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MIGRANTS IN THE AUSTRALIAN LABOUR MARKET — SOME TRENDS AND DEVELOPMENTS

■ **Richard Bridge**

A clear trend of declining labour force participation rates for the overseas born in Australia seems to reflect the impact of ageing on the overseas born population as well as the impact of industrial restructuring among the overseas born. On the former, the overseas born are more highly represented in older age groups that are associated with lower labour force participation rates. On the latter, the overseas born have been more concentrated in industries and occupations whose share of total employment has been declining. Still, migrants arriving in the past few years have had a more positive experience in the Australian labour market with relatively high participation rates and low unemployment rates. The improvement seems to reflect several factors including migration program and policy changes as well as improved labour market conditions.

THE DECLINING LABOUR FORCE PARTICIPATION RATES OF THE OVERSEAS BORN

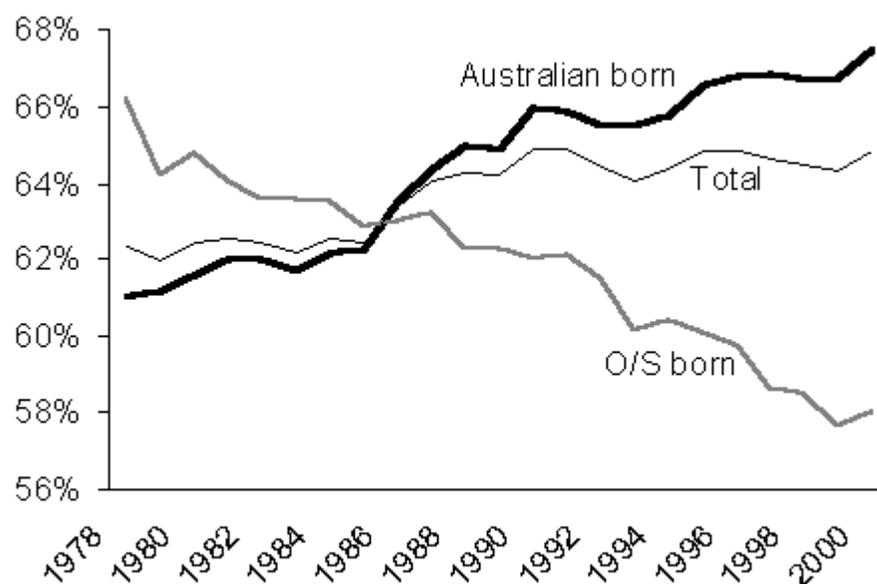
The labour force participation rates of migrants in Australia — the overseas born — have declined markedly over the past two decades. This article examines this trend and some possible explanations.

The overseas born are an important group in the Australian labour market. According to data collected by the Australian Bureau of Statistics (ABS) in their Labour Force Survey, they made up 27.9 per cent of the working age civilian population at March 2000 (that is 27.9 per cent of the civilian population aged 15 years and older and not living in institutions). They also accounted for 25.0 per cent of the labour force, 24.8 per cent of the employed and 27.1 per cent of the unemployed at that time.¹ They are an identifiable group in labour market and demographic statistics, with some special characteristics.

The labour force participation rate of the overseas born has fallen from 66.3 per cent in March 1978 to 58.1 per cent in March 2000. Over the same period, the labour force participation rate of the Australian born has risen from 61.1 per cent to 67.5 per cent. The gap between the two rates crossed in the mid-1980s and a significant gap — 9.4 percentage points at March 2000 — has opened up since then. The overseas born are now much less likely to be in the labour force than the Australian born (see Figure 1).

Table 1 sets out further details of the change in labour market experience between 1978 and 2000. Following from the above, the number of overseas born who are not in the labour force has almost doubled from 881,000 in March 1978 to 1,738,900 in March 2000. The

Figure 1: Participation rates, Australian born and overseas born, civilian population aged 15+



share of those not in the labour force accounted for by the overseas born has risen from 22.8 per cent in March 1978 to 33.2 per cent in March 2000, despite an increase in the overseas born's share of working-age population over that period. The overseas born's share of total employment has fallen from 26.8 per cent in March 1978 to 24.8 per cent in March 2000, while their share of the total number of unemployed has fallen from 30.1 per cent in March 1978 to 27.1 per cent in March 2000.

The fall in the participation rate of the overseas born mainly reflects the experience of people born in countries Other Than the Main English Speaking Countries² (OTMESC). The labour force participation rate for the OTMESC group fell from 67.8 per cent in March 1978 to 54.3 per cent in March 2000. The participation rate of the overseas born from the Main English Speaking

Countries (MESC) has been relatively stable over the period. (See Figure 2.)

The trends in the participation rates of the overseas born for each gender are similar. For males, the participation rate of the overseas born shows a much more marked decline than for Australian-born males. For females, the participation rate of the overseas born has remained broadly stable while the participation rate for Australian-born females has risen. (See Figure 3.)

The trends in the participation rates are long term and clear. The factors underlying the trends are less clear.

One factor we can identify in explaining this trend is the different age profile of the overseas born, compared with the Australian born. At 30 June 1999, the overseas born as a group had a median age of 45.0 years compared with 30.6 for the Australian born. The overseas born,

Table 1: The overseas born in the Australian labour market, March 1978 to March 2000

	March 1978				March 2000				Change 1978 to 2000			
	Numbers '000 and % of total				Numbers '000 and % of total				Numbers '000 and increase as % of 1978 figures			
	A-born	O/S born	Total	Gap	A-born	O/S born	Total	Gap	A-born	O/S born	Total	Gap
Civilian population 15+	7,658.7 74.6	2,611.2 25.4	10,269.9 100.0		10,734.4 4	4,146.8 27.9	14,881.2 100.0		3,075.7 40.2	1,535.6 58.8	4,611.3 44.9	
Labour force	4,677.9 73.0	1,730.2 27.0	6,408.1 100.0		7,242.2 75.0	2,407.9 25.0	9,650.1 100.0		2,564.3 54.8	677.7 39.2	3,242.0 50.6	
Not in labour force	2,980.8 77.2	881.0 22.8	3,861.8 100.0		3,492.2 66.8	1,738.9 33.2	5,231.1 100.0		511.4 17.2	857.9 97.4	1,369.3 35.5	
Employed	4,384.0 73.2	1,603.9 26.8	5,987.9 100.0		6,732.0 75.2	2,217.9 24.8	8,949.9 100.0		2,348.0 53.6	614.0 38.3	2,962.0 49.5	
— Full-time	3,670.8 72.3	1,403.0 27.7	5,073.8 100.0		4,880.6 74.0	1,711.7 26.0	6,592.3 100.0		1,209.8 33.0	308.7 22.0	1,518.5 29.9	
— Part-time	713.2 78.0	200.9 22.0	914.1 100.0		1,851.4 78.5	506.2 21.5	2,357.6 100.0		1,138.2 159.6	305.3 152.0	1,443.5 157.9	
Unemployed	293.9 69.9	126.3 30.1	420.2 100.0		510.2 72.9	190.0 27.1	700.2 100.0		216.3 73.6	63.7 50.4	280.0 66.6	
Participation rate (per cent of population in labour force)												
	61.1	66.3	62.4	-5.2	67.5	58.1	64.8	9.4	6.4	-8.2	2.5	14.6
Employed as a per cent of population												
	57.2	61.4	58.3	-4.2	62.7	53.5	60.1	9.2	5.5	-7.9	1.8	13.4
Unemployment rate (per cent of labour force who are unemployed)												
	6.3	7.3	6.6	-1.0	7.0	7.9	7.3	0.8	0.8	0.6	0.7	0.2

by definition, enter Australia during the course of their life rather than at the beginning, as the Australian born do. So they will invariably be older than the Australian born. We know that labour force participation rates generally fall at older age groups — overall. The data for March 2000 shown in Figure 4 indicate that labour force participation rates fell from 79.0 per cent for 45 to 54 year olds to 59.9 per cent for 55 to 59 year olds, 33.6 per cent for 60 to 64 year olds and 6.5 per cent for people 65 years and over. While both groups are ageing, over the period under examination, the overseas born are increasingly concentrated in the older age groups where labour force participation rates are lower. Still, the older, and ageing, profile of the overseas born is not the only explanation

and seems to account for less than half the difference. By one measurement — substituting the age specific participation rates of the Australian born into the age profile of the overseas born — we can account for around 40 per cent of the difference between the two groups. The remaining gap requires further explanation.

Illustrating this point, Figure 5 shows that, at March 2000, the overseas born have a lower labour force participation rate than the Australian born at every age group. The figure also shows the two groups at March 1978. While the participation rate of the Australian born has increased at every age group over overseas born has fallen for every age group except one (the 45 to 54 year olds, but only marginally). The largest gaps are

Figure 2: Participation rates by source country, civilian population aged 15+

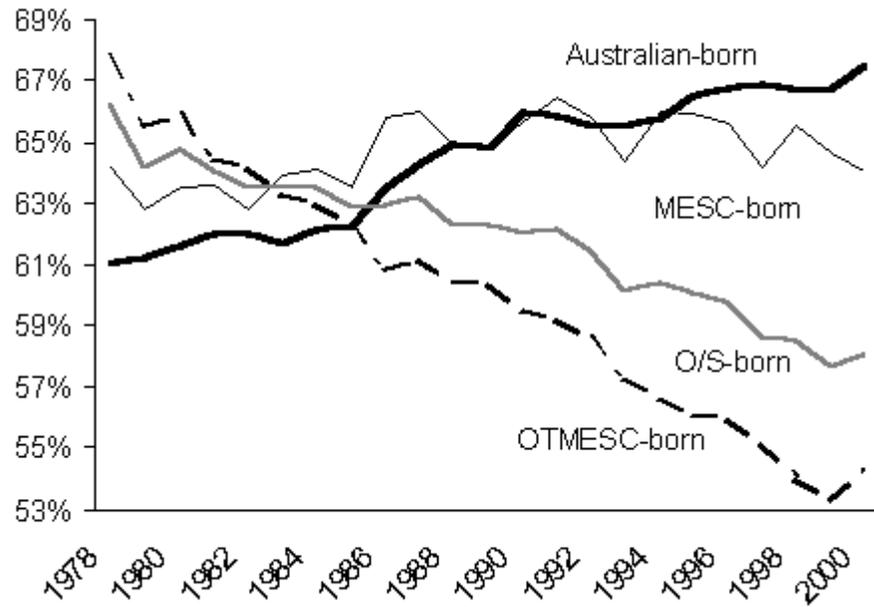


Figure 3: Participation rates by gender, Australian born and overseas born, civilian population aged 15+

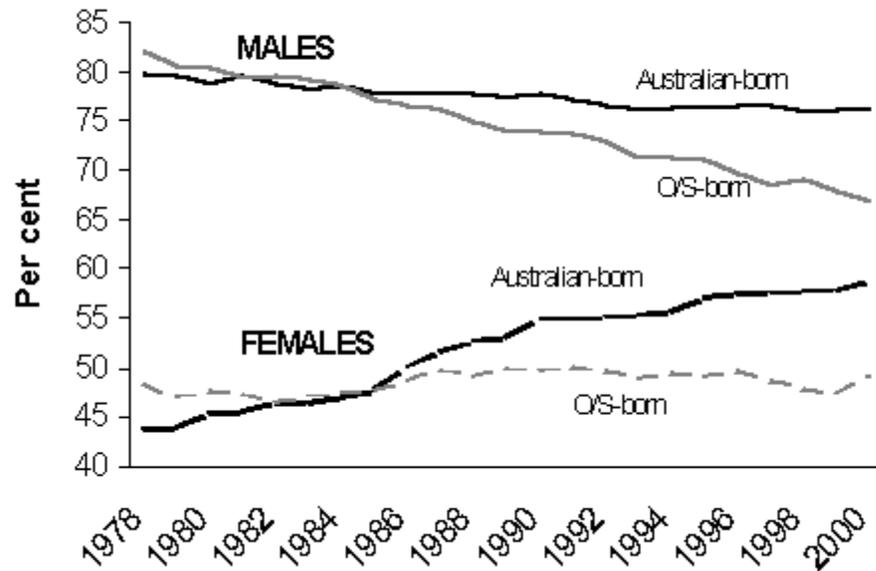


Figure 4: Participation rates by age, civilian population aged 15+, March 2000

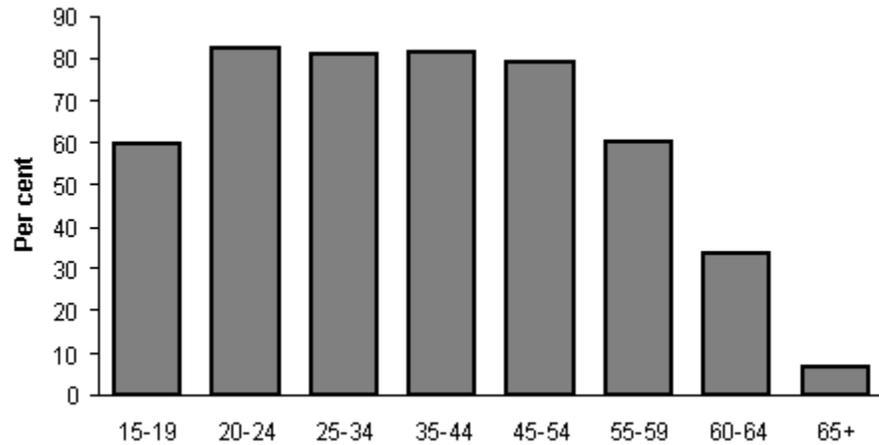
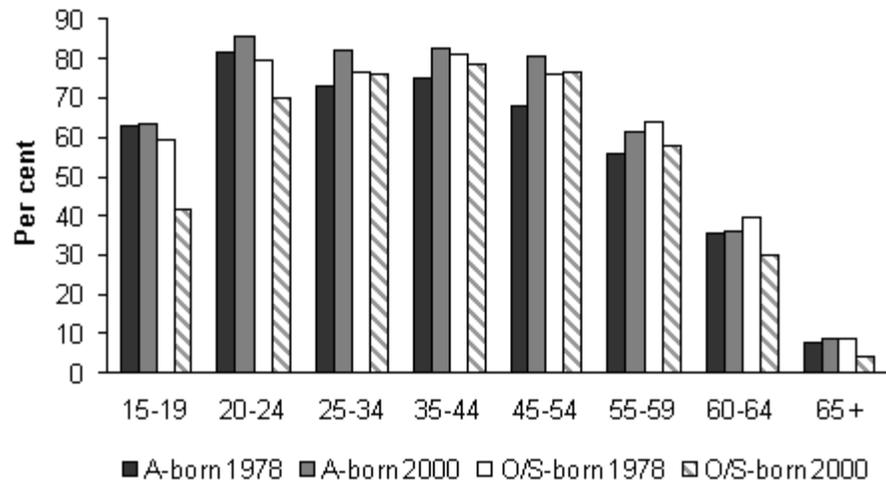


Figure 5: Participation rates by age groups, civilian population aged 15+, Australian born and overseas born



this period, the participation rate for the at either end of the age profile, most notably for the 15 to 24 year olds. (However, we should note that the numbers of the overseas born in this age group category are relatively small.) One factor we can point to in trying to explain the falling participation rates among the overseas born is their higher

unemployment rates. Of course the labour force consists of both employed and unemployed people but high unemployment can lead to lower participation—the ‘discouraged worker’ effect.

Figure 6 shows the unemployment rates of the different groups over the past 22 years. Starting at similar levels in the late

1970s and early 1980s, unemployment rates rose sharply for the overseas born in the two recessions, opening up a large gap between the overseas born and the Australian born. The gap decreased only gradually in subsequent recoveries. Persistent high unemployment rates, especially for those from OTMESC countries, are likely to have discouraged the overseas born from remaining in the labour market.

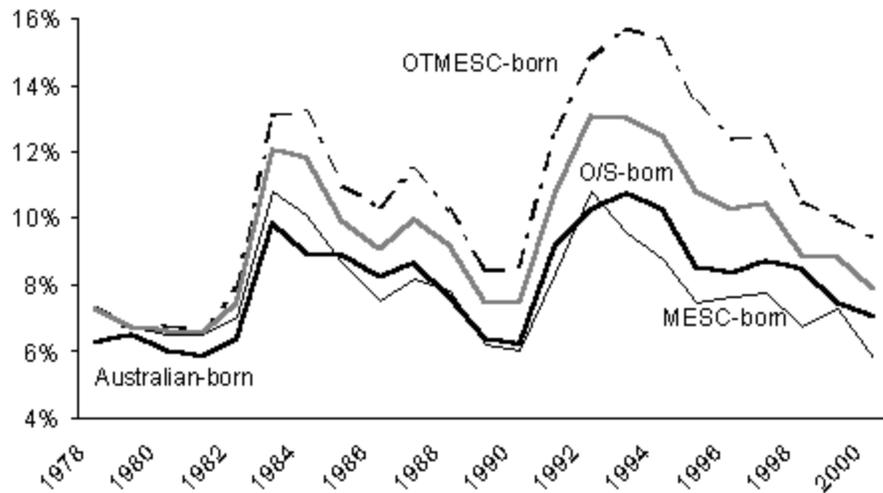
A further factor, which may explain lower labour force participation among the overseas born, seems to be their relative concentration in industries that have experienced a declining share of total employment over the past two decades. While we should note that there has been some definitional changes over the period, the overseas born had a higher-than-average representation in the mining, manufacturing and construction industries in 1978. These three industries accounted for around 30 per cent of total employment at that time. By 2000, these industries' share of total employment had declined to around 21 per cent.

Conversely, the overseas born have been under-represented in industries that have experienced an increasing share of total employment. Other things equal, the overseas born, by virtue of their location in less buoyant industries, have been less able to experience strong employment growth.

A similar pattern can be seen in the main occupational groupings. The overseas born are relatively concentrated in occupational groups, such as tradespersons and related workers, that have experienced lower-than-average growth over the period. Further, the overseas born are relatively less concentrated in the more buoyant occupational groupings such as clerical, sales and service workers. Again amendments to occupational definitions muddy the waters somewhat on the precise changes.

Across the main industry and occupational groupings, we see a pattern of employment growth which has made the labour market relatively more difficult for the overseas born. The

Figure 6: Unemployment rates by source country, the labour force, aged 15+



overseas born have been more likely to have become separated from their employer, such as through retrenchment, than the Australian born.

Moreover, it seems the overseas born have found it more difficult to make the transition from employment in the less buoyant industries and occupations to the more buoyant industries and occupations. This outcome may reflect a level of mismatch between the skills in demand in the labour market and those held by at least some of the overseas born.

There is scope to further identify and quantify the reasons behind the trend of falling labour force participation rates among the overseas born. Still, from the reasons identified above, we can expect this trend to generally continue.

Both the Australian and overseas-born populations will continue to age, reflecting broader demographic trends. But the overseas born are an older group on average. A large proportion are in or around their fifties and the influence of ageing on their participation rate is set to continue. This in itself will continue to affect their participation rates. But if

there should be an economic downturn, many could leave the labour market at that point, pushing participation rates still lower. Trends in relative industry and occupational composition also seem unlikely to unwind.

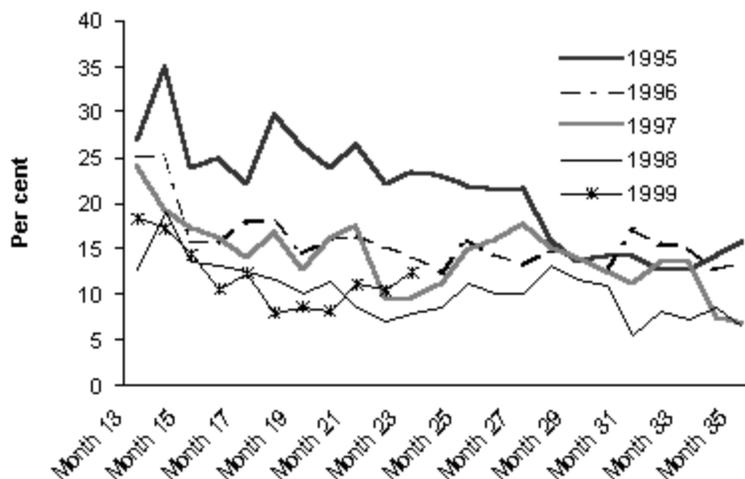
IMPROVED LABOUR MARKET OUTCOMES OF MORE RECENTLY-ARRIVED MIGRANTS

Notwithstanding the above, more recent changes to the migration program and policies have improved the labour market outcomes for the recently-arrived migrants. Still, any improvement to the flow of newer migrants will take some time to influence overall outcomes for the stock of migrants in the country.

Migrants arriving from around 1998 are having a generally more positive experience in the Australian labour market compared with some earlier cohorts. (See Figure 7.)

For example, according to unpublished data from the ABS Labour Force Survey the unemployment rate for migrants who arrived in Australia over the course of 1999, was 12.4 per cent at November

Figure 7: Unemployment rates of recently arrived migrant cohorts, the labour force, aged 15+



2000, compared with an unemployment rate of 23.4 per cent for those entering Australia over the course of 1995 at November 1996 — that is, after a comparable period in Australia.

Further, the labour force participation rate at November 2000 was 60.5 per cent for the 1999 cohort, compared with 53.2 per cent at November 1996 for the 1995 cohort. The employment to population ratio shown in Figure 8 (the percentage of the relevant cohort, aged 15 years or more, who were employed) was 53.0 per cent for the 1999 cohort in November 2000 (month 23)³, compared with 40.7 per cent for the 1995 cohort at November 1996.

Of course labour market conditions have improved over that period. The unemployment rate for the Australian born fell from 7.7 per cent at November 1996 to 6.2 per cent in November 2000 (all figures are original, that is, not adjusted for seasonal or other variations). But the gap between the unemployment rate of the Australian born and the overseas born closed over the period from 15.7 percentage points at November 1996 to 6.2 percentage points at November 2000 for the relevant cohorts. Further disaggregation, comparing migrants entering Australia since around 1998 with earlier cohorts, indicates a strong improvement in the labour market experience of migrants from the OTMESC group as well as some improvement for the MESC group, which was already better than average. We also see a similar improvement for both males and females. Importantly, the ratio of full-time to part-time employment among recently-arrived migrants is roughly stable over the period, indicating the improvement does not reflect an increased take-up of part-time employment.

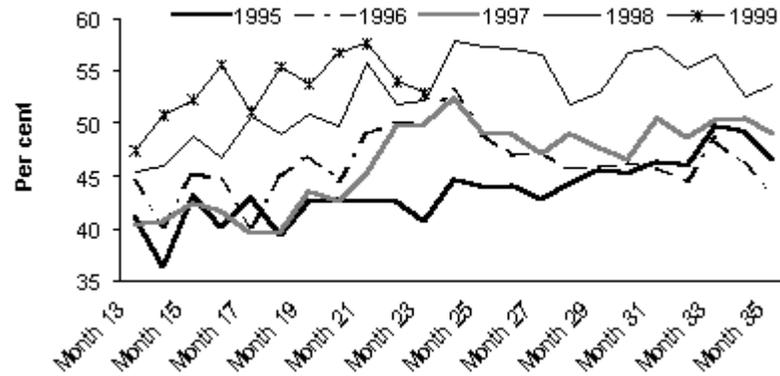
The improvement in the employment experience of more recently-arrived migrants seems to be the result of several factors.

There have been changes to the overall migration program over the past few years, including the increase in the proportion of the skilled migration stream to over 50 per cent of the non-Humanitarian Program. In the same vein, there have been relatively high eligibility criteria applying under the various elements of the migration program with relatively high prevailing pass marks under the main points-tested categories. The list of Occupation Requiring English was expanded in 1997 and English language proficiency became one of the mandatory criteria in the new points test from 1 July 1999. There also seems to be an increased alignment between migrant occupations and those identified as being in demand. The Minister for Immigration and Multicultural Affairs recently noted that some 50 per cent of principal applicants are in occupations listed on the Migration Occupations in Demand List (MODL).⁴

There has also been some compositional change that has improved the overall outcome. There has been a higher percentage of migrants from the Main English Speaking Countries in the past few years. With traditionally more positive labour market outcomes, a higher percentage of this group has improved the aggregate outcome. This effect has been dominated by a substantial increase in the number of New Zealand-born entering Australia recently.

The ABS Labour Force Survey may include some temporary residents — those that indicate they will be in Australia for 12 months or longer. The number of longer-term temporary residents in Australia has been increasing

Figure 8: Employment to populations ratios of recently arrived migrant cohorts, the labour force, aged 15+



over the past several years — this group principally comprises overseas students and employer-sponsored temporary skilled entrants. These developments are likely to have a positive influence on the labour market outcomes with, for example, very few of this group likely to be unemployed. There has also been an increase in the period of residence criterion for most non-Humanitarian migrants for access to most social security payments from six months to two years. This increase took effect from March 1997 for most migrants, and from February 2000 for entrants from New Zealand. The change seems to have prompted migrants to access employment more quickly than previously.

I have already noted the improved labour market conditions over the 1995 to 2000 period. In addition to lower prevailing unemployment rates, the past several years have been a period of strong growth in total employment in Australia. Migrants are likely to have a more positive experience entering a more buoyant labour market with strong overall employment growth. This factor should not be under-rated.

The improved labour market outcomes of the more recently-arrived migrants is also confirmed by early data coming from the second cohort of the Longitudinal Survey of Immigrants to Australia (LSIA2).⁵

The improved labour market outcome for recently arrived migrants represents an affirmation of recent Government policy with respect to migration. The period of improvement seems to align with the policy changes noted above. Because of lags in migration and arrival processes it is only migrants arriving from around 1998 who fully reflect the migration program and policy changes.

CONCLUSION

The marked trend decline in the labour force participation rates of the overseas born is likely to continue. The influence of ageing is important but economic influences — especially the changing Australian industrial structure — seem more important. Migration policy changes and good labour market conditions seem to be bringing about improved labour market outcomes for migrants who have arrived in Australia in the past few years.

Note

This paper reflects the author's views and does not necessarily represent those of the Department of Employment, Workplace Relations and Small Business or the Commonwealth Government. I

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References

- ¹ The analysis uses ABS Labour Force Survey data (ABS Cat. No. 6203.0) mainly accessed from an ABS product 'Supertables'. To address seasonality issues, the analysis and charts usually use the same month — March — to examine longer-term trends
- ² The Australian Bureau of Statistics define the 'Main English Speaking Countries (MESCC)', other than Australia, as the Canada, Ireland, New Zealand, South Africa, the United Kingdom and the United States. All other countries are defined as 'Other Than Main English Speaking Countries' (OTMESCC).
- ³ Refers to the maximum number of months the relevant cohort has been in Australia. For example, for the 1999 cohort, the November 2000 figure is month 23, they have been in Australia for a maximum period of around 23 months at that point — some of the cohort arriving in January 1999.
- ⁴ P. Ruddock, MP, Speech to the Economic Impact of Immigration Seminar, Canberra, 1 March 2001.
- ⁵ S. Richardson, *Labour Force Analysis of data from LSIA2 and a comparison with data from LSIA1*, Economic Impact of Immigration Seminar, Canberra, 1 March 2001