A Hitch-Hiker's Guide to the Labour Economics of Immigration

Bruce J. Chapman and Paul W. Miller

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A HITCH-HIKER'S GUIDE TO THE LABOUR ECONOMICS OF IMMIGRATION

by

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* We are grateful to the Australian Institute of Multicultural Affairs for permission to use the data presented in Section II. The views expressed are those of the authors, however, and should not be attributed to the Australian Institute of Multicultural Affairs.

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I INTRODUCTION

Australia has traditionally maintained high levels of immigration, and relative to other countries this has led to a marked heterogeneity of the population. Today 21 per cent of inhabitants are foreign born, 26 per cent of the Australian born are the children of immigrants, and more than one half of the 440,000 new entrants arriving in the five years prior to 1981 were from non-English speaking countries. This degree of foreign representation is second only to Israel [Evans (1985)]. It should be of no surprise, then, that considerable public and policy attention has been directed to immigration issues.

Two major concerns related to the labour market implications of immigration are often raised in Australian debate. The first is that immigrants face barriers to the attainment of their full labour market potential, and thus experience relatively high levels of unemployment and receive relatively low incomes. A second, and less altruistic preoccupation, is that immigrants take jobs that unemployed Australians would otherwise have had, a corollary being that it is inappropriate to maintain high levels of immigration when many residents are unemployed.

This article analyses both issues, reaching conclusions that may be at variance with popular views but nevertheless reflect a consensus among labour economists researching in this area. It is found, first, that immigrants do not fare particularly badly in terms of unemployment and incomes, although there are some qualifications to this generalisation. Second, and perhaps more surprisingly, there is no compelling evidence for the views that immigration has either increased aggregate unemployment rates or reduced job prospects of unemployed Australians. Indeed, particular types of immigrants apparently do the opposite, a point that warrants careful explanation.
Before turning to the relationships alluded to above, it is instructive to consider the perceptions of the public on some of these issues, and these are presented in section II. Section III outlines some basic facts on immigrant labour market performance, thus allowing a comparison between perceptions and reality in this area. A fourth section appraises the evidence on the relationship between immigration and unemployment in Australia. Section V offers a summary and conclusion.

II PERCEPTIONS OF IMMIGRANTS’ LABOUR MARKET POSITION

The data discussed in this section are from the First Institute Manpower Programs Survey organised by the Australian Institute of Multicultural Affairs. One of the questions asked related to individual’s beliefs of whether or not jobs were easier for the Australian born to secure than for the overseas born. Table 1 summarises the responses.

**TABLE 1**

Per cent Distribution of Responses to Question: "Do you think that it is generally easier or more difficult for people born in Australia to get jobs, compared to people born overseas?"

<table>
<thead>
<tr>
<th>Respondent’s Birthplace</th>
<th>Much More Difficult</th>
<th>More Difficult</th>
<th>No Difference</th>
<th>Somewhat Easier</th>
<th>A Lot Easier</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>3.7</td>
<td>11.0</td>
<td>36.9</td>
<td>30.9</td>
<td>15.5</td>
<td>3177</td>
</tr>
<tr>
<td>Total Born Overseas</td>
<td>0.8</td>
<td>3.8</td>
<td>31.1</td>
<td>20.7</td>
<td>43.5</td>
<td>2129</td>
</tr>
<tr>
<td>English Speaking</td>
<td>3.8</td>
<td>10.3</td>
<td>45.4</td>
<td>28.2</td>
<td>12.2</td>
<td>262</td>
</tr>
<tr>
<td>Non-English Speaking</td>
<td>0.4</td>
<td>2.8</td>
<td>29.2</td>
<td>19.7</td>
<td>50.0</td>
<td>1864</td>
</tr>
</tbody>
</table>

Source: First Institute Manpower Programs Survey, Australian Institute of Multicultural Affairs.

39 per cent of the Australian born felt that there was no difference between the experiences of the two birthplace groups, 46 per cent felt that the Australian born had an easier time obtaining employment, while 15 per cent felt that jobs were more difficult for the Australian born to obtain. The overseas born’s views differ from those of the Australian born. Only 5 per cent felt that jobs were harder for the native born to obtain, 31 per cent suggested the same, while 64 per cent felt that it was easier for the Australian born to obtain employment. Responses differed markedly across the different birthplace regions, however. The views of immigrants from English-speaking countries were reasonably congruent with those of the Australian born. But immigrants from non-English speaking countries were more likely to be of the opinion that jobs were easier for the Australian born to obtain. For example, 50 per cent of this group felt that it was a lot easier for people born in Australia to get jobs, compared to only 16 per cent of natives.

Interesting insights into the Table 1 data can be gained through examination of responses to the question “Why is it easier for Australians to secure employment?” for those who believed it was. The responses are presented in Table 2.

**TABLE 2**

Per cent Distribution of Responses to Question: "Why is it easier for Australians to secure employment?"

<table>
<thead>
<tr>
<th>Respondent’s Birthplace</th>
<th>Speak Language</th>
<th>Education &amp; Skills</th>
<th>Favoured Local Experience</th>
<th>Friends</th>
<th>Other</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>50.0</td>
<td>10.4</td>
<td>29.5</td>
<td>4.5</td>
<td>1.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Total Born Overseas</td>
<td>62.5</td>
<td>5.8</td>
<td>25.7</td>
<td>3.4</td>
<td>1.0</td>
<td>1.5</td>
</tr>
<tr>
<td>English Speaking</td>
<td>37.5</td>
<td>7.7</td>
<td>44.2</td>
<td>3.8</td>
<td>1.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Non-English Speaking</td>
<td>64.6</td>
<td>5.6</td>
<td>24.2</td>
<td>3.4</td>
<td>1.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: First Institute Manpower Programs Survey, Australian Institute of Multicultural Affairs.
A majority of respondents nominated language as the major factor which drives a wedge between the labour market success of the Australian and overseas born with almost two-thirds of respondents from non-English speaking countries suggesting this reason. Around three-tenths of respondents believed that the major reason was the Australian born were favoured in employment decisions. This viewpoint was much more prevalent among immigrants from English-speaking countries (44 per cent) but, surprisingly, relatively few people felt that the Australian born’s advantage derived from their local labour market experience, or from the differing quantity and quality of education.1

A further surprising feature of these data is that little importance is attached to the possibility that differences in the informal labour market contacts through friends could account for the greater difficulties which the foreign born are thought to encounter in their job search. As there is a school of thought which views friends and relatives as a major mechanism in the job search process for some birthplace groups [Evans (1983)], this finding to the contrary apparently reflects public misperception.

Amongst those who felt that it was harder for the Australian born to get jobs, the data presented in Table 3 show that many of the Australian born attributed this to positive discrimination towards immigrants, while 28 per cent of immigrants also nominated this reason. However, 44 per cent of immigrants felt that the Australian born had a more difficult time obtaining employment because they work less hard. Such an attitude may arise from the traditionally more intensive work ethic among immigrants attempting to accumulate financial assets in their new country.

1. Previous research [Chiswick and Miller (1985), Miller (1985a)] has drawn attention to differences across birthplace groups in the international transferability of human capital skills: those possessed by immigrants from English speaking countries supposedly being more transferable than those possessed by immigrants from non-English speaking countries. Whilst the statistical evidence presented by these researchers supports this proposition, neither the immigrants nor the Australian born represented in this survey perceived large differences in the international transferability of human capital.

III THE REALITY OF IMMIGRANT LABOUR MARKET OUTCOMES

Apparently the public believes that immigrants face some barriers to the attainment of their full labour market potential. It is important, then, to document the empirical evidence pertinent to this possibility. This is done so below in two broad areas: unemployment and income.

IIIa Unemployment

There are two obvious dimensions to unemployment, unemployment rates—the proportion of a given population that is jobless at a point in time—and the length of time of joblessness, known as unemployment duration. Table 4 presents data on the first issue from the 1981 Census.
immigrants from non-English speaking countries is particularly pronounced among older females.

There have been a number of detailed analyses of the distribution of the burden of unemployment [Miller (1984), (1985a), Brooks and Volker (1985)]. This research has firmly established education, facility in the English language and familiarity with local job opportunities as major determinants of immigrant labour market success in Australia. In brief, individuals who are not proficient in English are generally found to have unemployment rates considerably higher than those of other groups. Possession of qualifications and additional years of schooling are both associated with sizeable unemployment rate reductions. However, whilst substantial unemployment rate reductions are associated with extra years of schooling among the Australian born and immigrants from English-speaking countries, the gains in terms of reductions to unemployment rates to immigrants from non-English speaking countries from undertaking additional years of education are very modest. It is possible that these findings reflect differences across birthplaces in the international transferability of human capital. Importantlty, recent arrivals, that is, those with a period of residence in Australia of 1 year or less, have unemployment rates considerably higher than long-term settlers in most birthplace groups. The relative unemployment rate disadvantage of this group tends to be greater among the older age groups where presumably adjustments to the circumstances of the Australian labour market are more difficult. This feature of the unemployment experience of the overseas born is illustrated in Figure 1.

The graphs in Figure 1 record the unemployment experiences of immigrants in various duration of residence categories and, for purposes of comparison, the unemployment rates of the Australian born. The vertical distance between the graph for the Australian born (solid lower line) and that for the overseas born of a particular duration of residence (dashed line) indicates

---

**TABLE 4**

UNEMPLOYMENT RATES CROSS-CLASSIFIED BY BIRTHPLACE, AGE AND SEX

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th></th>
<th>Females</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Aust. Born</td>
<td>ESP</td>
<td>NEP</td>
<td>Total</td>
</tr>
<tr>
<td>15-19</td>
<td>12.23</td>
<td>17.17</td>
<td>19.77</td>
<td>18.12</td>
</tr>
<tr>
<td>20-24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-34</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-39</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40-44</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-49</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-54</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55-59</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60-64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65-69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: 1981 Australian Census, 1% Public Use Household Sample
Note: ESP = English-speaking countries
      NEP = non English-speaking countries

The data of this table reveal for all groups in 1981 a U-shaped relationship between unemployment rates and age: unemployment rates first decline and then rise as age increases. For both males and females in each age group the overseas-born experience higher unemployment rates than the Australian-born.

For example, among teenage males the unemployment rate of the overseas-born was 18.1 per cent, 5.3 percentage points higher than the rate experienced by the Australian-born. Unemployment rates are higher among teenage females than males for all nativity groups, but the birthplace differences are smaller - there is only about a 3 percentage point difference between the unemployment rates of the Australian-born and overseas-born (rates of 18.1 per cent and 21.3 per cent respectively).

Importantly, unemployment rates are lower for immigrants from English-speaking countries than for immigrants from non-English speaking countries. Indeed, in many older age brackets the unemployment rate of immigrants from English-speaking countries is about the same as that for the Australian-born. The unemployment rate disadvantage experienced by...
the unemployment disadvantage of the immigrant group. These graphs are concise summaries of the features discussed above, it being quite clear that the unemployment rate disadvantage of immigrants is greatest among recent arrivals, and among this group, it is greater in the older age brackets. Immigrants from non-English speaking countries tend to experience unemployment rates considerably higher than their counterparts from English-speaking countries, particularly during the initial five years of residence in Australia. Finally, females tend to experience higher unemployment rates than males, especially among the most recent settlers.

The unemployment experienced by immigrants during their first year in Australia has been the cause of considerable concern amongst economists [Harrison (1984), Chapman and Miller (1985)]. As established by Miller (1985b), the high unemployment rates experienced by overseas-born labour market entrants are reasonably widespread across all birthplace groups. However, refugee status is generally associated with considerably higher probabilities of joblessness. But while immigrants may suffer inordinate hardships in labour market activity in Australia, these hardships are generally only temporary; among immigrants from English-speaking countries unemployment rates after the first year of residence are usually not significantly different from the unemployment rates of long-term settlers, while among immigrants from non-English countries the unemployment rates approximate those of the Australian born after around 5 years' residence. These conclusions are more robust for males than females.

The second issue relating to the unemployment experiences of immigrants is the length of time they remain unemployed. This matters because a 20 per cent unemployment rate could imply either that each member of a group is unemployed for 20 per cent of the time, or, at the other extreme, 20 per cent of the group is always unemployed. Obviously, the policy recommendations depend upon the exact characterisation of the unemployment pool.
At this stage it is interesting to evaluate the perceptions analysed in Table 1 against the reality documented in Tables 4 and 5 and Figure 1. Recall that the predominant attitude of respondents in Table 1 was that there is not equality in the Australian labour market. In particular, the overseas born felt that the Australian born were advantaged in obtaining employment. To some degree the responses were accurate reflections of the actual experiences documented above. For example, the unemployment rates of immigrants from non-English speaking countries exceed those of other groups in the Australian labour market. It is perhaps little wonder, therefore, that immigrants from non-English speaking countries would respond in the manner illustrated by the Table 1 information. This suggests that various groups are reasonably informed on the likelihood of their obtaining employment in the Australian labour market. Furthermore, the responses listed in Table 2 are consistent with the emphasis in recent research on the importance of facility in the English language as a causal factor behind immigrant's labour market disadvantages. What is not clear from the perceptions data is the role of increased residency; the evidence is that there are marked decreases in immigrants' unemployment disadvantages as the length of time in Australia increases.

IIId Income

Income differences between the Australian born and overseas born have attracted most attention from economists. Figure 2 presents the relationship for males between income and age (age-income profiles) for both the Australian (solid lines) and overseas born (dotted lines). These profiles exhibit a number of well-known characteristics. First, the better educated tend to have higher starting salaries than the less educated. Second, irrespective of the level of educational attainment, incomes increase with age up to a maximum after the age of 40 years. After this maximum is reached, incomes tend to level off, and then decline. Third, the higher the

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**TABLE 5**

AUSTRALIAN-BORN AND IMMIGRANT UNEMPLOYMENT DURATION
(per cent distribution)

<table>
<thead>
<tr>
<th>Duration of Joblessness (weeks)</th>
<th>Australian-Born</th>
<th>English Speaking Country Immigrant</th>
<th>Non-English Speaking Country Immigrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4</td>
<td>17.3</td>
<td>19.8</td>
<td>12.0</td>
</tr>
<tr>
<td>4-8</td>
<td>16.7</td>
<td>16.9</td>
<td>12.8</td>
</tr>
<tr>
<td>8-12</td>
<td>16.7</td>
<td>18.1</td>
<td>16.7</td>
</tr>
<tr>
<td>13-26</td>
<td>16.9</td>
<td>18.8</td>
<td>20.7</td>
</tr>
<tr>
<td>27-52</td>
<td>20.0</td>
<td>16.6</td>
<td>22.5</td>
</tr>
<tr>
<td>&gt; 52</td>
<td>12.3</td>
<td>9.8</td>
<td>15.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The numbers should be interpreted as follows. Of Australian-born persons unemployed at the time of the survey, 17.3 per cent had been unemployed for less than 4 weeks and 12.3 per cent had been unemployed for longer than one year. The data imply that there are no major differences in the unemployment duration experiences of immigrants from English-speaking countries and Australian-born persons. A major difference exists between these two groups and immigrants from non-English speaking countries, however, the latter having relatively high unemployment duration. This implies that some part of this groups' relatively high unemployment rate experience is a consequence of the prolonged unemployment duration of some members of the group. It gives further reason to suspect that language difficulties are an important factor contributing to joblessness.

2. These data are of "interrupted duration". That is, they tell us how long unemployed individuals have so far been jobless, not how long they will remain in this state. For analysis of this issue, see Ingles and Volker (1983).
educational attainment, the later is the age at which maximum incomes are reached. Fourth, the higher the educational attainment, the steeper the age-income profiles during the early phases of the working life. Fifth, and most importantly, the age-income profiles for overseas-born males tend to be flatter and lower than the profiles of the comparable Australian born.

The relative income position of immigrants in Australia has been analysed by Chiswick and Miller (1985) using standard statistical techniques. The results from this study show that once differences between the birthplaces in marketable skills are accounted for, the overseas born have earnings around 7 per cent lower than the native born. Moreover, it is found that the effect on income in Australia of schooling and labour market experience in the country of origin are smaller for the overseas born than for the native born. Because of the lower returns to labour market experience among the overseas-born, the differences between the profiles in Figure 2 are greater among the older age groups. Chiswick and Miller report that education after immigration has a somewhat larger effect on incomes than pre-immigration schooling, presumably because there are country-specific elements in education.

The analyses also indicate that those with a poorer command of the English language have lower incomes. Finally, it is demonstrated that even after controlling for various integration-related factors such as English-language proficiency and educational attainment, incomes increase slightly (0.2 percentage points per year) with duration of residence. These detailed investigations of the relative incomes of the Australian and foreign born show that immigrants have adapted fairly well to their new labour market. The comparative disadvantages experienced by some older age groups apparently arise because labour market experience in the country of origin is valued less in the Australian labour market than years of experience among

3 In the case of females (not presented here), the profiles of the two birthplace groups are remarkably similar.
the native born.

IV IMMIGRATION AND UNEMPLOYMENT

Probably the most important labour market issue related to immigration concerns the effects of varying the intake on Australian unemployment. A popular view is that high levels of immigration in a recession worsen the job prospects for unemployed Australians, essentially because of the opinion that immigrants take jobs that would have otherwise gone to locals. Indeed, some might believe that this is obvious and incontestable, but it is demonstrated in this section that this is not so.

It is important to recognize that, as well as taking jobs, immigrants create jobs. This comes as a consequence of immigrant expenditure, the extent of which depends on a host of factors examined below.

There are two major implications of immigrant job creation. The first, discussed in IVa, is the relationship between levels of immigration and unemployment rates. Secondly, if immigrant expenditure is a major factor determining job creation, and spending varies by immigrant type, it follows that the composition of the immigrant intake is fundamental to determining the net employment effects. This view is analysed in IVb.

IVa The Aggregate Relationship between Immigration and Unemployment

Because of the many complex and inter-related factors associated with immigration, the overall impact of immigration on the economy is not a simple issue. In particular, there are implications for business investment in plant and equipment, government expenditure on health, education and social infrastructure (such as roads and communications) and, partly as a consequence of these factors, for economic growth. In general, it is useful to distinguish the short- and long-run implications of changes in economic variables and it is fair to place much of the above in the latter category. The issue of unemployment is more usefully seen in the short-run context.

In this context economic commentators typically distinguish at least two types of unemployment, known as structural and cyclical. Structural unemployment results from a mismatch between worker skills and job requirements and can be affected by immigration in several ways. First, immigrants – at least upon arrival – tend to locate themselves away from areas of high unemployment. Second, immigrants may have more or less appropriate skills (or attributes) than residents, and thus in aggregate increase or decrease mismatching. The first factor tends to increase the efficiency of the labour market and thus decrease unemployment, but the evidence on the latter is unclear.

The second type is known as cyclical unemployment. It can be caused by real wages exceeding the level of labour productivity, by the economy growing at too slow a pace to absorb growing labour supplies, or some combination of both. Immigration affects the level of cyclical unemployment in two ways. First, it increases the supply of labour which adds to cyclical unemployment so long as real wages are rigid. Second, it increases the demand for labour services through the extra expenditure generated. These two factors are to some extent offsetting so the question of the effect of immigration on cyclical unemployment is ambiguous in theory.

From the above it should be clear that there is no simple answer to the question of the relationship between aggregate immigration and unemployment rates. Faced with this situation economists have attempted to answer the question through an examination of statistics using multiple regression techniques.
In Australia, several different tests of the relationship between immigration and unemployment have been carried out. The results are unambiguous; immigration does not appear to cause unemployment, a conclusion perhaps implied by a simple mapping of the two variables presented in Figure 3. These data reveal that there is no obvious relationship between unemployment and net migration rates. However, it is possible that more sophisticated data analyses contradict this conclusion, and it is to these we now turn.

The regression analyses alluded to above have attempted to discern the relationship between immigration and unemployment by investigating the determinants of unemployment. One of the most recent of these studies was carried out by Withers and Pope (1985) using a framework developed by Trivedi and Baker (1984). Their model postulates that Australian unemployment rises with increases in real wages and falls with increases in aggregate demand, among other things. Withers and Pope added immigration rates to the analysis, but found they made no independent contribution. Other tests along these lines similarly produced the result that immigration does not affect unemployment rates [Warren (1984)].

A more sophisticated extension of this type of exercise also presented by Withers and Pope (1985) investigated the possibility that unemployment rates affect levels of immigration, rather than the other way around. This possibility could be explained by two mechanisms: one, that in periods of high Australian unemployment, relative to overseas, potential immigrants postponed or cancelled their Australian migration plans, and, two, that Australian governments restricted immigration because of a (mistaken?) belief that maintaining existing levels of immigration would exacerbate the unemployment situation. The authors found statistical evidence for the general proposition and concluded that while increasing immigration does not result in higher unemployment, higher unemployment decreases immigration.
The above relationships may be summarised as follows. In theory immigration could either increase or decrease unemployment because immigrants supply extra labour at the same time as they generate extra jobs. Further, the issue is complicated by the possibility that immigrants possess different skills and attitudes to residents, and may be more mobile. These factors imply that immigration affects the overall economy-wide job-matching process. But if the question is complicated in theory, summarising the empirical tests of the relationship is not: no support has been found for the view that increasing immigration leads to higher unemployment.

4b The Impact on Unemployment of Immigrant Composition

As noted above, immigrants both procure jobs and create jobs. But it is likely that the extent to which they do so varies by immigrant type because of differences in economic characteristics across groups. This section provides some theoretical and empirical evidence of the role of immigrant composition on Australian unemployment. One conclusion reached is that it is very difficult to assess the precise impact of immigration on the labour market in the absence of information concerning immigrant economic characteristics.

The important and obvious theoretical point is that immigrants create jobs because they bring to Australia savings which, when spent, increase the demand for labour. Given that immigrants also gain employment, the net effect on unemployed residents depends on a number of factors, the most important of which are: the likelihood of a given immigrant searching for and finding employment; the amount of savings brought in; the proportion of savings spent on domestically produced goods; and the immigrant savings propensity out of earned income. Thus, immigrants less likely to participate in the labour force and with high levels of savings, for example, add most to local employment prospects, while immigrants seeking work with no savings add least.

Chapman and Norman (1985) have also demonstrated that immigration can improve the probability of an unemployed resident finding a job, given by the number of vacancies relative to unemployment. This occurs so long as the number of jobs created by immigrants relative to the number of immigrants seeking jobs is greater than the pre-immigration ratio of vacancies to unemployment. The notable feature of this result is that this is more likely to be true when the economy is in recession since this is when vacancies are low and unemployment is high.

Recent data reported by Baker (1985) provide some evidence as to the likely employment creation effects of immigration. Information from migrant visas for financial year 1983-84 reveal that, on average, each migrant family (excluding refugees) brought funds of $A32,200 into Australia. Including refugee families (and assuming these brought in no funds) would reduce this average figure to about $A26,000. Funds available for transfer differed substantially between policy categories, a fact implying that the composition of immigration may be of substantial importance in determining the net employment effects. This suggests, for example, that if the government wishes to increase the number of poor immigrants for humanitarian reasons, a simultaneous increase in business migrants will enable the job generation effects of immigration to be maintained.

V CONCLUSION

Immigrants are perceived to have some disadvantages in terms of attaining their full labour market potential in Australia. This view is apparently attributable in part to language difficulties and unfamiliarity with local conditions.
The actual data on immigrant labour market performance is broadly consistent with the opinions expressed in the survey reported. But while immigrants experience relatively high unemployment rates and duration, this disadvantage is significantly lower for those from English-speaking countries. Moreover, as length of residency increases, immigrant unemployment experience approaches that of the Australian born. For most groups there is little difference, ultimately, in joblessness.

As far as income is concerned, the data reveal similarities in the experiences of immigrants and natives. It is true, however, that once measurable skills are controlled for, immigrants face some income disadvantage, although it is appropriate to describe the extent of this gap as small. Language difficulties and, to a lesser extent, having obtained qualifications overseas, contribute to the result.

The effect of immigration on aggregate Australian unemployment is ambiguous in theory, but clear-cut empirically. Immigrants both obtain and create jobs and may also increase the dynamic efficiency of the labour market. Apparently the net effect of these influences resulted, in the past, in immigration having no discernible effects on overall unemployment, although there is some evidence that immigration numbers fell in response to higher Australian unemployment.

Useful insights into the question of the effect of immigration on unemployed resident's job prospects are gained by considering the composition of the immigrant intake. In theory some immigrants are more beneficial to employment-creation than others and for this reason policy makers should pay close attention to the make up of the immigrant pool. A second important conclusion is that, for any given composition of immigration, unemployed resident's job prospects are more likely to be improved the more recessed is the labour market. This seemingly runs counter to several decades of government policy and may imply the need to revise existing approaches. There may be important reasons to restrict immigration in recessions but it is difficult to see why concern with residents' job prospects is one of them.

The policy discussion has focussed on the fairly narrow perspective of immigration and the labour market. But the effects of immigration should be considered in a more sophisticated way, particularly given the social and cultural implications of a broadening of the immigration base. The contribution of this article has been to demonstrate that fears of labour market problems arising from immigration have been largely unfounded.
REFERENCES


