



The economic advantages of cultural diversity in Australia



Community Relations
Commission
For a multicultural NSW



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Professor John Nieuwenhuysen and Professor Des Storer were asked to provide a literature review of the economic value of multiculturalism, and a basic reflection on the current statistical indicators of the contributions of cultural diversity to economic development, with a specific focus on NSW where possible.

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**Community Relations
Commission**
For a multicultural NSW

Minister's message



The O'Farrell Government is determined to make NSW number one.

We have set ourselves ambitious targets to restore economic growth, return quality services, build better infrastructure, strengthen the role of the community in decision-making and bring stronger accountability and transparency to government.

As part of this, **NSW 2021** – the Government's 10 year plan – has set the specific target of increasing the value of cultural diversity to the NSW economy.

This is a new and exciting direction for public administration.

It demonstrates the Government's strong view that multiculturalism in NSW is more than a policy, or even a great way of life. It is an economic asset for all our citizens to benefit from.

From our own family stories of successful migration to the stories of our friends, neighbours and work colleagues, most of us know first-hand how important it is to acknowledge the contribution of our culturally and linguistically diverse community to our economic prosperity.

Decades of migration have brought waves of people to our shores, each of them bringing different skills, values and dedication, and making great contributions to our shared prosperity. We are fortunate to be able to provide an environment in which everyone can peaceably live with others who may have had similar or vastly different backgrounds to themselves, share experiences and ideas, and generate new ways of making things work.

Indeed, through the hard work of migrants and the children and grandchildren of migrants, our diversity is paying dividends. I am determined that these dividends grow further still, especially as we better harness our cultural and linguistic skills and networks to expand our trade and investment opportunities in a global economy.

That's why we have moved quickly to establish a Multicultural Business Advisory Panel (MBAP) and to hold the Multicultural NSW Business Summit. These are the first of further initiatives aimed at increasing the value of cultural diversity to the NSW economy.

I commend this report to you as an initial point-in-time reference of some of what we already know about how migrants and their families – our contemporary multicultural communities – have helped to make this State economically stable and prosperous. It will assist us as we move forward.

The Hon. Victor Dominello, MP

*Minister for Citizenship and Communities,
and Minister for Aboriginal Affairs NSW*

Chairperson's foreword



Having worked in the field of multiculturalism for most of my adult life, I am acutely aware of the enormous contribution made by migrants and their children to the State of NSW. Some of those contributions are easier to spot than others - a stroll down any suburban shopping strip, or attendance at any community festival, will demonstrate how much more vibrant our cities and towns are for this cultural diversity. And I imagine that every person reading this paper will have at least one close friend or family member who is of a different ethnicity than they are. This social and cultural contribution is an instantly recognisable reality.

Of course, not every new arrival comes under the same circumstances. Some will come with much brighter prospects, while others will have overcome terrible adversity on their journey to us. What is common to us all is the fact that we have to find our place in our new home, we have to establish roots and join public life. Finding employment, or making one's own employment, is critical to settlement.

The Community Relations Commission has been instrumental in influencing public policy to ensure that new arrivals and subsequent generations have equitable access to government services and can participate in all forms of public life. These foundations are essential stepping stones to self-sufficiency, entrepreneurialism and innovation.

This academic paper, prepared by respected Professors John Niewenhuysen and Des Storer, is the beginning of a much broader discussion about how we can measure and leverage the economic contribution of migrants. It documents some of the historical immigration policies that were used to build our nation's population and infrastructure, to attract increasingly educated and skilled people and to encourage mutually-beneficial business links through our cultural connections. The paper also proposes benchmarks against which we can measure the ongoing impact of our State's multicultural policies. In conjunction with the Multicultural NSW Business Summit we embark on a new way of looking at our culturally and linguistically diverse society.

Stepan Kerkyasharian AO

Chairperson

Community Relations Commission

For a multicultural NSW

Executive summary



In 2011, Australia is a country of considerable ethnic diversity. In most of our capital cities over a third of our population was born overseas, and these figures have generally been increasing over time.

This paper represents a broad literature review of diverse research that, collectively, illustrates that migration (and the cultural diversity that engenders over time) has boosted the economic performance of Australia and, in turn, NSW. Much of the data contained in this paper is linked directly to immigration and tracks the prospect of arrivals post-settlement. Graham Hugo (2009) and Jock Collins (1995) have also led qualitative and theoretical research that highlights the personal characteristics and social factors that have facilitated 'exceptional' business performance by many Australian migrants. However, it should be acknowledged that there is scope for a more targeted analysis exploring the longer term economic impacts of cultural diversity on our state. In particular, future research could explore the economic dimensions of the cultural connections between migrants and their home countries through trade and investment, as an attraction for international students and tourists, and as a facilitator of global business as a few examples.

NSW continues to be the preferred destination for almost all categories of permanent and temporary migrants, including long stay business migrants (31.3%), skilled migrants (25.6%), international students (46.8%), family stream (39%), humanitarian entrants (32.8%) and tourists (41%). These high levels of migration, across a range of visa categories, contribute to the 'circulation' of people which, according to Goldin (2010), enhances the economy by connecting markets, filling labour gaps and enriching social diversity.

Studies conducted in several United States cities by Florida (2002) and Saxenian (2011) found that this intermingling of different skills and perspectives has a positive correlation with business, technological and cultural innovation. They also found that immigrant entrepreneurs play a vital role in directing trade and investment through their home countries, thereby increasing cross-cultural markets, and directly improving the economy of their country of settlement.

An Access Economics Fiscal Impact Model, commissioned by the Department of Immigration and Citizenship, examines the impact of migration on the Commonwealth budget. Its 2009-10 figures show that the net economic contribution of around \$880 million in the first year of arrival will rise to about \$1-2 billion after 10 years. This demonstrates that as immigrants settle into their new home their capacity to build our economic prosperity increases.

This effect is supplemented by findings that the second generation of migrants has, on average, a higher educational attainment, higher employment and lower unemployment rates than the children of Australian-born parents. Furthermore, 49% of all persons holding higher degrees were born overseas.

These findings underline the distinct immigration trend over the last two to three decades of more skilled and highly educated migrants entering Australia. In part, this has been because the need for unskilled labour that was seen as imperative for nation building in the post-war years has diminished. Those migrants who did enter Australia in that post-war period, however, made an indisputable contribution to the infrastructure development of NSW which has helped fuel economic growth from that time forward.



The current preference for skilled migration has also helped to somewhat immunise the economy against the Global Financial Crisis. Between June 2008 and June 2010, recent migrants accounted for 63% of job growth during that period with 79.3% workforce participation rates for those who had arrived within the six months prior, compared to 65.3% for the national average. Skilled migrants averaged 95% participation.

The paper finds that, despite these positive figures, there remain some significant barriers to finding work, especially for refugees and humanitarian entrants and subsequent family reunion. For example, many of those people who came in the 1970s (such as the Lebanese) and in the 1980s (such as Vietnamese, Laotian or Cambodian) have experienced a difficult and protracted settlement that has impacted on their capacity to adapt to life in Australia. More recent refugees, such as those from Africa, the Middle East and Western Asia may experience similar longer-term problems.

While Markus' (2009) findings that public support for the immigration program rose 60% over the decade between 1997 and 2007, some migrant groups - particularly those from non-English speaking countries - experienced higher levels of negative sentiment than others. The highest rates of negative sentiment were reserved for certain countries in the Middle East with high Muslim populations (24% negative sentiment for Iraq and Lebanon, compared to 7% for Vietnam, 13% for China, 14% for India and under 3% for English - speaking and European countries, (Markus 2011)).

In this context, there is a high correlation between negative sentiment and self-employment for those of Middle Eastern background (25%) and Lebanese in particular (27%). Those of Asian backgrounds (who experienced lower levels of negative sentiment) were much closer to the Australian average of self-employment (17% self-employment for Asian ancestry compared to 16.6% self-employment for Australian ancestry).

However, those of Western and Southern European Ancestry reported high self-employment (22%), especially Greeks (24%) than Australian born averages. It would be worth investigating further what impact the circumstances of arrival and the reception of the local population have on the labour force participation decisions of migrants. This is interesting in the context of Hugo's (2011) finding that the obstacles to success are often rectified in subsequent generations, who record higher labour force participation and higher levels of civic contribution than their ancestors.

Also of note is the 'Asianisation' of Australia since 1996. In the thirteen years since then the number of migrants from the People's Republic of China (PRC) has trebled, making China the third largest contributor to our overseas-born population. Furthermore, two thirds of all business migrants originated in the PRC. It is likely, in this context, that the cultural connections between the two countries will fuel the development of economic connections in the coming decades.

The paper concludes with the identification of several areas that could be monitored and more deeply researched in future years, to establish the impact of government policy on the economic outcomes of cultural diversity for individuals and the State as a whole. This research complements the public discussion of the Multicultural NSW Business Summit and will contribute to the direction of the Multicultural Business Advisory Panel.





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The economic advantages of cultural diversity in Australia

Professor John Nieuwenhuysen and Professor Des Storer

Australia is a country of considerable ethnic diversity. At the 2006 Census, 23.9 per cent of the Australian population was recorded as being born overseas; and this had grown to 26.4 per cent by mid-2009, i.e. 5.8 million people. Of the capital cities, the largest proportion of overseas-born lived in Sydney (34.5 per cent); followed by Perth (33.7 per cent); Melbourne (31 per cent); Adelaide (25.1 per cent); Brisbane (23.2 per cent); and Hobart (12.8 per cent).

Recent thinking on the advantages of cultural diversity

Recent thinking on the advantages of cultural diversity has turned away from earlier studies by economists seeking to measure and quantify the economic impact of immigration on various countries. Those former efforts (as reviewed, for example, by Professor Mark Wooden 1994, Chapter 3) concluded that immigration had conferred (probably small) economic benefits on Australia. This result flowed from detailed quantitative aggregate analysis of economic supply and demand effects of immigration and their interaction.

Later contributions, however, have eschewed attempts at close aggregate quantification, declaring that, even though direct measurement is problematic, the economic benefits of cultural diversity through immigration are considerable.

Cities

These arguments, as Philippe Legrain (2006, pp. 117-133) writes, begin with cities. In his study, *The Rise of the Creative Class* (Florida 2002), Professor Richard Florida, of George Mason University suggests that: “Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas....Greater and more diverse concentrations of creative capital lead to higher rates of innovation, high technology, business formation, job generation and economic growth.” Florida undertook an analysis of fifty United States [US] cities and discovered a clear correlation between diversity and relative prosperity and economic achievement. A high proportion of foreign-born residents in the cities studied by Florida was associated with high technology - eight of the largest US cities [Los Angeles, New York, San Francisco, San Diego, Chicago, Houston, Boston and Washington] ranked among the fifteen regions with the highest technology counts. Florida concluded, therefore, that high levels of diversity led to increased innovation.

The same theme is taken up by Peter Hall in *Cities in Civilization* (Hall 1998): “The creative cities were nearly all cosmopolitan; they drew talent from the four corners of their worlds, and from the very start of those

worlds were often surprisingly far-flung. Probably, no city has ever been creative without continued renewal of the creative bloodstream.”

Another author, economist Professor Edward Glaeser of Harvard University, notes that, in New York, “... the concentration of immigrants tends to suggest a benefit from the very particular groups of immigrants locating near one another” (Glaeser 2005). This harks back to the words of John Stuart Mill (Mill 1848, pp. 581-2.): “It is hardly possible to overstate the value, for the improvement of human beings, of things which bring them into contact with persons dissimilar to themselves”.

The key to how diversity can increase creativity is derived from the proposition that people with different background experiences stimulate new ideas in one another. Innovation, therefore, which entails the interaction of ideas from different sources, is more likely to flourish when there are a variety of perspectives, such as is provided by a culturally diverse community.

Seeking applied empirical comparison, two authors, Professors Ottaviano and Peri (2006) found that cultural diversity, based on immigrant countries of origin, complements production and boosts native-born wages and productivity in US cities.

Professor Sparber notes that working generates productive diversity for most sectors of the US economy (Sparber 2007). The effects were considered as being particularly large for industries employing highly educated workers, which suggests that diversity complements the decision-makers of the workforce.

Immigration, diversity and human capital accumulation in Australia

In Australia, in the fifteen years after the Second World War, there was a ‘nation building’ case for immigration, i.e. population expansion was viewed as being necessary to assist economic expansion through largely unskilled labour resources to clear land, build cities and create infrastructure. In addition, there was a defence motivation [‘Populate or Perish’].

Economies of scale were envisaged. There is no doubt that Australia’s Gross Domestic Product would today be much lower in the absence of migrants and their descendants in the years since 1945. But it is also clear that Australian population growth through a diverse immigration program has a per capita, and not merely an aggregate economic benefit. For example, an earlier work by Professor John Nevile of the University of New South Wales in 1990 concluded that population growth through immigration had provided a substantial source of technological change for Australia (Nevile 1990). Nevile found that an increased rate of innovation of 0.6 per cent was associated with a growth of 1 per cent in total output, and that this was optimised with population growth at around 1.25 per cent per year. Other studies have also consistently shown a notable per capita economic benefit from skilled migration.

Professors Bruce Chapman and Glenn Withers have summarised what appears to have happened as follows (Chapman & Withers 2002, p. 260):

- “... a growing market, outstripping capacity, engenders confidence for investment;
- an increasingly large and skilled labour force ensures the capability to best add value to

- physical investment;
- fresh perspectives and new ways of doing things enhance innovation; and
- a culturally diverse population promotes trade links and global integration”.

Exceptional people

It has often been observed that migrants are usually among the most strongly motivated of those whose societies and countries they depart - by definition, they are the ones with ‘get up and go’. Their desire to achieve is carried to new abodes and interacts, supplements and competes with the existing ways of doing things in their new homes. In short, migrants are very often exceptional people.

An impressive recent book entitled *Exceptional People: How Migration Shaped Our World and Will Define Our Future* by Professor Ian Goldin of Oxford University and colleagues, takes up this theme (Goldin, Cameron & Balarajan 2010). It argues that throughout history, migrants have fuelled human advancement: “Their movement has sparked innovation, spread ideas, relieved poverty, and laid the foundations for a global economy. In a world more interconnected than ever before, the number of people with the means and motivation to migrate will only increase”. *Exceptional People* considers and outlines the view of its authors that migration brings profound advantages for both sending and receiving countries.

Professor Goldin and his colleagues outline the crucial part which migration has played in human advancement since its earliest days, fifty thousand years ago when people spread across the globe from Africa - “how the circulation of ideas and technologies has benefited communities and how the movements of people across oceans and continents has fuelled economies”. They show that migrants in the modern world “... connect markets, fill labour gaps, and enrich social diversity. Migration also allows individuals to escape destitution, human rights abuses, and repressive regimes.”

Exceptional people – the Australian example

Professor Graeme Hugo (2009) has elaborated the reasons why immigration and cultural diversity have improved the productivity and efficiency of the Australian economy. Hugo notes that the selectivity of immigration to Australia has meant that:

- migrant populations are never representative either of the populations of the receiving or sending countries;
- migration on the whole is selective in that it is as a rule the more educated, more skilled, risk takers and entrepreneurs who succeed in gaining entry;
- the intake policy’s special criteria, such as the points system, emphasise the tendency to greater skill, education and entrepreneurial talent of migrants;
- as a result, there is substantial business and general economic success among migrants as evidenced by their disproportionately high representation in the BRW’s 100 most wealthy Australians list (and the 2011 Queensland Top 100 Rich List).

In addition, by way of illustration of case studies, a volume entitled *Building a New Community-Immigration and the Victorian Economy*, edited by Andrew Markus (2001), includes pen portraits of forty migrants, including Sidney Myer, and their contributions to entrepreneurial business in Victoria over the preceding 150 years.

The advantages of the infusion in Australia of migrants from diverse lands for accumulation of formal skills is well illustrated by the comparatively higher degree qualifications of the Australian and overseas-born shown in Table 1 below:

Table 1

Higher Degree Qualifications by Australian and Overseas-Born

Year	Australian-born	Overseas-born	% of All Higher Degree (Overseas-born)
1981	0.44	0.97	43.5
1986	0.53	1.21	44.2
1991	0.72	1.58	44.9
1996	1.07	2.3	44.9
2001	1.35	3.22	47.4
2006	1.46	4.59	49.0

Source: G.Hugo (2009) from 1981-2001 Census; One Percent Files, ABS 2006 Census

Of special interest in the table is that, although the overseas-born represented around one quarter of the total population, they possess nearly half of all persons with higher degrees in Australia.

Australia's diverse population, workforce participation and improved productivity

As later outlined, the Department of Immigration and Citizenship (DIAC 2010, Chapter 6) has noted that a culturally diverse inflow of people to Australia can potentially contribute to economic growth through impacts on population, participation and productivity.

This is in three ways:

- through increasing the working age population by bringing more people into Australia aged 15-64 years;
- raising workforce participation through the migration of people who have a higher propensity to work and are concentrated in the prime working ages of 25-44 years; and
- improving productivity by a strong emphasis on skilled migration.

DIAC's continuous survey of Australia's migrants, as reported in *Migrant Economic Outcomes and Contributions* (2011 b) provides information about recent migrants and shows that, in the years of the Global Financial Crisis between June 2008-June 2010, the contribution of Australia's diversely sourced migrants to employment growth assumed greater significance, with recent migrants accounting for 63 per cent of job growth during

the period. One reason for this positive outcome is the high participation rate of recent migrant arrivals. According to DIAC, the survey shows that "... six months after arrival, and/or the grant of a visa, primary applicants and their spouses had a participation rate of 79.3 per cent - well above the national average of 65.3 per cent...[with]...skilled migrants averaging 95 per cent".

Self-employment and small business

In addition to having high workforce participation as employees, many post-war migrants have been noted for being self-employed and for creating small businesses.

The 2006 Census provides data on the extent of self-employment according to 'ancestry birthplace'. At that time some 16.6 per cent of the total population were self-employed.

Comparing self-employment by ancestry, fifteen per cent of the population who said they had Australian ancestry were self-employed. This compares to 22 per cent of people with Western and Southern European ancestry. For example, 24 per cent of people with Greek background, and 25 per cent with Middle-Eastern background (27 per cent from Lebanon) were self-employed. In comparison, those with Asian ancestry were closer to the Australian average, with around 17 per cent self-employment.

In their study of ethnic small businesses in Australia, Jock Collins and his colleagues described how many well-known entrepreneurs with their migrant rags-to-riches stories (e.g. Luigi Grollo, Frank Lowry, Sir Arvi Parbo), had provided inspiration to other migrant business starters. They go on in their study to describe many more modest success stories. These businesses provide the sort of cosmopolitan richness and vibrancy that, according to Richard Florida, attracts gifted high flyers. Collins and his colleagues caution, however, that it is difficult to make a success of a small business. They quote studies showing that "... an estimated 80 per cent of small businesses in Australia fail within their first five years' (1995, p. 8) .

Temporary migration and circularity

Another important aspect of recent thinking on the economic impact of culturally diverse migration in the international world, including Australia, has concerned the rapid growth of temporary movement relative to permanent settlement; and also the growth of circularity, i.e. the return of migrants to their country of origin.

Overall, the latest ABS data [for the year ended 31 December 2008] show that the components of population growth were:

- Temporary Migration - 44%
- Permanent Migration - 19%
- New Zealand Citizens - 8%
- Natural Increase - 32%
- Net Loss from Movement of Permanent Residents - 3%.

As Professor Graeme Hugo has noted (Hugo 2006): “There has been a parametric increase in the scale and complexity of global international migration in the last 15 years...in the transformation of international population movement [in Asia], a most striking feature is the strong pattern of circularity in movement and the networks between origin and destination”. Several global changes have been instrumental in this, according to Professor Hugo, in particular demography, development and democracy.

More research on, and information about, the economic consequences of rising tides of temporary movements and circularity of migration between Australia and its neighbours is a fertile field for the future. But there can be little doubt that these new developments will enhance the already substantial benefits of cultural diversity for Australia. An example of what is happening comes from the Brookings analysis of Silicon Valley.

Circulation: Does diverse high-skill immigration make everyone better off?

As subsequently described, Australia’s settlement and the [larger] temporary intake programs have emphasised the importance of skill. Recent thinking in the international literature has questioned whether the former adage of ‘brain drain’ has been misplaced by that of ‘brain circulation’.

A Brookings Institute paper by Anna Lee Saxenian (Saxenian 2011) outlines the experience of California’s Silicon Valley, and this finds resonance in Australian linkages with the outside world through people movement. Saxenian concludes that: “The Silicon Valley experience underscores far-reaching transformations of the relationships between immigration, trade and economic development in the 21st century. Where once the main economic ties between migrants and their home countries were remittances sent to families left behind, today more and more U.S. skilled migrants eventually return home. Those who remain in America often become part of transnational communities that link the U.S. to the economies of distant regions. These new immigrant entrepreneurs thus foster economic development directly by creating new jobs and wealth, as well as indirectly, by co-ordinating the information flows and providing the linguistic and cultural know-how that promote trade and investment with their home countries” (Saxenian 2011, p. 3).

Augmenting and assuring the economic benefits of diversity

Despite the patent advantages of cultural diversity for productivity and economic growth, Professor Goldin and his colleagues suggest that “... most current migration policies are based on misconceptions and fears about migration’s long term contributions and social dynamics. Future policies, for good or ill, will dramatically determine whether societies can effectively reap migration’s opportunities while managing the risks of the twenty first century” (Goldin et al. 2010, p. 132).

Australia is no doubt an exception to this. Nonetheless, as Goldin et al observe: “The short-run impact of migrants on receiving country societies depends on how they are treated by native residents, their opportunities for social mobility, and access to social and political rights. Settlers who face social marginalisation will often form defined ethnic minorities” (Goldin et al. 2010, p. 176). And as Castles and Miller note in *The Age of Migration* (2009, p. 136), in addition to living in particular neighbourhoods, these groups “... may have a disadvantaged socio-economic position and be partially excluded from the wider society by one or more of such factors as....racial discrimination”.

Moreover, according to Goldin et al, "... ethnic minorities can persist over time and develop into a socio-economic underclass through exclusion and racialisation. Where these patterns develop, they are often the result of social exclusion or lack of access to jobs and opportunities..." (Goldin et al. 2010, p. 176).

There is a large Australian literature on the socio-economic status of Aboriginal people, and deep problems of deprivation and inequity of living standards and opportunities for Aboriginals relative to the broader community. These issues are the subject of extensive legislative effort and policy on the part of all levels of government throughout Australia.

It is also true that, at least in the short run, the growing ethnic diversity of Australia through the migration program at times tests the adaptability of the Australian population. Criticism alleging that migrants fail or are unable to assimilate or integrate is common in Australia. But overall the Australian experience and policy is a shining beacon of success in international comparisons of immigration-receiving countries. As noted below, Australians no longer need to argue a case for productive diversity - they are living it. And Australia confirms the conclusion of Professors Banting and Kymlicka (2004, pp. 261-288). This is that "... countries that have adopted the most comprehensive multicultural policies - including celebration of multiculturalism, reducing legal constraints on diversity, and active support for minority groups - have been more successful."

Nonetheless, it is interesting that, in the latest Scanlon Foundation Survey, *Mapping Social Cohesion*, by Professor Andrew Markus (2011, p. 31), there is evidence of changing attitudes to migrants from specific countries: "The level of negative sentiment towards immigrants from English-speaking countries ...and European countries was under 3%... Negative sentiment towards immigrants from China was 13%...Vietnam 7%... and India 14%." However, when questioned about feelings towards immigrants from specific Middle Eastern countries [identified as main centres of Muslim population] negative sentiment reached 24 per cent each for those from Iraq and Lebanon. Markus notes that "These findings point to a substantial change in Australian attitudes in a relatively short period of time."

As a result of these changing attitudes, and in spite of Australia's successful multicultural policies and the acknowledged economic advantages of cultural diversity, it is important for governments at all levels in Australia to bear in mind the need to try to reduce vulnerability and barriers to employment among migrant and refugee job seekers. These include (see Fairfield Migrant Resource Centre [FMRC] submission to the Joint Standing Committee on Migration on *The Economic, Social and Cultural Impacts of Migration on Australia*, May 2011, p. 4):

- Lack of recognition of previous work experience;
- Lack of local work experience as a reason for not hiring employees from refugee and migrant backgrounds;
- Lack of local references;
- Failure to recognise overseas skills and qualifications;
- Prevalence of racism, discrimination and intolerance towards refugees and migrants who are job seeking, as well as when employed in Australian workplaces;
- Absence of cultural competency and awareness within workplaces; and
- Vulnerability to exploitation.

In its submission, the Fairfield Migrant Resource Centre makes several recommendations for policy. Clearly, barriers to employment such as those listed deserve attention if the Australian economy is to reap more fully the economic advantages of cultural diversity.

Australia's migration program and economically beneficial diversity

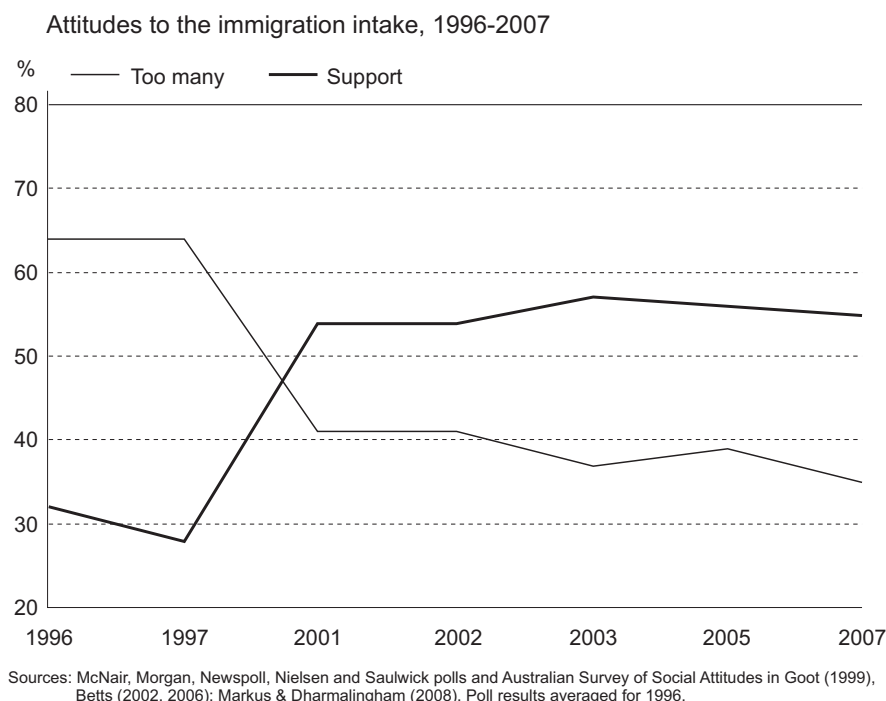
Much has changed since the post-war years when the imperative for Australia's migration was 'populate (preferably with British or northern European stock), or perish'. The White Australia policy was dismantled in the 1960s and officially abolished in 1972. Since the late 1970s, Australia has opened its economy to the world. The tariffs that protected Australian manufacturing were dismantled. As the Australian economy adjusted and developed we had less need for unskilled migrants, and more need for skilled migrants.

For the last 40 years, for most of our post-war history, the impetus driving Australia's nation-building migration program has been economic, and particularly, meeting labour market needs. This has been the official public policy objective for migration since the 1980s, following a major, direction-setting review, commissioned by the Hawke Government and chaired by Dr Stephen FitzGerald. This examined the relationship between immigrants and the economy, and looked at the effects of immigration on the labour market and economic development. Its final report, *A Commitment to Australia*, emphasised the importance of the migration program being, and being perceived to be, in the national economic interest (FitzGerald 1988).

Over the last 20 years, through an increasingly refined points system, the skilled component of the annual migration program has become increasingly targeted on selecting people with the specific skills (professional, trades, technical) needed to fill job vacancies and thus grow the economy. Family migration, however, dominated the program (comprising 70 per cent) in the 1980s and early 1990s. From late 1996, following the election of the Howard Government, the migration program was re-balanced, away from family towards skilled migration, and skills criteria were further tightened. For the last 15 years, skilled migrants have comprised the bulk (70 per cent) of the program, and skilled migrants have been required to meet selection criteria including high levels of English (mandatory since 1996), educational qualifications and vocational experience. Associated changes, for example excluding new migrants (except for humanitarian entrants) from accessing welfare benefits for two years, reinforced the labour-market focus of Australia's migration program.

Public opinion

Markus et al report on public opinion polling of attitudes to immigration 1997- 2007. This figure (Markus et al 2009: p. 126) shows that support for the program rose to over 60 per cent over this decade.



Australia's cultural diversity

The FitzGerald Committee concluded that the focus of Australia's migration policy should be the selection of immigrants whose skills and experience would be of economic benefit to Australia. It did not suggest that these migrants be further selected on the basis of birthplace, race, ethnicity or religion, as had occurred under the White Australia policy. (As noted above, the last vestiges of this were removed in the early 1970s.) However, at the time, many migrants and their ethnic organisations and supporters believed that a greater focus on skills would be likely to favour greater intakes from the United Kingdom, Western Europe and North America. In fact, as shown below, the greater focus on skills has increased the numbers and proportions of persons settling in Australia from our region, especially from Asia. The economic and labour-market focus of the migration program in recent decades has not only increased Australia's skills and grown our economy and society, it has increased its cultural diversity.

Data provided by Markus et al, in their survey of Australian post-war immigration, provides data on the Australian overseas-born population since 1971. This indicates that over the period 1971-2006 the numbers of Australian citizens born in the British Isles and in other Western European countries hardly changed at all, while the numbers born in other parts of the world changed dramatically. The numbers born in Asia increased by over 1.3 million people. Other significant increases came from the countries of Latin America (100,000), the Pacific (110,000), and Africa (200,000) (Markus et al 2009, p.57). The dramatic increase in Asia-born Australians occurred after the FitzGerald Review.

Australia's population has continued to 'Asianise' over the period since 1996, particularly over the last decade. DIAC's statistical publication *Population Flows*, shows that in the 13 years between June 1996 and June 2009 Australia's resident population grew by nearly 20 per cent, from 18.3 million to 22 million. Over this period the overseas-born population grew by twice as much, nearly 40 per cent, from 4.3 million to 5.5 million (DIAC 2010). This far outstripped the 15 per cent growth of Australia-born. The following table from *Population Flows 2010* (2011 a) explains Australia's changing ethnic composition and cultural diversity.

Overseas-born - top 10 countries of birth (estimated resident population), 1996 and 2009

Country of birth	1996	2009	Per cent share 1996	Per cent share 2009
United Kingdom	1 164 140	1 188 250	27.3	20.4
New Zealand	315 060	529 180	7.4	9.1
People's Republic of China	121 150	350 980	2.8	6.0
India	84 780	308 540	2.0	5.3
Italy	259 130	219 340	6.1	3.8
Vietnam	164 160	203 850	3.9	3.5
Philippines	102 680	168 500	2.4	2.9
South Africa	61 750	149 020	1.4	2.6
Malaysia	83 050	129 580	2.0	2.2
Germany	120 760	128 840	2.8	2.2
Other	1 782 210	2 440 560	41.8	42.0
Total overseas-born	4 258 870	5 816 640	100.0	100.0

Source data: ABS Migration, Australia (3412.0)

The number of migrants born in the People's Republic of China tripled over the 13 years from 12,000 to 351,000, making China the third largest contributor to our overseas-born population. Even more remarkable has been the increase of India-born, from 84,700 in 1996 to 308,500 in 2009. There were also substantial increases of other Asia-born, from the Philippines, Vietnam, Malaysia, Hong Kong (SAR China), Korea, Sri Lanka, Burma and Indonesia. The same period saw only a small increase in the numbers of migrants born in the United Kingdom, reducing their share of overseas-born from 27.3 per cent to 20.4 per cent. Similarly numbers from other 'older' European source countries have declined over this period. For example Australia's Italy-born population decreased by 15.5 per cent over the period, from 259,130 to 219,340.

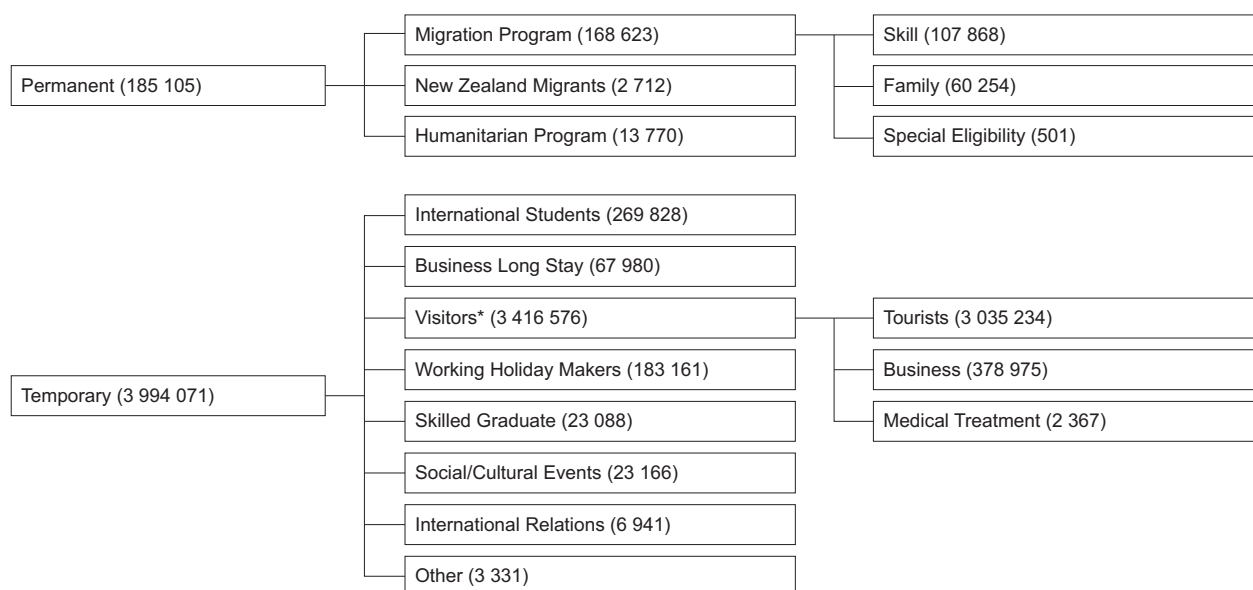
The economic contribution of the overseas-born

The most direct and obvious economic contribution of skilled migrants, comes, obviously, from their employment; from the role they play in filling job vacancies and from the way they reduce skill 'bottlenecks'. It comes from the skills, qualifications and work experience for which they have been selected, through the permanent migration program, or through one of the many temporary work or business programs. It is significant that not only has there been a policy shift in the permanent program to more highly skilled migrants, but also dramatic increases in the numbers coming under temporary skilled and labour migration

programs. These are designed to provide flexibility in dealing with labour demands and shortages.

The following figure from *Population Flows (2011 a)* sets out these programs in a schematic way, showing both permanent program outcomes and temporary resident visas for 2009-10. (It also provides information for the two other discrete permanent programs: for New Zealand residents, with their separate free travel arrangements, and for the Humanitarian Program (which is not based on the potential economic contribution, of applicants, but on their humanitarian need).

Permanent program outcomes and temporary entry visa grants, 2009-10



* Excludes 26 644 Visitor visas granted onshore - to prevent double counting from visa renewals.

Source data: MPMS and IMIRS

Permanent skills

As described above, the focus of Australia’s migration program in recent decades has been squarely on the labour market: to obtain needed skills and fill job vacancies. In 2009-10 107,868 migrants arrived as skilled, permanent migrants. The top ten source countries were the United Kingdom (18,500), India (18,400), the Philippines (7,000), South Africa (9,800), Malaysia, Sri Lanka and Korea. The skilled category is comprised of three sub-categories: general, employer-sponsored and business skills.

Business skills

The business skills program aims to attract overseas business owners, senior executives or investors. People applying for a visa in this category are generally granted an initial four-year visa, during which time they can apply for a permanent visa. Business skills applicants generally have to show that they can establish a business in Australia that will develop links with international markets, produce goods and services that otherwise would be imported, introduce new and/or improved technology and add to the commercial activity and competitiveness within sections of the Australian economy. In 2009-10 some 6,800 business visas were granted. Nearly two-thirds of these went to people from the People’s Republic of China (PRC).

Other Chinese from Hong Kong (120), Malaysia (290), Singapore and Taiwan were prominent in obtaining business visas. The majority of these business visa migrants settle in New South Wales, and have obvious talents and links that could be drawn on in assisting government and other businesses in their pursuit of productive diversity objectives.

Family migration

As with the skills categories, Asia-born migrants comprise six out of the top ten source countries in the family categories. In descending order, the main source countries are: People's Republic of China (17 per cent); United Kingdom (11 per cent); India (10 per cent); Philippines (6 per cent) and Vietnam (5.5 per cent).

The humanitarian program

Since 1978, Australia has had a separate permanent Humanitarian Program, whereby people are settled not on the basis of their labour-market skills or economic potential, but on the basis of need. Refugees who come from overseas camps, near their countries of origin, are selected in conjunction with the United Nations High Commissioner for Refugees. Source countries and regions have changed over the years. In the 1980s, many came from Vietnam, Laos and Cambodia, with a significant number from Eastern Europe. In more recent years, many have come from the Middle East, and Africa, as well as Asia.

The figure on page 20 indicates that in 2009-10 some 13,770 humanitarian visas were issued, 9,336 from offshore resettlement (that is, chosen from camps), and 4,534 from onshore asylum seekers assessed as requiring Australia's protection. The top 10 source countries for offshore visas were: Burma (Myanmar), Iraq, Bhutan, Afghanistan, the Congo, Ethiopia, Somalia, Sudan, Liberia and Sierra Leone. The top five source countries for onshore asylum seekers ('boat people') were Afghanistan, Sri Lanka, 'Stateless', Iraq and Iran.

Temporary skilled

As discussed earlier the number of people on long-term temporary skilled visas has grown rapidly over the past decade, such that they now comprise an increasingly significant proportion of the overseas-born. Besides skilled, business and labour-market entrants, temporary residents include tourists, students, working holiday-makers, and people who have come to Australia for social, cultural and international relations purposes. (Temporary residents are counted as part of Australia's population if they have been in Australia for 12 months or more over a 16 month period.)

At June 2010, an estimated 924,500 people were in Australia on temporary residence visas (DIAC 2011a, p.84). Of these:

- 382,660 were students; 174,900 long-term visitors (including business visitors); 127,650 long-stay business residents ('457' visas); 103,000 working holiday-makers; 25,700 skilled graduate visa holders; and 16,700 for social, cultural or international relations.

- the largest groups were citizens of India (144,000), the People's Republic of China (126,270); United Kingdom (83,720); and the Republic of Korea (59,000).

Top 10 Student visa nationalities in Australia at 30 June 2009 and 30 June 2010

Citizenship	30 June 2009	30 June 2010	Per cent change
India	92 490	80 450	-13.0
People's Republic of China	76 590	80 010	4.5
Indonesia	22 590	21 710	-3.9
Republic of Korea	20 380	17 900	-12.2
Malaysia	15 920	16 540	3.9
Hong Kong (SAR of China)	14 000	16 460	17.6
Nepal	13 460	13 170	-2.2
Sauda Arabia	11 570	12 240	5.8
Thailand	8 640	9 830	13.8
Vietnam	7 420	8 140	9.7
Total top 10	283 060	276 450	-2.3
Total	386 240	382 660	-0.9

Source data: Stock of Temporary Entrants, DIAC

These long-term temporary residents add to the skill pool and economic development of Australia. People on student visas, for example, are estimated to have contributed more than \$16 billion to Australia's export earnings in 2010. The following table (DIAC 2011 a) shows the top ten student visa nationalities for 2009-10. They include nine countries from Asia.

Migration to NSW 2010

The skilled migration, permanent and temporary, that has economically benefited Australia particularly over the last 15 years, has particularly benefited New South Wales. At the 2006 census:

- 33 per cent of Australia's population lived in New South Wales;
- 35.5 per cent of Australia's overseas-born population lived in New South Wales;
- 25.6 per cent of the NSW population was born overseas compared to the national average of 23.9 per cent. The United Kingdom-born comprised 265,843 (17.1 per cent); People's Republic of China 114,076 (7.3 per cent); New Zealand (6.9 per cent); Vietnam (4.2 per cent); Philippines (3.7 per cent); India (3.7 per cent); Lebanon and Italy (each 3.5 per cent).

Recent changes 2009-10

In 2009-10, over 185,000 permanent migrants came to Australia. Of these, 108,000 came as skilled migrants and 60,000 as family.

- New South Wales received 27,500 skilled migrants (25.6 per cent of those who came under this category. This was followed by Victoria (24.7 per cent) and Western Australia with 20.6 per cent).

- New South Wales received the highest number and proportion of family migrants, 23,000 (39 per cent), with Victoria next (25.2 per cent).
- New South Wales received the highest number of humanitarian entrants, around 4,500 a third of the overall total of 13,700.

As well as these permanent additions, under the temporary programs in 2009-10:

- New South Wales was the main destination for tourists and visitors, receiving 1.5 million (41 per cent) out of the total of 3.4 million people.
- New South Wales was the most popular destination for international students, with 126,450 out of 270,000, compared with Victoria, 113,000
- Out of 127,650 long-stay business visa-holders in Australia at 30 June 2010, New South Wales held the greatest share with nearly 40,000. This compares with Western Australia (24,500) and Victoria, (23,500).

The economic contribution of migrants

This section considers evidence as to whether the highly targeted and skilled migration program of the last decade and a half is achieving the economic benefits anticipated. Such evidence has been perceived by government as important for maintaining public support for migration programs into the future, hence the most important surveys are government-commissioned. The main ones used to assess the labour market performance of migrants have been the Longitudinal Survey of Immigrants to Australia (LSIA), and the Continuous Survey of Australia's Migrants (CSAM). There have so far been published reports of LSIA surveys covering three cohorts: LSIA 1 (migrants who arrived between September 1993 and August 1995); LSIA 2 (arrived between September 1999 and August 2000); and LSIA 3 (arrived between December 2004 and March 2005). The first survey of the CSAM was conducted in September 2009 and rolling surveys are conducted every six months.

The results of such labour market surveys are fed into a Migrant Fiscal Impact Model, in order to assess the impact of migration, and of different visa categories and cohorts, on the Federal budget. The model was first developed by Access Economics in 2002, based on the first two LSIA surveys. Access Economics updated the model in 2008; it has subsequently been updated to include CSAM findings.

Population, participation and productivity

Successive Commonwealth governments have pursued the 'three Ps' strategy to achieve economic growth:

- increasing Population, at least of a working age;
- increasing the Participation of people able to work; and
- increasing Productivity, by enhancing the skills of workers, and through technical and infrastructure support (see The Treasury's *Intergenerational Reports* 2002, 2007, 2010).

The LSIA and CSAM surveys confirm that the migration program of the last 15 years, which is strongly targeted on skills and meeting immediate labour market needs, has contributed to all three Ps.

Extensive reports, including academic research, based on these surveys are publicly available (see DIAC website at "<http://www.immi.gov.au/media/publications/research>"). In terms of labour market outcomes the research shows that:

- each cohort had significantly better labour market outcomes than its earlier cohort;
- each cohort of migrants (including skilled and family streams) had higher labour force participation rates, and lower unemployment rates, than the national average at the time of the surveys; and
- persons coming under the skilled stream had significantly higher participation, and significantly lower unemployment rates, than the national average.

The CSAM survey which commenced in late 2009 confirmed the same trends in labour market outcomes for more recent migrants, who arrived in 2009-10, at the time of the global financial crisis.

This survey found:

- the unemployment rate for skilled migrants was 5 per cent compared with the then national average of 5.7 per cent.
- the participation rates of skilled migrants (6 months after arrival) were 95 per cent , well above the national average of 65 per cent in mid-2010.

The survey also confirmed that because of this high labour market participation, migration has accounted for 44 per cent of Australia's job growth over the five years since 2006.

Recently the NSW Treasurer has adopted the same 'three Ps' strategy to meet the demographic fiscal challenges confronting New South Wales over the coming decades. Referring to *Budget Paper No.6, The Long Term Fiscal Pressures Report* (September 2011), the NSW Treasurer, Mike Baird, stated "...the findings suggest the long-term fiscal gap has been helped by high migration - you can't dispute that" (*The Australian*, 3 September 2011).

Labour market outcomes by category of migration

The LSIA3 survey showed that for people entering under the business skills and employment nomination scheme, the participation rate was 97 per cent in mid-2006 (compared with 93 per cent for those entering under the general skilled migration category). This compares with a participation rate for those who entered under the family category of 65 per cent. Business skills and employer nominated migrants had only a one per cent unemployment rate after 15 months, compared with two per cent for skilled migrants, and family migrants with six per cent, slightly above the then national average of 4.8 per cent.

At the same time as this data was being analysed, the Organisation for Economic Co-operation and

Development (OECD) published a paper by Thomas Lieburg on the *Labour Market Integration of Immigrants in Australia* (Lieburg 2007). This research concluded:

Migrants in Australia, as a whole enjoy much better labour market outcomes than migrants in all other [OECD] countries. It has the lowest migrant unemployment rates in absolute terms, and the lowest rates compared to native-born populations (Lieburg 2007: p. 45).

The fiscal contribution of migration

The migrant surveys are also used to model the net fiscal impact of migration. As discussed earlier, DIAC has commissioned Access Economics to develop the Migrants' Fiscal Impact Model. This examines the effect of migration on the Commonwealth budget, in terms of revenue and outlays. Data on migrants' attributes, such as income, are used to estimate tax and other contributions. This information then feeds into planning for the migration program (DIAC 2011b).

Modelling of the fiscal contribution of the 2009-10 permanent migration program, of some 170,000 migrants, shows that this is around \$880 million for the first year of arrival, rising to around \$1-2 billion after 10 years. This is consistent with earlier findings that estimated that over the previous 10 years, persons who came to Australia under the migration program contributed \$9.6 billion to the Commonwealth budget.

The second generation

In 2006, the Census records that there were 3.65 million persons living in Australia with one or both parents born overseas. These second generation migrants comprised 18.6 per cent of Australia's then population, of 19.9 million. In 2007 (before this Census data was released) Thomas Lieburg remarked in his report that, given the size of the second generation, he was surprised how little research had been conducted into their educational attainment and labour market integration. He could find only three studies:

- a study based on 1996 Census data carried out by a team of researchers from the ANU (Siew-Ean Khoo, Peter McDonald and Dimi Giorgas, with Bob Birrell from Monash University);
- a study by Melbourne University, based on their 2003 *Household, Income and Labour Dynamics Australia* (HILDA) survey;
- a 2004 study of educational outcomes undertaken under the OECD's Program for International Student Assessment (PISA).

Lieburg reports that the HILDA survey shows that the second generation has, on average a higher educational attainment than the children of native-born Australians and has higher employment participation and unemployment rates (Lieburg 2007, p.46). With respect to educational outcomes, he draws on international data provided by the OECD-PISA research. In this, Australia was the only OECD country to register no significant difference in mathematics and reading literacy scores between the second generation and children of native-born (Lieburg 2007, p. 47). For Lieburg, these findings both explain and reflect the relatively positive nature

of public discourse on immigration in Australia. He contrasts this with what he describes as the negative public discourse and insecurity of migrant status found in most European countries.

He then draws on the Siew-Ean Khoo et al 2002 study of second generation Australians to explain the literacy data reported above. This study, primarily based on data from the 1996 census, remains the most comprehensive investigation of the demographic and socio-economic situation of the Australian-born children of post-war immigrants. At the time, this second generation comprised nearly 3.4 million persons out of a population of 17.9 million (i.e. 19 per cent). It was the most culturally diverse group of native-born Australians ever, as sources of migration had extended from Europe to Asia and other regions over the previous 30 years.

The study took a cohort approach, focusing on children aged 0-14, youth aged 15-24, and adults aged 25-34 and 35-44. It covered information including birthplace, occupation, education level, parental income, and income. It found that the second generation as a whole was achieving significantly better than their peers with parents born in Australia. It found that the second generation's parents were more qualified than parents who were native-born - a situation in stark contrast to European countries. The study did however show considerable variation in socio-economic status based on category of entry: it found that families that came as refugees or humanitarian entrants, or with low education levels as unskilled workers prior to the changes made to the migration program from the late 1980s, had lower socio-economic status.

The fact that there has been no comparatively detailed study of the second generation since the Khoo et al research (based on the 1996 Census) suggests that this is not an issue of concern: the current generation is in all likelihood continuing to do well in terms of education and occupation status. Migrants entering after 1996 are the most highly skilled ever to settle in Australia. Their children are likely to be just as, if not more, successful than earlier generations of second generation Australians.

Humanitarian entrants: the exception

There are some groups of migrants and their children that do not meet this general norm of success. These are mainly to be found among those who have entered as refugees or humanitarian entrants, and under subsequent family reunions. For example, people who came in the 1970s (Lebanese), and in the 1980s (Vietnamese, Laotian or Cambodian).

More recently some (particularly young people) who have come to Australia from Africa, the Middle East and Western Asia may experience particular settlement difficulties. Some may have lived for many years in crowded, often violent refugee camps, have limited education and consequently experience serious problems in adapting to life in Australia. They may get caught up in youth gangs, drop out of school, become criminals, and be vulnerable to religious (Muslim) fundamentalism.

However, regardless of these problems, a recent study by Graeme Hugo and his colleagues at the University of Adelaide found some positive pointers for the future (Hugo 2011).

It found that the second generation of refugee-humanitarian entrants has much higher levels of labour force engagement than the first generation. It found that the proportion of recent refugee arrivals aged

15-24 attending an educational institution was higher than for other migrants and the Australia-born, which indicated potential for labour force participation. It also found that the second generation refugees were making greater civic contributions than their parents to their local communities, their local governments and their own ethnic and religious organisations.

Australia 2011: A productive diverse nation

The evidence provided, of an increasingly skilled and labour-market focused annual migrant intake, and the successful integration and achievement of second-generation migrants, shows how Australia has become a productive culturally diverse nation. New South Wales of all the States exemplifies this. This has occurred, not because of any particular ideology, but because successive governments have recognised the need to implement policies in the national economic interest, and because Australia's migration program and settlement programs have been administered with fairness and integrity. In this, (despite some divisive debate about boat people), they have had the support of the majority of the Australian public.

We no longer need to argue a case for productive diversity. We are living it.

Conclusion: Benchmarks for future monitoring

Arising from the paper is a series of questions which it would be useful to monitor in the future:

1. *Higher Degree Qualifications [p13]*

Whether the changing relative proportion of higher degree qualifications by overseas born is leading to enhanced economic contributions over time. These are strong indicators of the success rates in tertiary education and potential employment of migrants.

2. *Components of Population Growth [p14]*

The components of net population growth should be regularly observed to determine the relative role of immigration in meeting Australia's economic and skill needs.

3. *Migrants and Jobs Growth [p14]*

The contribution of migrants to jobs growth, broken down if possible by industry and skill level, should be continually documented and assessed. This is very important information for the discussion and assessment of the impact of the migration program, and the employment status of new arrivals.

4. *Fortunes of Overseas-Born Business Enterprises [p14]*

Acknowledging that most small businesses will fail within the first two years of operation, the sustainability of businesses established by migrants should be monitored to determine whether there is any difference to those established by Australian-born.

The disproportionately high representation of migrants on the BRW's 100 most wealthy Australians list could be investigated to determine what factors are instrumental in this success.

5. *Circular Migration and Remittances [p15]*

The economic impact of circular migration, particularly for those on temporary visas, should be observed to the greatest extent possible with available data for NSW. In particular, there could be an exploration of the factors that influence the decisions to stay or leave, and what ongoing relationships are maintained between the circular migrants' homeland and Australia.

6. *Patterns of Negative Sentiment [p16]*

The changing patterns of negative sentiment towards particular migrant groups in Australia should be followed. The [longitudinal] Scanlon Social Cohesion Surveys (Markus, Monash University) regularly provides these details. The Survey could apply specific questions related to NSW and to examine whether these sentiments impact upon the type or level of labour force participation.

7. *Australian Multicultural and Settlement Policies [p17]*

The changing approaches of governments at the Federal and State levels to multicultural policies should be collated, enabling a view of the extent to which these policies are being maintained or reshaped. A particular emphasis could be placed on whether these policies impact on migrant participation in the labour force, either as an employee or as a self-employed business person.

8. *Origin and Distribution [p19]*

Aggregate information on the origin of migrants to Australia, their distribution by State, the formal occupational skills and the extent to which they are successfully settling (including their length of residence) will give an indication of whether all migrants are meeting their own and the State's expectation regarding their levels of economic engagement. That is, whether workforce participation is matched to the skills of the immigrant and the needs of the community.

9. *The Points System [p20]*

The performance of the skilled migration program in meeting the demand for skills in Australia and the specific states could be monitored to illustrate what impact skilled migration is having on economic growth.

10. *Pattern of Performance of Second Generation [p25]*

While it can be difficult to measure patterns of performance of second generation migrants because of data deficiency, they are key indicators of the long-term income and employment status of migrants to Australia and should be pursued to the greatest extent possible.

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