to be a more attractive destination for highly skilled migrants.

As noted in CEDA's Effects of Temporary Migration, skilled migration has allowed large companies to import unique overseas experience, which is critical to attracting investment and training locals to build industry capability in areas such as advanced manufacturing. Australia's economic recovery requires policy settings that make it as easy as possible for businesses to invest, expand and grow their workforces.

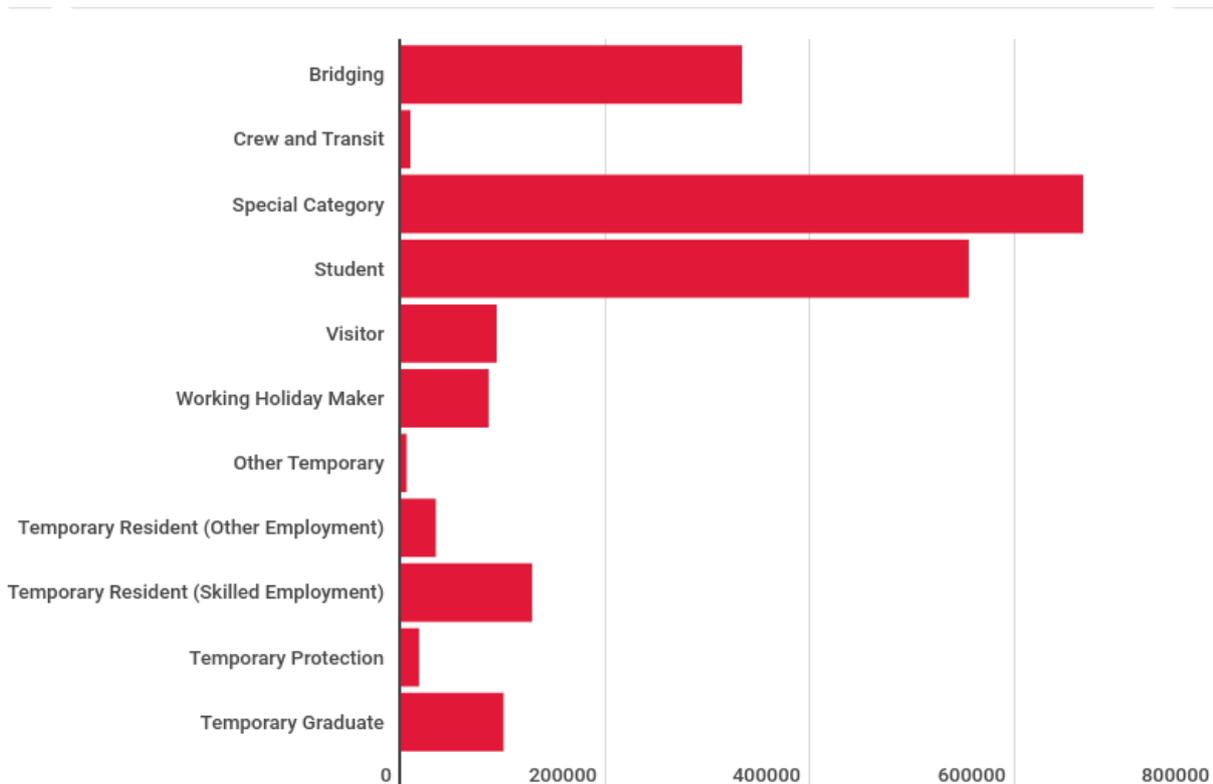
This short paper outlines the key issues for migration policy in the context of Australia's labour market including:

- The labour market outcomes of migrants, including the occupations in which temporary migrants and Australian workers are engaged;
- Historical evidence of the positive impacts that migrants have had on the Australian economy, citing CEDA studies and other research;
- The impact of recessions on migration;
- The inadequacy of financial support for temporary migrants to date compared to other groups of workers and the support provided in other advanced economies;
- The opportunities that have arisen for Australia in light of global trends towards more restrictive migration policy in the longer term.

## Box 1: Australia's temporary migrants

As of March 2020, approximately 2.17 million temporary residents called Australia home. Some were here on student visas, some were here on temporary skilled worker visas, still more were here on subclass 444 – a special category visa that allows New Zealand citizens to live, work and reside in Australia.

**Figure 1: Number of temporary visaholders**



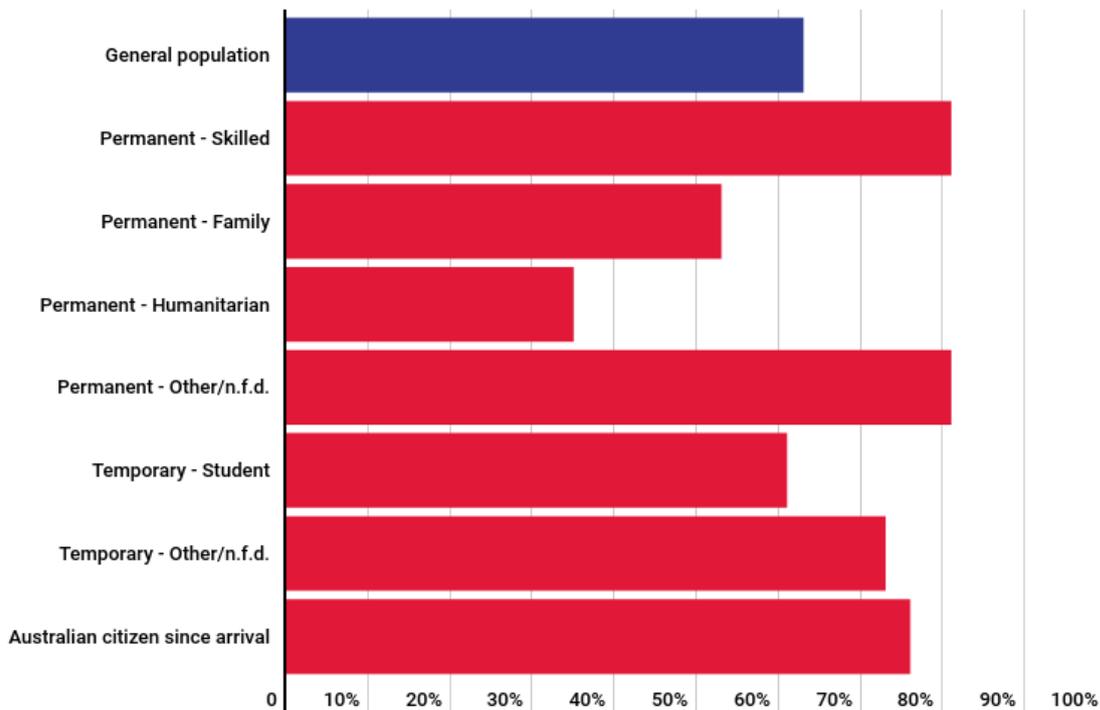
Source: Department of Home Affairs 2020 Temporary visaholders (BP0019)

Temporary migrants represent a small fraction of the total Australian workforce, with students comprising 2.5 per cent of employed persons, and other temporary workers comprising 1.7 per cent of the total Australian workforce.

The employment rates across the different types of migrants vary by visa subclass. For example, 61 per cent of international student visa holders were employed, compared to 63 per cent of the general population in 2019.

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Figure 2: Employment by category of visaholder

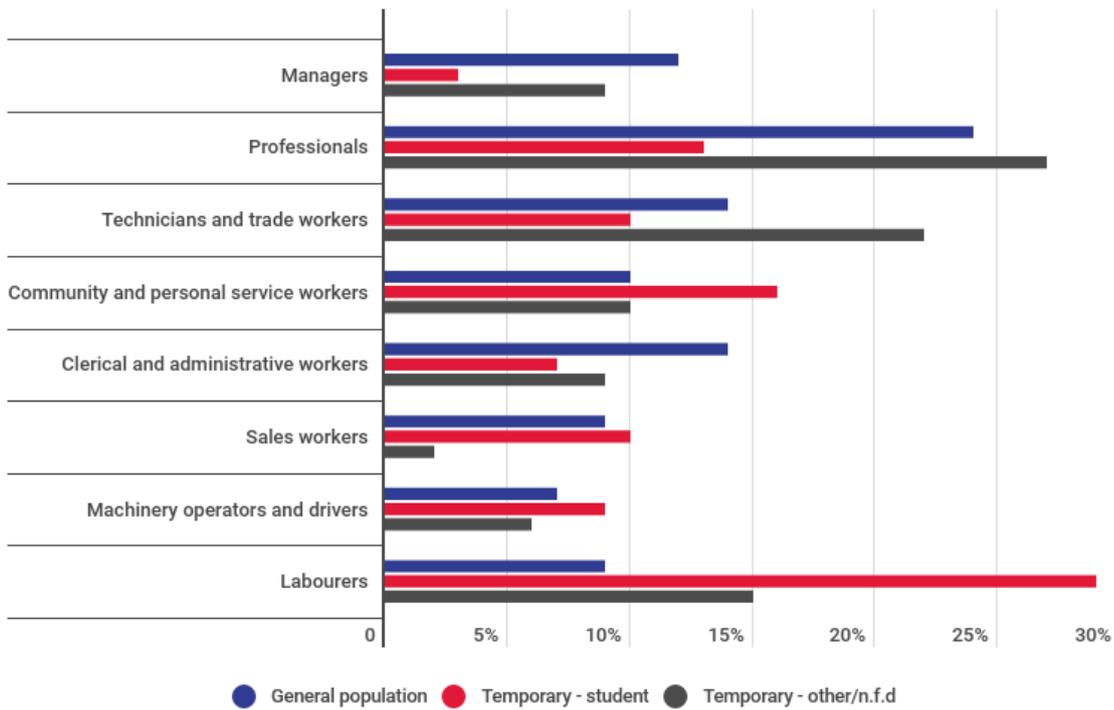


Source: ABS 2019 Characteristics of Recent Migrants 2019 Cat no 6250.0

Temporary migrants and in particular international students find themselves concentrated in different occupations to those of the general population. Students tend to work more in labourer jobs (like those in cleaning, food preparation, construction, freight and mining) than the rest of the population and relative to those on other types of temporary visas. These were the jobs that were most commonly lost in previous economic recessions and downturns, although other parts of the labour market have also been impacted during COVID-19 to date.<sup>2</sup>

Working conditions and the challenges of distancing measures in industries where temporary migrants are overrepresented, such as food supply, construction and social care have been cited as possible explanations for high rates of COVID-19 infection for temporary migrants in some parts of the world.<sup>3</sup> Occupations that are over-represented by migrants who also tend to live in overcrowded living quarters have experienced higher incidences of the virus, now prompting the government to consider industry-wide lockdowns.<sup>4</sup>

**Figure 3: Employment by category of visaholder**



Source: ABS 2019 Characteristics of Recent Migrants 2019 cat no 6250.0

## Evidence of the impact of migrants on Australian workers

CEDA modelling, summarised in [Effects of Temporary Migration](#), shows that recently arrived migrants have not had a negative impact on the wages or participation rates of Australian-born workers. On the contrary, our results indicate that, in some cases, an increase in migrant concentrations in certain levels of qualification and experience is associated with a positive impact on wages and employment. This finding is consistent with previous research conducted in Australia, which shows no evidence that the entry of migrants had a negative effect on the labour market outcomes of incumbent workers.<sup>5</sup>

Immigrants work and they consume, thereby creating demand for goods and services in addition to adding to the supply of labour. A 2015 report on the contribution of migrants to the Australian economy estimated that by 2050 the economy would be 40 per cent larger than otherwise due to migration, and GDP per capita 5.9 per cent higher.<sup>6</sup>

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## How have previous recessions affected migration?

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After 29 years of uninterrupted economic growth, the COVID-19 pandemic will see Australia enter a recession this year with a substantial deterioration in labour market conditions already underway.<sup>7</sup>

Acting Minister for Immigration, Citizenship, and Migrant Services, Alan Tudge, recently noted that temporary migration is a demand driven system – that migrants will come as long as there are employers who will employ them.<sup>8</sup> Migration is a pro-cyclical phenomenon, meaning that migration is high during periods of strong economic growth in the destination country. When there's an economic downturn, demand for overseas skills is expected to fall. In its Shaping the Nation report, Treasury noted that Australia takes in a higher number of migrants when the economy is doing well, and fewer migrants when the economy is weak. Economic growth preceded periods of higher migration growth.<sup>9</sup>

Research demonstrates that migrants generally return to their home country in periods of economic downturn.<sup>10</sup> This crisis is different, as many countries have shut down their borders in response to the crisis and are still yet to allow even citizens to return.

Migrants are more likely to lose their employment in a crisis due to a number of factors including that they:

- Disproportionately work in occupations that are vulnerable to job losses in economic downturns;
- Are more likely to work in cyclical industries and occupations;
- Are more disadvantaged by last-in first-out firing approaches;
- Are more likely to work in insecure employment (labour hire contracts, or day labour arrangements).<sup>11</sup>

Recent evidence on the impacts of migration during economic downturns in Australia is limited given our long unbroken record of economic growth. Temporary migration has also grown in importance since the late 1990s, well after Australia's most recent recessions in the 80s and 90s. Evidence on migration during previous economic downturns in the United Kingdom and Europe suggests that migration falls when unemployment rises but only for a limited period and it tends to pick up before employment recovers.<sup>12</sup>

While less relevant today, there is also research on the economic impact of people movement during the Great Depression. Between 1929 and 1934, during the Great Depression, the US repatriated almost 400,000 Mexican migrants because of concerns about the employment of US workers. A study that investigated this program found that it reduced the employment opportunities of US workers and led to compositional change in the various labour markets.<sup>13</sup>

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### Financial support for temporary migrants

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When the pandemic hit, like many countries Australia rapidly put in place additional income and wage support for unemployed and furloughed workers. Australia did not extend these benefits to those who weren't either citizens or permanent residents. This left many temporary migrants in the lurch – unable to return home and unable to receive income support in Australia.

Australia's support to temporary migrants has been lacking compared to other countries such as Canada, New Zealand and the UK, which have all extended their wage subsidy programs to temporary migrants. Australia should do the same without delay.<sup>14</sup>

They did this on the basis of seeking to protect as many jobs and connections to employment in the economy as possible and acknowledging the difficulties that workers would have returning to their home countries. In New Zealand's case, the Prime Minister appealed to the Australian Prime Minister to extend Australia's JobSeeker program to temporary migrants from New Zealand to ensure that people who were unwell complied with social restrictions.<sup>15</sup>

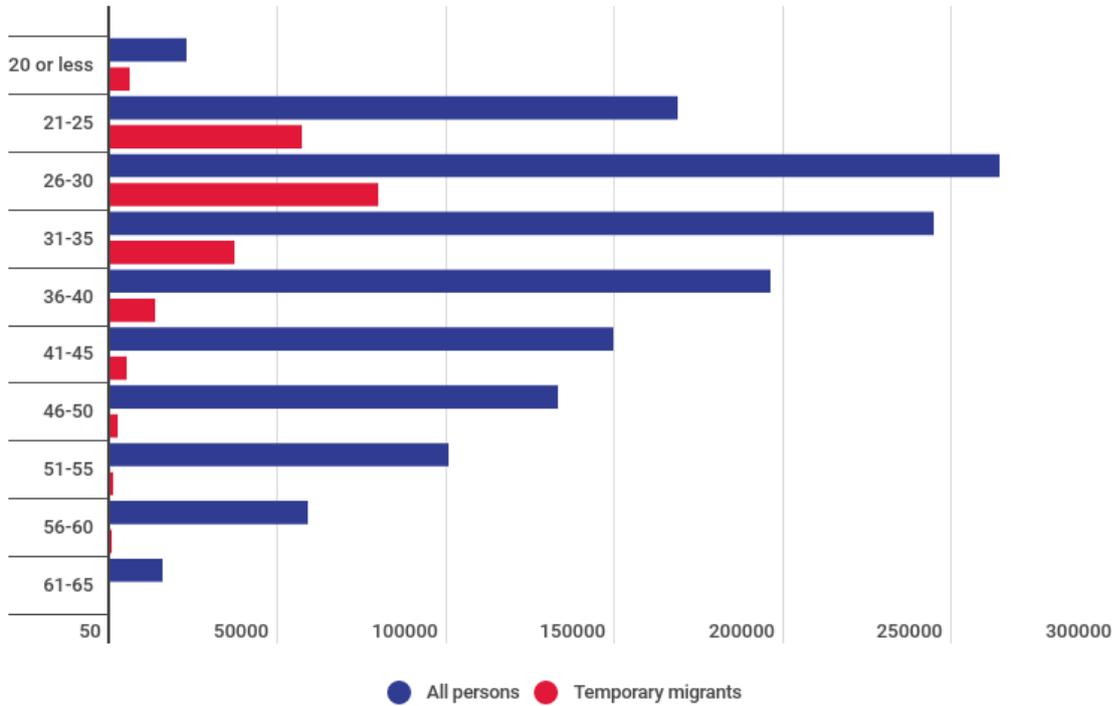
Support from state governments has been piecemeal and councils like the City of Melbourne have created meal programs and vouchers for students. These programs have been so heavily subscribed they have been temporarily shut down.<sup>16</sup> The state governments have offered some financial relief for students, to be administered by the universities, but the funds for some universities were exhausted in weeks.<sup>17</sup>

States should top-up the relief packages that were made available to students earlier in the year, particularly in Victoria where the impact of a second lockdown is negatively affecting international students. Many of them worked in casual employment and in jobs that have been disproportionately affected by the downturn. The decision of the government to rule temporary migrants (including international students) ineligible for support further disadvantaged this group.

The government has offered minimal financial support pathways to temporary migrants. The ineligibility of temporary migrants for JobKeeper results in an incentive for employers to keep workers who are Australian citizens and permanent residents over temporary migrants. The government has chosen so far not to extend JobKeeper to temporary migrants, even after updated forecasts suggested the program would cost less than first thought due to shorter than expected lockdowns and associated contractions in economic activity.

Temporary migrants and international students who are past their first year of study are allowed early access to their superannuation; 201,300 applications had been approved for temporary visa holders by May. The total value approved for release to temporary migrants to date is \$975 million with the average value of applications amounting to \$4,852.

**Figure 4: Approved applications for early release super**



Source: Australia Parliament 2020 Answers to questions on notice, Inquiry into the Australian Government’s response to the COVID-19 pandemic

It is likely that some proportion of temporary migrants, who do not intend to stay in Australia longer term, would’ve taken advantage of this scheme to avoid the departing Australian superannuation payment (DASP). Upon leaving Australia, temporary migrants become eligible to receive their superannuation

balance but only after paying the DASP. This is effectively a flat tax of 35 per cent of a person’s superannuation balance (65 per cent for working holiday makers). Applying for the early access program allows them to avoid paying the DASP.

## The global opportunity for Australia

The global movement of people has faced several threats in recent years – including populist movements in the United States and Europe that have seen increasing resentment of migrants and anxiety about levels of migration. Evidence from Europe also shows that previous downturns, such as the global financial crisis, increased negative sentiments towards immigration.<sup>18</sup>



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The temporary closure of international borders will reinforce these sentiments and influence long-term policy settings. For example, the United States has suspended all new H1B (temporary skilled work) visas<sup>19</sup> and effectively invalidated international student visas by determining that online study did not meet the requirements for studying in the US.<sup>20</sup> These measures will have devastating consequences for the lives of temporary skilled workers and for international students who are currently in the United States.

However, this also provides Australia with the opportunity to market itself as an attractive destination for prospective international students. Opening ourselves up to international students again will allow us to slow the negative effects on universities and sustain Australia's reputation as a desirable place to study.

International education represents one of Australia's largest exports. Australia's reputation as an education hub has been built on years of success – something that speaks to our international students. As soon as it is safe and feasible to do so, the government should reinstate the trial of 3000 students' arrivals in the ACT so we can kickstart the arrival of international students in the future.

Australia has been relatively successful in controlling the spread of the virus. This will have an impact on migrants' future decisions about where to settle and sets us up to be an attractive destination for the world's best and brightest. However, challenges with the way our skilled migration system is structured could hamper our ability to attract migrants. We should use the next few months to fix these structural issues to ensure that when the borders open up again, Australia is ready to become a destination of choice for skilled migrants.

One such example of reform is the introduction of the intra company transfer visas. This will enable those who work at offices overseas for companies that also have operations based in Australia to transfer to and work in Australian offices. Australia recently announced that special business investment visas would be made available to Hong Kong businesses to bring their operations to Australia. An intra company transfer visa would be a further way to assist these businesses as they relocate. Countries like the UK and the US already offer these visas.

Forecasting the skills needs of an economy is a gargantuan task. The National Skills Commission has been tasked with providing up to date lists and creating the methodology to determine what skills are in demand in Australia.<sup>21</sup> The creation of the skilled occupation list should be transparent and responsive to the needs of the economy.

The government should also immediately task the ABS with conducting a comprehensive review of the ANZSCO occupation codes to ensure that the list can remain up to date into the future.

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