



Economic and social impact of increasing Australia's humanitarian intake

Oxfam Australia
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Deloitte
Access **Economics**

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Glossary

ABS	Australian Bureau of Statistics
ACMID	Australian Census and Migrants Integrated Dataset
AMEP	Adult Migrant English Program
BNLA	Building a New Life in Australia: The Longitudinal Study of Humanitarian Migrants
CDE	Constant Differences of Elasticities
CES	Constant Elasticities of Substitution
CGE	Computable General Equilibrium
CRESH	Constant Ratios of Elasticities Substitution, Homothetic
DAE	Deloitte Access Economics
DAE-RGEM	Deloitte Access Economics' Regional General Equilibrium Model
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
GRP	Gross Regional Product
GVA	Gross Value Added
SHP	Special Humanitarian Program
TAFE	Technical and Further Education
UNHCR	United Nations High Commissioner for Refugees
UNHRC	United Nations Human Rights Council



The background of the slide features a teal gradient. In the upper left, there are two white, stylized clouds. In the upper right, another white cloud is present. A white airplane is depicted in flight, moving from left to right, with a white beam of light emanating from its tail towards the text. The lower portion of the slide shows a dark teal city skyline with several buildings of varying heights, each featuring white rectangular windows. Small white clouds are scattered above the buildings, and a series of three small white circles leads from one cloud to another.

Executive summary

In 2017, 68.5 million people were forcibly displaced as a result of persecution, conflict or generalised violence worldwide. Australia resettled 0.02%,¹ or 16,250, of these displaced persons; equivalent to 0.04% of the total number of refugees referred by the United Nations High Commissioner for Refugees (UNHCR) globally (7,909 refugee referrals were accepted in Australia under the Humanitarian Program while the UNHCR referred 19.9 million refugees globally).²

Australia's contribution to global refugee resettlement is often examined either from a social justice perspective (what is the right thing for Australia to do as a responsible global citizen) or from the perspective of the individuals resettled (supporting the protection of human rights to life, liberty and safety). It is appropriate that these perspectives are prominent in determining Australia's refugee resettlement policy.

However, this report examines another aspect of refugee resettlement; that of the economic and social impact an expanded refugee program may have on Australia's economy and society.

*Deloitte Access Economics modelling suggests that if Australia increased its humanitarian migrant intake to 44,000 per annum over a five year period, as proposed by Oxfam Australia, economic output could increase by more than **\$37.7 billion in net present value terms over the next 50 years** and the economy could sustain an average of **35,000 additional jobs every year for the next 50 years**.*

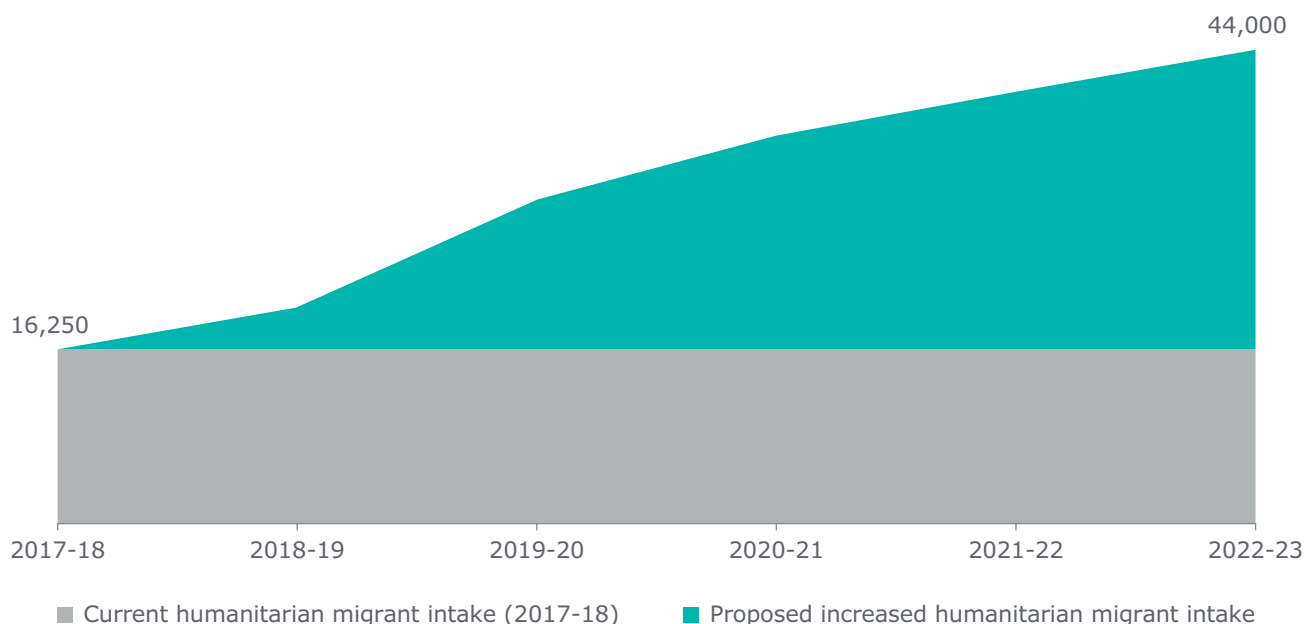
Oxfam's proposal to increase Australia's humanitarian migrant intake

Australia has settled more than 880,000 refugees over the past 60 years and over 500,000 since the first official refugee policy was created under the Humanitarian Program in 1977.³ In FY17, the humanitarian intake was 16,250 people⁴ — accounting for 9.1% of Australia's total permanent migration.⁵

Internal modelling by Oxfam Australia suggests that Australia's humanitarian intake could be reasonably expanded to 44,000 per annum over a five year period (Figure i). Included in this intake is a proposed 10,000 places for a newly established Humanitarian Family Reunion Program. It is currently difficult for refugees resettled within Australia to be reunited with their families. Most applications occur through the Humanitarian Program, however the number of visas are limited and demand far exceeds supply by an estimated ratio of seven to one.

The additional migrants who would be settled under an expanded Refugee and Humanitarian Program are expected to have a significant impact on Australian society. This report identifies the potential economic and social impact to Australia over the next 50 years of an increased cohort of humanitarian migrants between 2017-18 and 2022-23. The reported impact does not consider the impact of any additional humanitarian migrants relative to the baseline after the five year period.

Figure i: Oxfam's proposed increase to Australia's Humanitarian Program



Source: Finity (2018), DAE.

Pathways of economic impact

Deloitte Access Economics has conceptualised the economic impact of the proposed increase in humanitarian migration as being driven by three key mechanisms; increases in the availability of labour, increases in aggregate demand and social impacts (see Figure ii).

Population changes associated with the proposed increase in humanitarian migration were estimated by comparing the gradual increase to 44,000 persons in 2022-23 to a baseline scenario in which humanitarian migration remained at its 2017-18 level for the next five years. The additional 88,750 migrants who arrived under the alternate scenario from 2018-19 until 2022-23 were then aged over the 50-year time horizon, and country-specific fertility rates were used to estimate the number of second generation humanitarian migrants that would be born during that period to the additional cohort of people. The number of first and second generation humanitarian migrants who would enter the labour force was then estimated by applying migrant specific labour force statistics to the population change in each year.

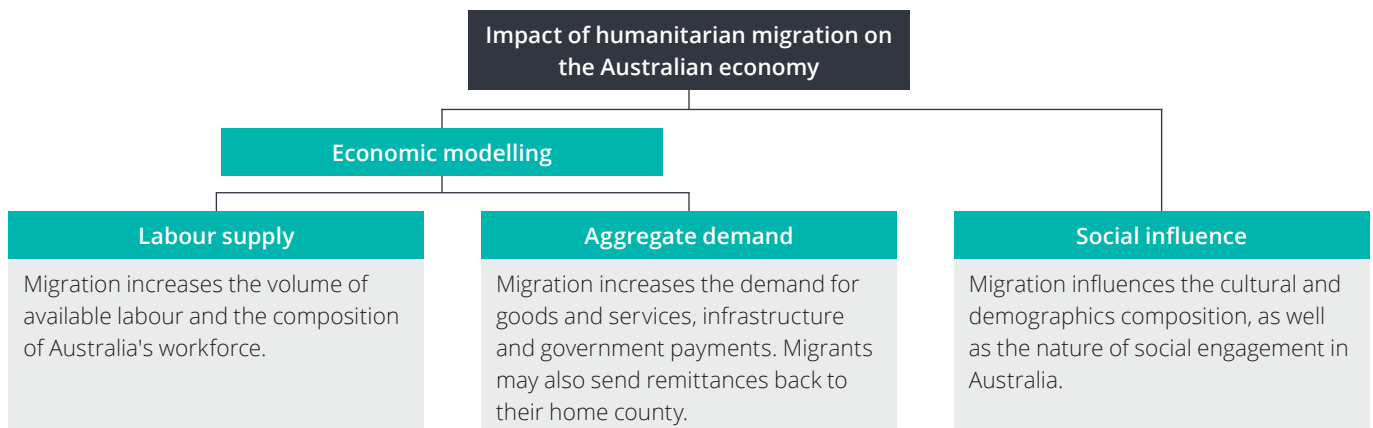
The settlement services and assistance provided to humanitarian migrants when they first arrive in Australia was also directly captured in the economic analysis using a computable general equilibrium (CGE) model. The Australian government provides a range of settlement services, including orientation activities, English language training and other practical supports.⁷ The cost of settlement services was estimated using the 2017-18 Budget estimates.

Other changes in aggregate demand, including increases in uptake of other government services or the consumption of goods and services were indirectly captured in the CGE model. The model simulation included a direct shock to labour as the incoming humanitarian migrants are expected to increase the pool of available workers. The labour supply shock then flows into increases in income, which in turn lifts household consumption and savings, as well as taxation revenue and government spending.

Remittances or overseas cash transfers form an important part of economic activity for humanitarian migrants, particularly for the friends and family that receive these payments. As an overseas transfer, remittances do not contribute to the Australian economy, but provide an important source of income, and subsequent demand, internationally.

Remittances have not been captured in the economic analysis due to data limitations.

Figure ii: Conceptualisation of economic and social impact



Source: Adapted from the Productivity Commission's report on Australia's migrant intake⁶

The economic impact of increasing humanitarian migration

Deloitte Access Economics has quantified the impact of increasing Australia's humanitarian intake using a range of historic data on humanitarian migrant characteristics following arrival in Australia. These observed characteristics from previous cohorts of humanitarian migrants are seen as representative of additional humanitarian migrants who might arrive in Australia under an expanded humanitarian program.

The economic modelling undertaken suggests that increasing Australia's humanitarian migration intake could have a notable impact on the broader economy. Relative to the base case scenario, where the humanitarian migrant intake remains at its 2017-18 levels, an increase in the humanitarian intake could:

- Increase the size of the Australian economy by **\$37.7 billion net present value terms⁸** over the next 50 years. On average, Gross Domestic Product (GDP) could be \$4.9 billion greater annually between 2018-19 and 2067-68.
- Sustain on average an additional **35,000 full time equivalent jobs** in the Australian economy every year for the next 50 years.
- Increase private consumption, which is the best measure of consumer welfare in the CGE model, **by \$18.2 billion⁹** in net present value terms.

As shown in Figure iii the economic impact continues to increase over time particularly as humanitarian migrants settle into life in Australia, finish education/retraining and enter the labour force.

The economic impacts of an increased humanitarian migrant intake, discussed above, are largely driven by the contributions humanitarian migrants make to labour supply and aggregate demand.

An increase in the humanitarian migrant intake increases labour supply in Australia. While humanitarian migrants initially tend to participate in the labour force at lower rates than the broader Australian population (35% compared to 76%)—due in part to language barriers, skill recognition barriers, higher levels of educational engagement etc.—over time, participation rates move towards the Australian average. Second generation humanitarian migrants participate in the labour force at similar levels to Australian-born individuals.

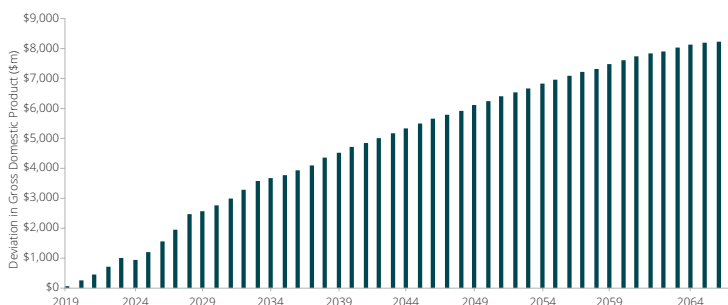
Humanitarian migrants also help to offset the effects of an ageing population. They provide a younger supply of labour, while also working in larger proportions in the industries of residential care and social assistance services.

Humanitarian migrants are consumers of locally produced goods and services and therefore contribute to aggregate demand. Compared to the broader Australian population, humanitarian migrants have a lower demand for goods and services, largely driven by fact that humanitarian migrants earn less income than the average Australian. The incomes¹⁰ of humanitarian migrants do however increase over time with improvements in labour market outcomes.

On a per capita basis, the additional economic activity, measured by Gross Domestic Product (GDP) generated by the humanitarian migrants is lower than the Australian average GDP per capita. However, the additional GDP per capita increases over time as labour force outcomes improve, and both younger at arrival and second generation humanitarian migrants account for a larger share of the humanitarian cohort in the workforce.

Figure iii: Summary of economic impacts

Deviation in real Gross Domestic Product (GDP)



Note: Results are presented in \$2017-18



37.7 billion
GDP over the next 50 years
in net present value terms



\$18.2 billion
Private consumption over the next 50 years
in net present value terms



35,000 FTE
Jobs every year for the next 50 years
in average annual terms

The social impact of increasing humanitarian migration

Humanitarian migrants are significant contributors to Australian society. Humanitarian migrants come from a variety of countries, with unique languages, religions and cultures. Through their diverse range of experiences, languages, countries of origin and cultures, humanitarian migrants have a positive impact on social wellbeing and satisfaction of Australians. Research suggests that social resilience, adaptability and vibrancy - although difficult to quantify - are by-products of a multicultural society.

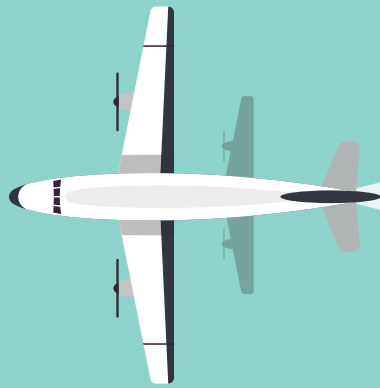
Communities can benefit from the commitment humanitarian migrants have to living in Australia and the high levels of engagement humanitarian migrants have in community activities. Humanitarian migrants have the highest uptake of Australian citizenship of any migrant group, reflecting integration into Australian communities and greater connection with Australian culture, together with the circumstances under which they arrived in Australia. They also volunteer at higher rates than Australian-born individuals, and are highly active in community activities. In fact, 81% of youths with a migrant and refugee background are involved in four or more community activities.¹¹ Their diverse cultural background also provides opportunities for consumption of new products and cuisines in Australia, unique skills and experiences that contribute to increased research and innovation and the establishment of their own cultural event and precincts for all Australians to enjoy.

Further, there are increased social opportunities that result from the economic benefits of an increased humanitarian intake. Humanitarian settlement can revitalise metropolitan, regional and rural areas through increased government funding, new services and amenities and population growth. Previous trends indicate that humanitarian migrants tend to settle in metropolitan areas, but this is beginning to change. Evidence suggests that rural and regional areas are experiencing labour shortages, particularly low-skilled or unskilled jobs, attracting humanitarian migrants as they can compete for these jobs more easily.¹²

Importantly, the social contributions that humanitarian migrants and migrants in general make are recognised as benefiting Australia.¹³ In the 2018 Scanlon survey, 82% of participants in the Scanlon 2018 survey agreeing with the statement that *'immigrants improve Australian society by bringing new ideas and cultures'* and 80% agreed that *'immigrants are generally good for the Australian economy'*.

Deloitte Access Economics





1

Australia's humanitarian program

Australia has a long history of successfully welcoming and supporting refugee and humanitarian arrivals, but our share of total global resettlement remains small. Developing countries continue to support over 85% of those who are forcibly displaced.

1.1 Purpose and scope of this report

Oxfam Australia has engaged Deloitte Access Economics to estimate the economic and social impact of an increase in humanitarian migration to Australia. The purpose of this report is to provide a robust evidence base to inform the proposed policy which identifies the economic and social impacts of increasing the number of visas issued under Australia's Humanitarian Program.

1.2 Humanitarian migration in Australia

Australia has a long history of successfully welcoming and supporting refugee and humanitarian arrivals, having settled more than 880,000 refugees and others in humanitarian need since the end of the Second World War.¹⁴ However, it wasn't until 1977 that the first official refugee policy was created under the Humanitarian Program.¹⁵

Since then, permanent migrants have entered Australia via one of two distinct programs – the Migration Program for skilled, family and special eligibility migrants or the Humanitarian Program for refugees and those in refugee-like situations (Figure 1.1). Each year, the Government sets the cap on the number of visas that may be granted under these two programs. In 2017-18, the Australian Government granted 16,250 visas under the Humanitarian Program¹⁶ and 162,417 visas under the Migration Program.¹⁷ In recent years, the Government also provided an additional 12,000 places for people displaced by conflict in Syria and Iraq.¹⁸

However, while Australia has a relatively large migration program by international standards, our humanitarian intake is relatively small. Data from the UNHCR shows that Australia accepts just 0.04% of the total number of refugees globally (the UNHCR estimates there are 19.9 million refugees worldwide) and we accept a much smaller share of the total number of people who have been forcibly displaced.¹⁹ In 2017, Australia's refugee intake was equivalent to just 0.01% of the total number of people who have been forcibly displaced worldwide, while developing nations hosted over 85% of this population.²⁰ In fact, the least developed countries provided asylum to a growing proportion, amounting to one-third of the global total (approximately 6.7 million refugees).²¹

Chart 1.1 shows the number of total permanent migration visas issued under the Migration Program and the Humanitarian Program in Australia over the last five years. Australia's refugee intake makes up a relatively small proportion of total permanent migration within Australia (9.1% in 2017-18).²²

Figure 1.1: Permanent migration into Australia for non-citizens

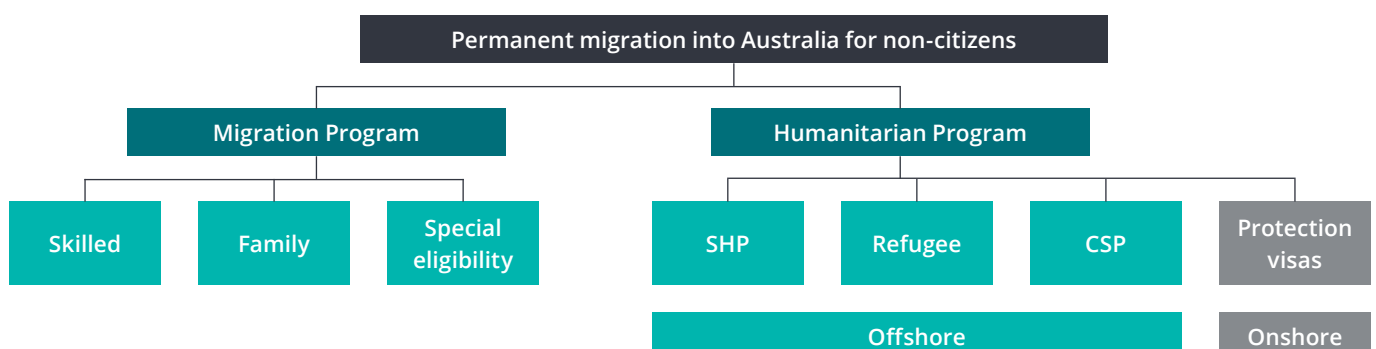
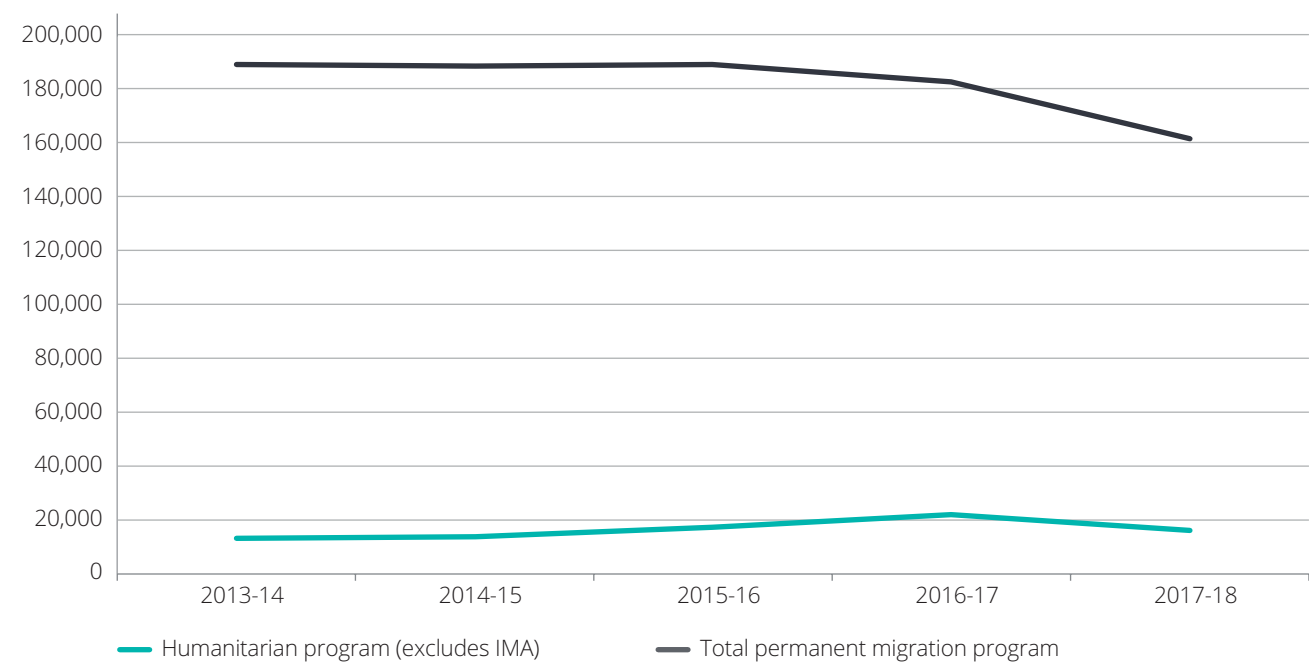


Chart 1.1: Total permanent migration, Migration Program and Humanitarian Program (2013-14 to 2017-18)



Source: Department of Home Affairs,²³ Deloitte Access Economics.
Note: IMA is Illegal Maritime Arrivals.



1.3 Oxfam's proposal to increase Australia's humanitarian intake

Oxfam's proposal is to gradually increase the annual humanitarian migrant intake to 44,000 humanitarian migrants in 2022-23. In 2017-18 the Australian government granted 16,250 humanitarian visas,²⁴ and the Humanitarian Program cap has been set at 18,750 for 2018-19.²⁵ Internal modelling by Oxfam Australia suggests this could be reasonably expanded to 44,000 per annum over a five year period:

- 20,000 in 2018-19²⁶
- 30,000 in 2019-20
- 36,000 in 2020-21
- 40,000 in 2021-22
- 44,000 in 2022-23

This proposed figure of 44,000 is comprised of 22,000 refugee places for referrals from the UNHCR, 10,000 places for the Special Humanitarian Program (SHP), 10,000 places for a newly established Humanitarian Family Reunion Program, and 2,000 places collectively for additional existing visa categories 201 (In-Country Special Humanitarian), 203 (Emergency Rescue), and 204 (Women-at-Risk).

The main focus of the proposal by Oxfam Australia is on the newly established Humanitarian Family Reunion Program. Currently, most refugees seeking to bring family to Australia are required to apply through the SHP (as the Family Migration Program is too costly). But places are limited and demand far exceeds supply by an estimated seven to one.²⁷ For example, in 2017-18, 6,916 SHP visas were granted which amounted to 42.6% of the Humanitarian Program and just 4.3% of total permanent migration.²⁸ Oxfam Australia believes a newly established Humanitarian Family Reunion Program will help address the growing issue of global displacement (UNHCR estimates that 68.5 million people are forcibly displaced as a result of persecution, conflict or generalised violence worldwide).²⁹

The impact of the proposed change is an additional 88,750 people in the Australian economy over the next five years. Given the Australian population is around 25 million,³⁰ the cumulative increase represents around 0.36% of today's population. This would be expected to have a profound impact on the individuals resettled in Australia – supporting the protection of human rights to life, liberty and safety. While acknowledging these fundamental outcomes, this study undertaken by Deloitte Access Economics focuses on estimating the economic and social impacts to Australia of the proposed increase in Australia's Humanitarian Program to 44,000 in 2022-23.³¹

1.4 Approach and structure of this report

This report is focused on estimating the economic and social impacts to Australia of the proposed increase in Australia's Humanitarian program over the next 50 years.

- Chapter 2 outlines the avenues of economic impact,
- Chapter 3 sets out the estimated economic impact, and
- Chapter 4 sets out the estimated social impact.



2

Mechanisms of impact on the economy

Migration has been an important influence on Australian society and the economy, affecting the size, composition and geographic location of the population and workforce.

2.1 Framework: Impact of humanitarian migration

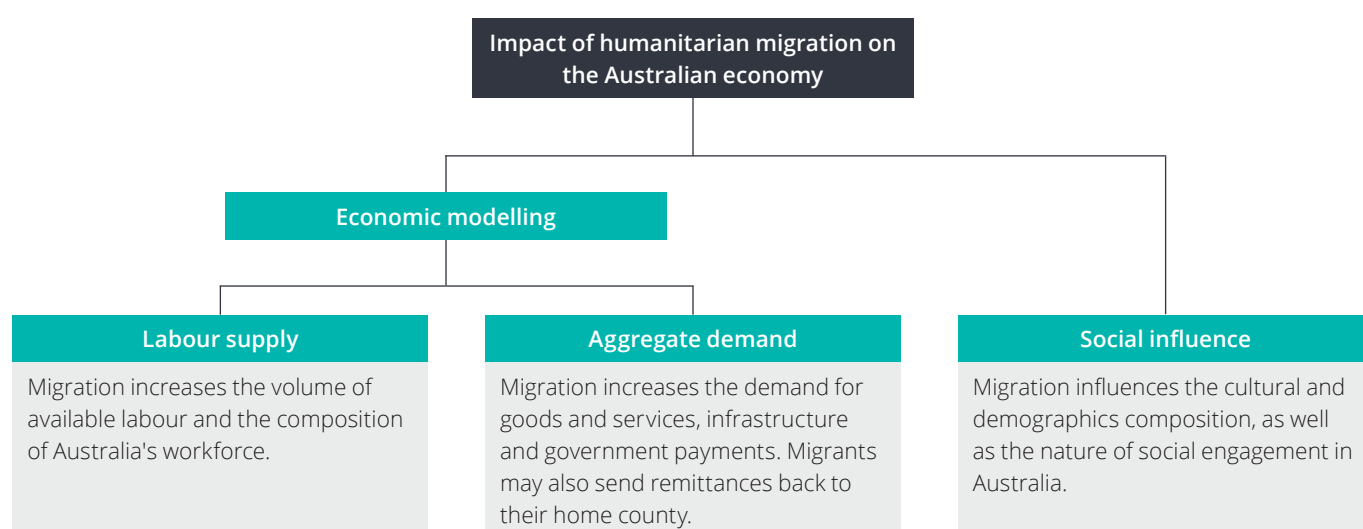
As shown in Figure 2.1, Deloitte Access Economics have conceptualised the impact of an increase in humanitarian migration as containing three key components: (1) the impact on labour supply and composition, (2) the impact on aggregate demand, and (3) the social impact of changes in the social and cultural fabric of Australia. The first two components, constitute key inputs into modelling the economic impact of humanitarian migration. The third, social changes as a result of increased humanitarian migration, is difficult to accurately quantify economically across time. Instead, these changes are discussed via broader indicators of impact to the economy.

Migration increases the supply and alters the composition of the labour force as incoming migrants may have different labour market outcomes (e.g., participation and unemployment rates), skill levels (e.g., educational attainment, experience), age profiles, and workforce characteristics (e.g., occupation and job location) as compared to the rest of the population. The labour force characteristics of humanitarian migrants are explained further in Section 2.2.

Migration increases the demand for goods and services, infrastructure and government social security payments. In addition to increasing total demand, incoming migrants may also have different consumption patterns and reliance on government services as compared to the non-migrant population. Migrants are also more likely to send remittances back home, to assist family that remain in country. The consumption patterns of humanitarian migrants are explained further in Section 2.3.

Migration in all forms influences the cultural, religious and demographic composition of Australia. Changes in socioeconomic factors have a myriad of impacts on Australia including, for example, increased innovation, entrepreneurship, opening of new markets, and global connections from multicultural diversity. These elements are explained further in Chapter 4.

Figure 2.1: Conceptualisation of economic and social impact



Source: Adapted from the Productivity Commission's report on Australia's migrant intake³²

2.2 Humanitarian migrants increase labour supply

Migration has been an important influence on Australian society and the economy, affecting the size, composition and geographic location of the population and workforce.³³ Migrants bring a diverse range of skills, qualifications and experience which has the potential to bring enormous value to our businesses, our economy and our society. It's these differences that drive innovation and enrich our economy. The following sections explore the profile of humanitarian migrants in the labour force. Specifically, we explore the differences in labour force participation and unemployment, educational attainment, age, income and entrepreneurial characteristics. This analysis represents an average across all humanitarian migrants.

2.2.1 Labour force characteristics of first and second-generation humanitarian migrants

This section addresses analyses the labour force characteristics of humanitarian migrants across a number of different variables, including labour force participation, educational engagement and attainment, age structure, occupational and industry characteristics and income.

Labour force participation rates improve over time, as many humanitarian migrants are actively engaged in education and training in the first few years after arrival

Humanitarian migrants have lower levels of workforce participation and higher levels of unemployment than the broader Australian population. However, over time the participation rate of humanitarian migrants converges to be similar to the broader Australian population and this is particularly noticeable in the second generation (Chart 2.1). However, it is important to recognise that humanitarian migrants are not a homogenous group, and while some humanitarian migrants have poorer labour force outcomes in the first few years after arrival, other humanitarian migrants perform comparatively better.

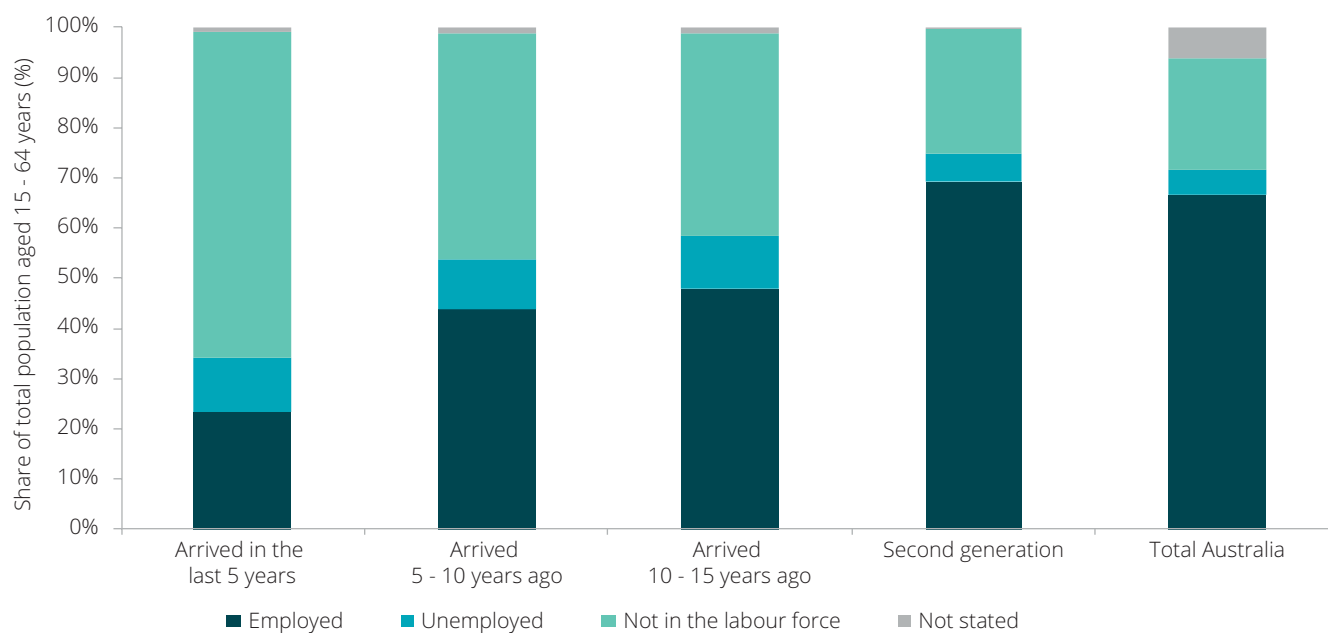
Average initial participation rates may be low because humanitarian migrants face significant barriers to employment; including language barriers, poor skills recognition, discrimination and cultural barriers. Low participation rates shortly after arrival is a particular issue for female humanitarian migrants, who have lower educational attainment (11.9% of working age female humanitarian migrants have no educational attainment) and more likely to have more children than the Australian-born population.³⁴ These are both limiting factors in labour force participation.³⁵ Humanitarian migrants are also more likely to experience psychological distress than the broader Australian population, further limiting workforce participation.³⁶

Previous research conducted by Deloitte Access Economics suggests that 49% of migrants and refugees are working in jobs that don't use their highest skills or qualification, or are not currently employed.³⁷ This has a direct impact on the economy via the opportunity cost of latent human capital. Increasing skills recognition leads to better matching of labour supply (by skill) to current levels of labour demand and the payoff is a more productive workforce. Despite this, many humanitarian migrants invest in renewing their formal skills and qualifications in the first few years after arrival (e.g. participation in the Adult Migrant English Program program). In 2016, 36% of humanitarian migrants were actively engaged in education and training compared to 17% for the broader Australian population. Hence, while labour force participation is low in the first few years after arrival, participation in education and training is high. Over time, humanitarian migrants begin to transition out of education and training and into the paid labour force (Chart 2.1 and Chart 2.2).

There is evidence to suggest that second generation humanitarian migrants have similar labour force outcomes to the average Australian.³⁸ Deloitte Access Economics utilised 2016 population census data to determine the labour force outcomes of second-generation humanitarian migrants. A detailed methodology is provided in Appendix A.

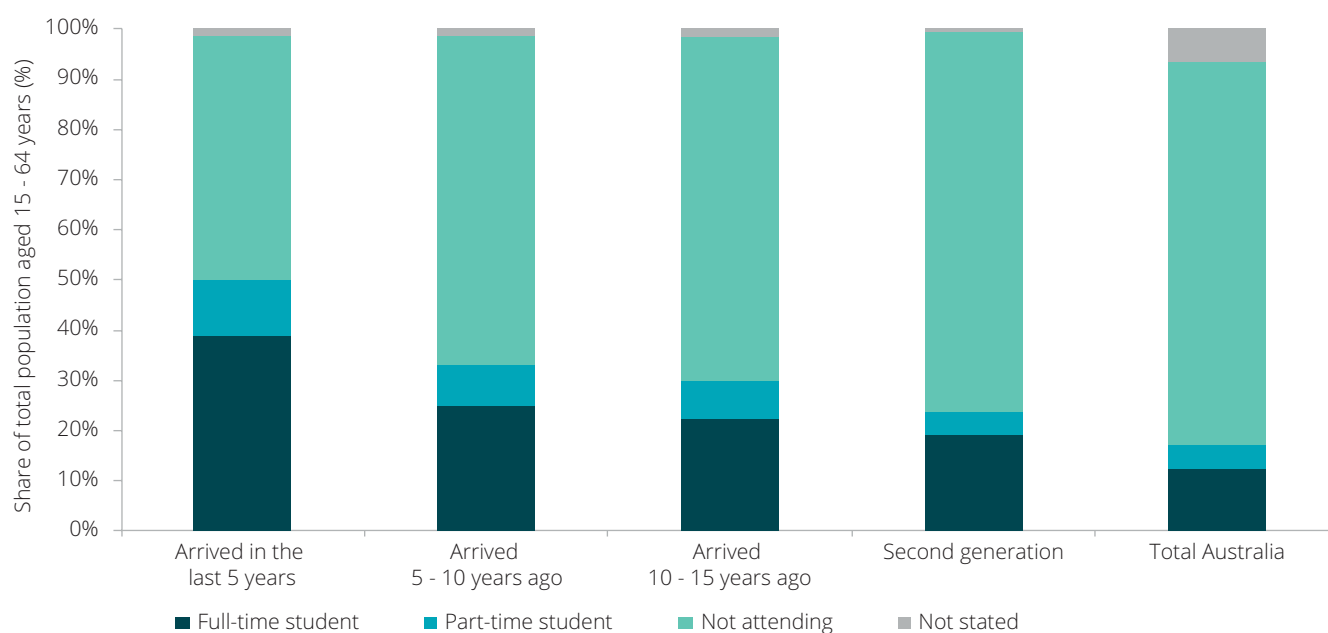
On average, we find that the labour force participation rates of second generation humanitarian migrants converge to the broader Australian population, but unemployment rates remain slightly higher. This is consistent with the literature.³⁹ The data also shows that there is a strong pattern of increasing workforce participation and decreased unemployment with length of residence in Australia. This can be seen in Chart 2.1 and Table 2.1.

Chart 2.1: Labour force status by year of arrival, humanitarian migrants and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 2.2: Student status by year of arrival, humanitarian migrants and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 2.1 also shows that despite the improvements in labour force participation, a large share of humanitarian migrants remain unemployed compared to the broader Australian population. The key labour force metrics are shown in Table 2.1 below. This suggests that although humanitarian migrants are actively engaged in the labour force, barriers to employment and other measures of disadvantage may continue, and prevent full economic participation.⁴⁰

Despite having lower levels of educational attainment overall, a higher share of humanitarian migrants are engaged in education and training

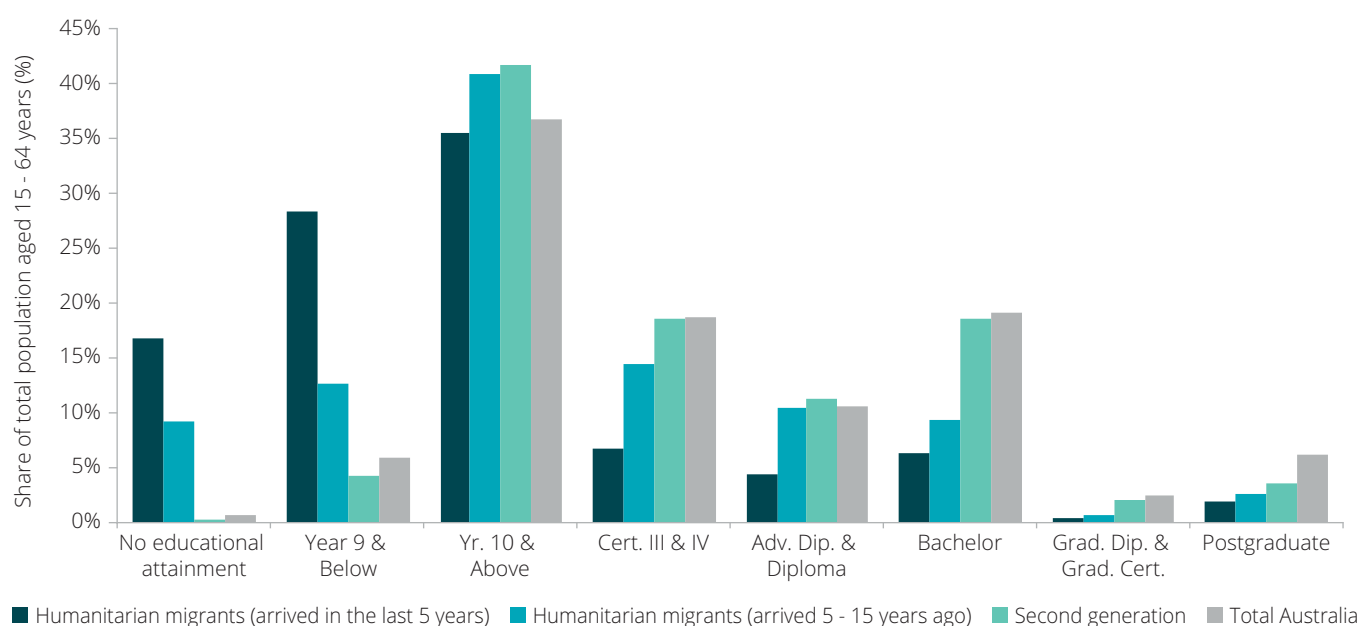
Humanitarian migrants generally report lower levels of educational attainment than the broader Australian population. However, a large share of humanitarian migrants continue to invest in skills deepening and skills broadening upon their arrival within Australia. In 2016, 36% of working age first-generation humanitarian migrants were participating in education and training, compared to 17% for the broader Australian population (24% for second-generation humanitarian migrants). This can also be seen in Chart 2.3 which demonstrates the acquisition of qualifications over time for humanitarian migrants.

Table 2.1: Labour force outcomes by year of arrival, humanitarian migrants and total Australia, persons aged 15 – 64 (2016)

	Unemployment rate	Labour force participation rate
Arrived in the last 5 years	31.9%	34.7%
Arrived 5 - 10 years ago	18.8%	54.4%
Arrived 10 - 15 years ago	18.0%	59.2%
Second generation	7.5%	75.1%
Total Australia	7.0%	76.4%

Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 2.3: Highest level of educational attainment, humanitarian migrants and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics; excludes not stated.

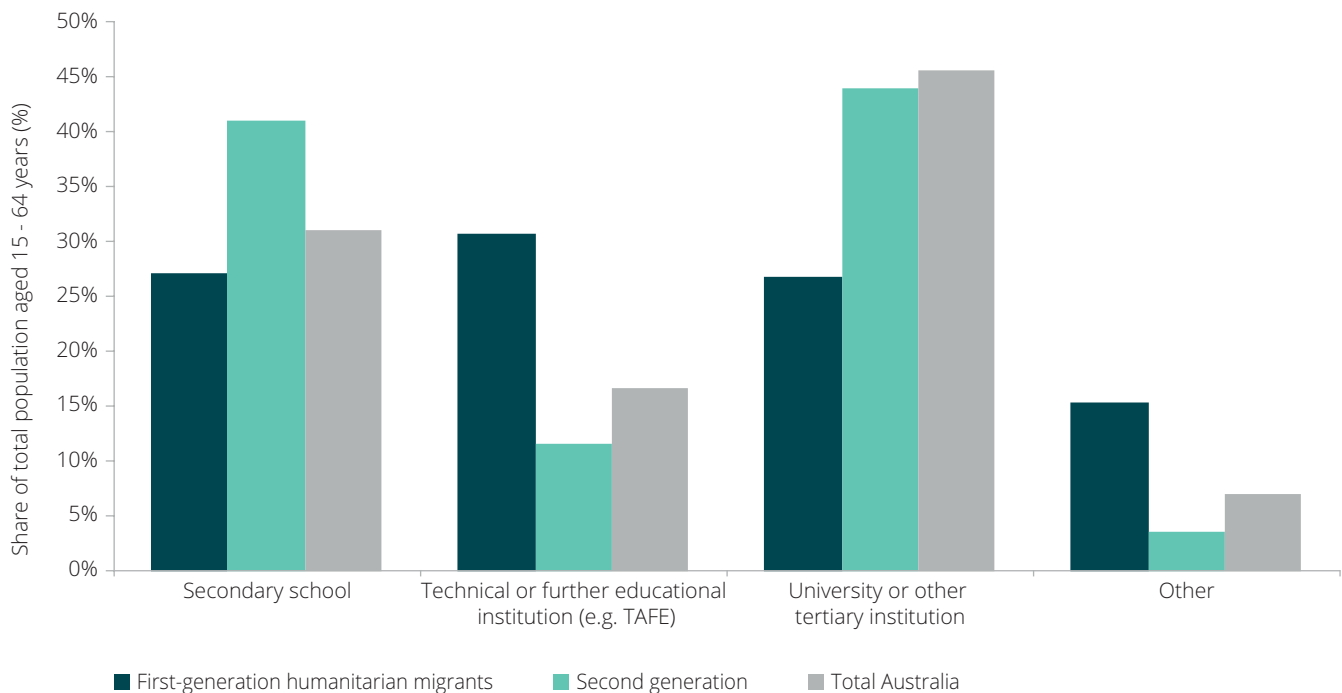
A large share of first-generation humanitarian migrants are pursuing technical education (e.g. TAFE) compared to the broader Australian population (Chart 2.4). The large share of first-generation humanitarian migrants participating in technical education is likely to be a result of participation in the Adult Migrant English Program (AMEP), which provides up to 510 hours of free English language classes to humanitarian migrants who do not have functional English. These classes are predominantly held in technical institutions, such as TAFE. As students study the Certificate in Spoken and Written English (Cert. I, II, III)⁴¹ the AMEP is classified under technical institutions rather than 'Other', which typically includes English language courses.

Chart 2.4 also shows that the share of second generation humanitarian migrants that are studying at tertiary institutions is similar to the broader Australian population. This is consistent with the trend of skills deepening in the broader Australian workforce.

Humanitarian migrants have a younger age structure compared with the broader Australian population, with a higher proportion of those of 'prime' working age

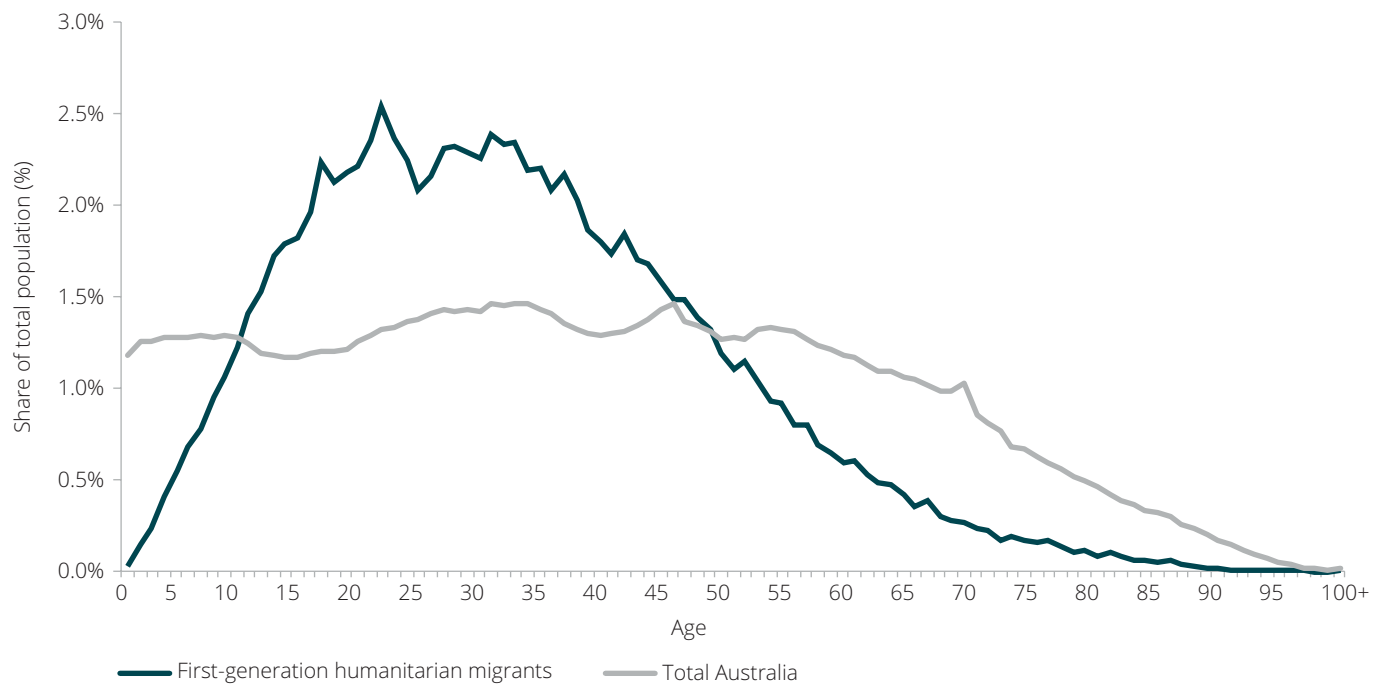
The age structure of humanitarian migrants differs from the age structure of the broader Australian population. In 2016, 49.3% of first-generation humanitarian migrants were aged 25-50 years, compared with 35.9% of the broader Australian population. The age distribution of humanitarian migrants⁴² is an important component of the overall economic impact outlined later in this report.

Chart 2.4: Educational institution attending, first-generation humanitarian migrants and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics; excludes not stated.

Chart 2.5: Age profile of first-generation humanitarian migrants and total Australia (age at 2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Humanitarian migrants are employed in a diverse range of industries, but are predominantly employed in care-based occupations

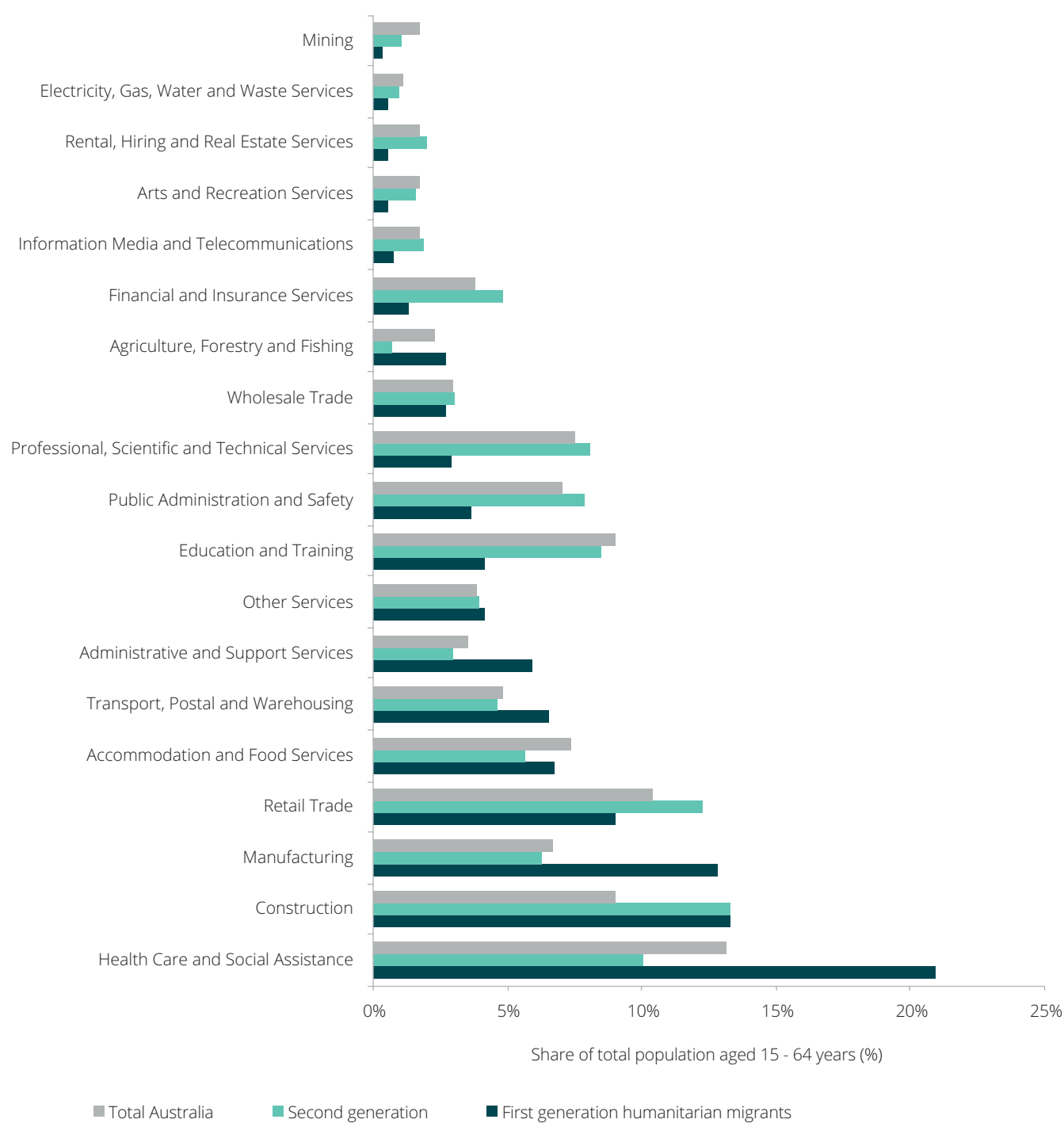
Compared to the broader Australian population, a higher share of first-generation humanitarian migrants are employed in health care and social assistance, construction and manufacturing (Chart 2.6). These industries have a higher share of low-skilled occupations, and as 49% of migrants and refugees are working in jobs that don't use their highest skills or qualification, these industries also tend to have a higher share of first-generation humanitarian migrants.⁴³ The distribution of second-generation humanitarian migrants is similar to the broader Australian population, although a higher share of second-generation humanitarian migrants are employed in retail and construction. To some extent, this may reflect the age differences, as these industries have a higher share of younger workers than the broader workforce.

Within the health care and social assistance industry, the type of jobs first-generation humanitarian migrants tend to be concentrated in are care-based. Chart 2.7 shows that a large share of humanitarian migrants are employed in residential care and social assistance services, with a higher share employed in aged care residential services (26% compared to 16% for the broader Australian population) and child care services (29% compared to 9% for the broader Australian population).

In contrast, just over 59% of the broader Australian population are employed in hospitals and medical services within the broader health care and social assistance industry, while just 26% of first-generation humanitarian migrants are employed within these sectors. This has many implications, the first one of which is the earnings profile of humanitarian migrants. Care-based occupations such as child care and aged care residential services tend to have lower than average rates of remuneration (median total personal weekly income band \$650 - \$799 from 2016 Census). In comparison, the hospital and medical services sectors tend to have higher than average rates of remuneration (median total personal weekly income band \$1,000 - \$1,249). The median wage of each sub-sector is also displayed on the vertical axis of Chart 2.7.

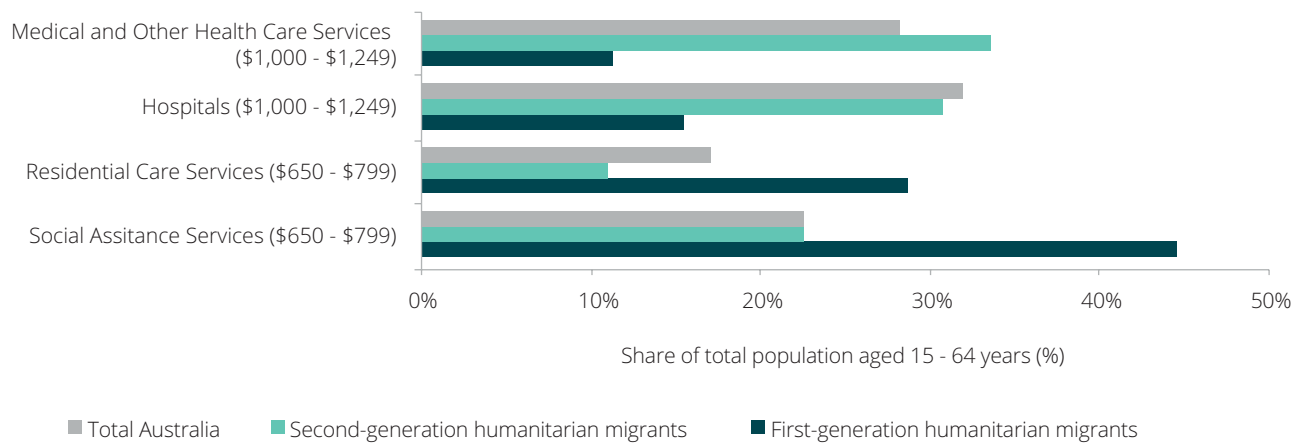
Stronger than average workforce participation in the health care sector is particularly important to meet the future demands of Australia's population. An ageing population and the expansion of large scale programs, such as the National Disability Insurance Scheme, mean that there will be additional demand for employment. Jobs in the health sector are projected to increase 15% from 2018 to 2023, while overall employment is projected to increase 7%.⁴⁴

Chart 2.6: Industry of employment, humanitarian migrants and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 2.7: Health care and social assistance employment, humanitarian migrants and total Australia (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics; median total personal weekly income shown in brackets on the vertical axis.

Humanitarian migrants earn less than the average Australian, but incomes improve over time

Within the first five years of arriving in Australia, humanitarian migrants report below average income, with the majority of new humanitarian arrivals earning between \$150 and \$299 per week.⁴⁵ In part this is due to the lower levels of labour force participation and higher reliance on income support payments, which are accessible to humanitarian migrants under the same eligibility criteria as any other Australian permanent resident.

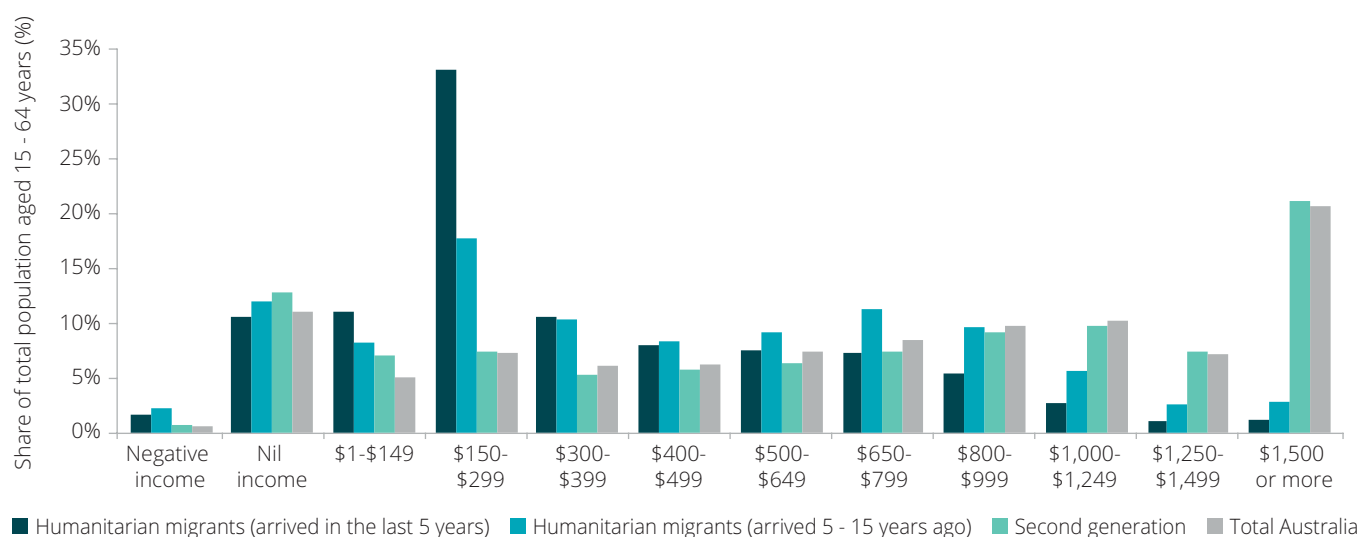
Over time, incomes begin to rise, and a higher share of humanitarian migrants are participating in the labour force. However, Chart 2.8 shows that even after a maximum of 15 years of living in Australia, humanitarian migrants still report below average incomes compared to the broader Australian population. This may suggest that humanitarian migrants either face ongoing barriers to workforce participation, or that a higher share of humanitarian migrants remain employed in occupations with lower than average wages (e.g. care-based occupations).

Table 2.2: Median total personal weekly income, humanitarian migrants by year of arrival and total Australia, persons aged 15 – 64 years (2016)

	Median total personal weekly income band
Humanitarian migrants (arrived in the last 5 years)	\$150-\$299
Humanitarian migrants (arrived 5 – 15 years ago)	\$400-\$499
Second generation humanitarian migrants	\$650-\$799
Total Australia	\$800-\$999

Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 2.8: Self-reported total personal weekly income, humanitarian migrants by year of arrival and total Australia, persons aged 15 – 64 years (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

2.2.2 Entrepreneurship and innovation

There is evidence to suggest that humanitarian migrants display greater entrepreneurial qualities than the broader migrant population.

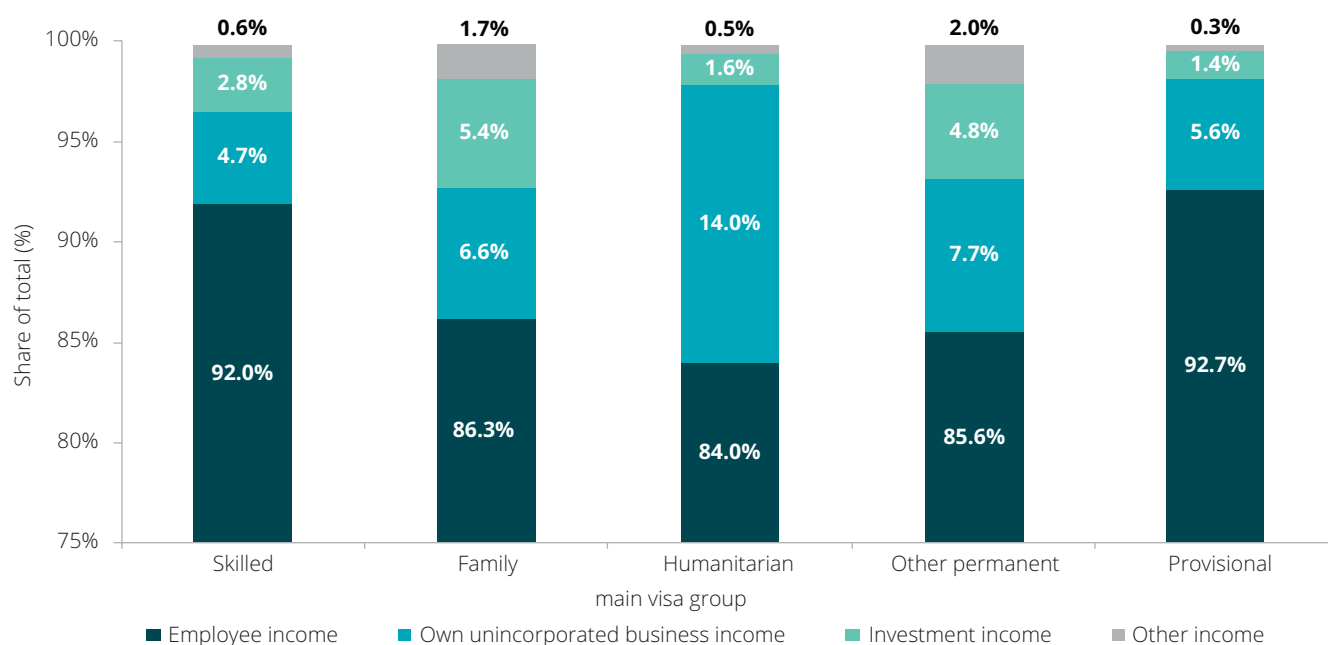
Chart 2.9 shows that humanitarian migrants report a higher proportion of total income from their own unincorporated businesses and the Australian Bureau of Statistics explains that this income increases sharply after five years of residency.⁴⁶ Similarly, a larger share of humanitarian migrant business owners are primarily focused on generating higher revenue and growing their businesses, compared to Australian-born business owners, which can help explain the rise in income after five years of residency.⁴⁷

The majority of first-generation humanitarian migrant entrepreneurs are engaged in construction, transport, postal, warehousing, health care, and social assistance. Within

these industries, the majority of businesses provide child care services, building completion services (e.g. painting and decorating services) and road transport (e.g. taxi services).⁴⁹ This is similar to the broader entrepreneurial population, who are also engaged in construction (especially building completion services) and health care. However, the broader entrepreneurial population has a higher share of professional entrepreneurs.⁵⁰

There are a number of reasons why humanitarian migrants may exhibit entrepreneurial qualities. The difficulty some humanitarian migrants face looking for employment (e.g. due to language barriers, poor skills recognition, discrimination etc.) means they often turn to entrepreneurial activities out of necessity to support themselves and their families.⁵¹ Hence, entrepreneurship can help to alleviate barriers to employment, ensuring a greater share of humanitarian migrants are able to engage with the economy in a meaningful way.

Chart 2.9: Sources of total income, main visa stream (2013-14)



Source: Personal Income of Migrants (ABS)⁴⁸, Deloitte Access Economics.

Entrepreneurialism also provides an avenue for disadvantaged and marginalised groups to improve their standards of living.⁵² Research shows that migrant entrepreneurs identify opportunities due to an understanding of multicultural products and language preferences of their customers as well as the significant customer base for ethnic products and services.⁵³ One of the primary motivations for migrant entrepreneurial activities is a desire to improve their standard of living. As such, it appears that entrepreneurial activity and understanding co-ethnic preferences are closely associated with improving standards of living for migrant entrepreneurs.⁵⁴ Evidence confirms that migrant entrepreneurs employ people from their shared cultural and ethnic backgrounds. This has two impacts. Working in a homogenous business environment may reduce incentives to learn the host country language and acquire new skills to enter the mainstream labour market. However, homogenous business environments have also been shown to increase the standard of living for those migrants who find employment.⁵⁵

There is also evidence to suggest that increased entrepreneurship can contribute to broader economic growth. A 2013 study found a 1% increase in start-up businesses per annum improves GDP per capita in the subsequent year by approximately 0.2% and reduces unemployment by 0.1%.⁵⁶ Hence, the impact of a more entrepreneurial workforce matters, as humanitarian migrant business owners bring a unique set of skills that enrich Australia's culture and economy.

2.3 Humanitarian migrants increase aggregate demand

Humanitarian migrants are consumers of locally produced goods and services. Like any person living in Australia they have housing and household requirements, as well as demands for services from business and government such as professional services, health care and education. This consumption contributes to national aggregate demand, measured by GDP.

Another important economic measure is aggregate demand per capita, which represents the *average* value of goods and services consumers per person resident in Australia. The extent to which aggregate demand per capita changes with an increase in humanitarian migration depends on relative levels of consumption between additional humanitarian migrants and current residents.

2.3.1 Demand for goods and services

Compared to the broader Australian population, humanitarian migrants have a lower demand for goods and services. Based on analysis from the Migration Council Australia (2016),⁵⁷ humanitarian migrants account for 1.4% of the population, but only 0.6% of total consumption; meaning humanitarian migrants

have a consumption to population ratio of 0.4. As shown in Chart 2.10, this is lower than other migrant groups.

Lower consumption levels are largely driven by fact that humanitarian migrants receive less income from all sources than the average Australian. However, humanitarian migrant incomes improve over time reflecting increased levels of employment. Notably, despite lower consumption, the household spending patterns of migrants is likely to be similar to an Australian-born household. While no specific research has been conducted for humanitarian migrants, research from the Productivity Commission suggests that spending patterns for recent immigrant households, immigrant household and Australian-born households are similar—especially for food, transport, recreation and other goods and services.⁵⁹

2.3.2 Demand for government services

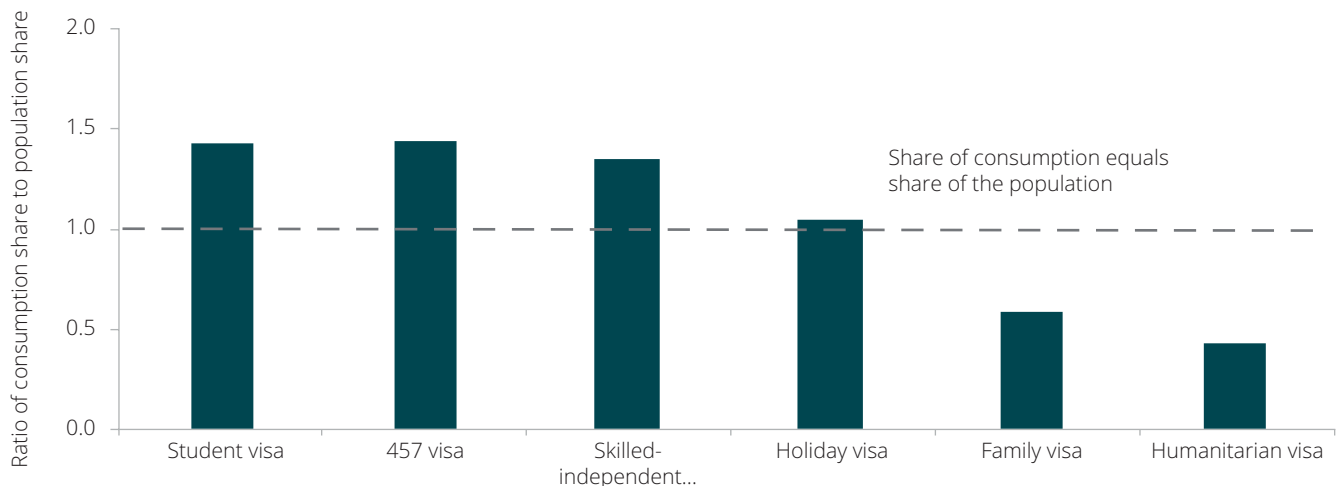
Humanitarian migrants contribute to the demand for government services, as well as the supply of revenue through the provision of income tax and other forms of taxation. The amount of services demanded by incoming humanitarian migrants depends on their age, labour force status and personal characteristics.

As shown in Figure 2.2, government expenses are higher for young people due to the costs associated with education and health care (among other services), and for elderly people due to pension and health costs. These expenses are broadly offset by tax revenue generated through the individual's prime working age.

The Australian government provides additional assistance to humanitarian migrants when they first arrive to help them settle into life in Australia.⁶⁰ The types of settlement services are varied,⁶¹ and include practical support and orientation activities as part of the Humanitarian Settlement Program,⁶² free translation services as part of the Translating and Interpreting Service,⁶³ and English language training as part of the Adult Migrant English Program.⁶⁴ In addition to these settlement services, a large share of humanitarian migrants reskill in the first five years of arrival, as many find that their qualifications are not recognised within Australia.⁶⁵

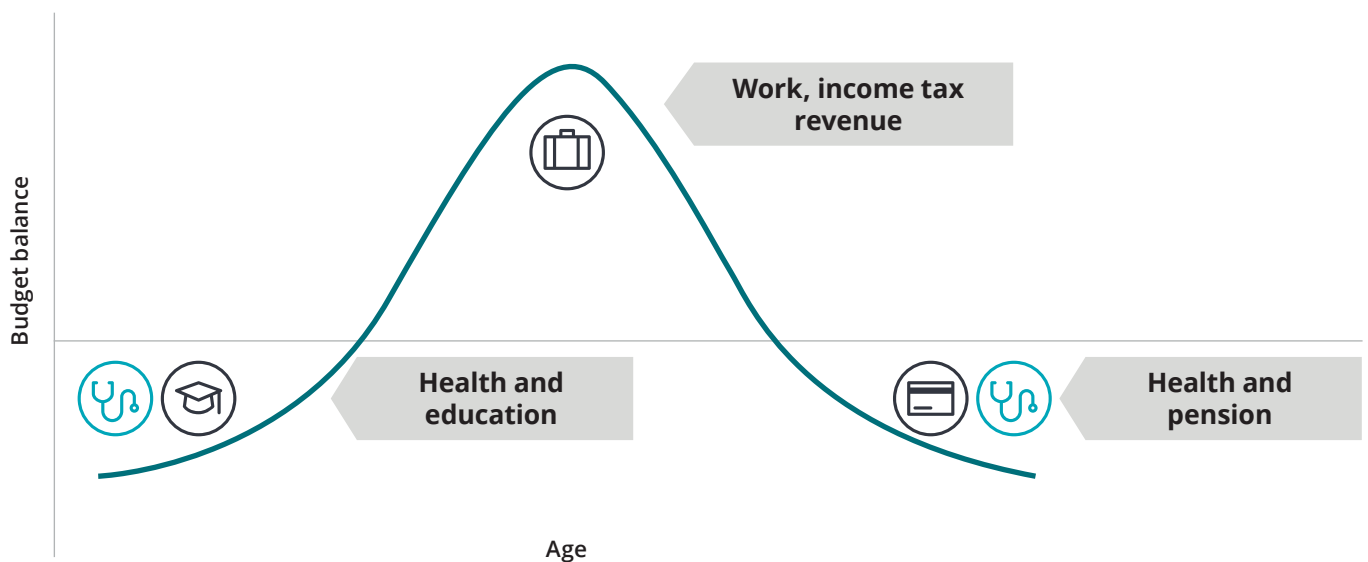
In general, humanitarian migrants are net recipients of government support when they first arrive in Australia as they receive settlement services to set up their life in Australia. Over time, as humanitarian migrants settle into life in Australia, finish their training and find employment, they become net contributors to the government. Prior research from Access Economics suggests it takes just over a decade for tax revenue collected from humanitarian migrants to offset these initial expenses.⁶⁶

Chart 2.10: Ratio of consumption to population share (2016)



Source: Deloitte Access Economics analysis of Migration Council Australia⁵⁸

Figure 2.2: Lifecycle budget balance by age



Source: Deloitte Access Economics

2.3.3 Remittances

An important part of economic activity for migrants, including humanitarian migrants, is remittances—transfers of funds overseas, generally to friends and family in individuals country of origin. These remittances do not contribute to the Australian economy, but provide an important source of income, and subsequent demand, internationally.

Remittance flows to low-income countries comprise nearly 6% of these countries' gross domestic product (GDP), compared with about 2% of GDP for middle-income countries.⁶⁷ Specific studies of the impact of remittances in countries experiencing humanitarian crisis have found even larger impacts. Remittances in Somalia accounted for between 25% and 45% of Somalia's economy in 2015 and exceed the amount it receives in humanitarian aid, development aid and foreign direct investment combined. These remittances provided important investments in education, health and nutrition.⁶⁸

In 2017, approximately A\$23.7 billion worth of remittances were sent overseas from Australia.⁶⁹ The source of this funding is unclear, with very little evidence as to the proportion of these remittances sent from humanitarian migrants. However, evidence from a survey in 2008 suggest that 70% of humanitarian migrants have, at some point, sent money to their homeland. It is estimated that those humanitarian migrants who do send remittances will send an average of \$2,200 dollars per annum in 2018 dollars.⁷⁰

The extent to which migrants, including humanitarian migrants, send remittances overseas reduces the longer migrants have been settled in a country. Figure 2.3 shows how remittances vary over the lifecycle of a new migrant, based off the financial products held by migrants. Initially, remittances overseas are the majority of a migrants' formal financial needs upon arrival. However, as migrants further settle and increase their engagement into the Australian economy, the demand for remittance services declines (Australian Centre for Financial Studies, 2016).⁷¹

Figure 2.3: The Migrant Financial Lifecycle

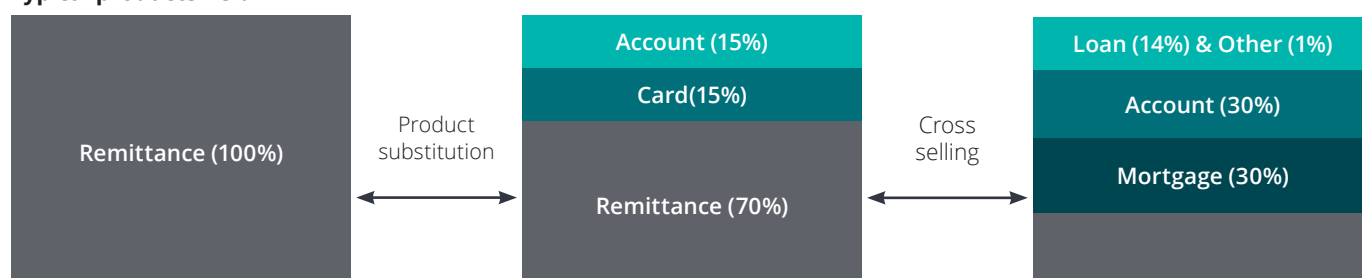
Lifecycle of new residents



Financial needs of new residents



Typical products held



Source: Australian Centre for Financial Studies (2016)⁷¹



3

**Economic
impact**

Increasing Australia's humanitarian migrant intake could increase economic output by **\$37.7 billion in net present value terms over the next 50 years⁷²** and sustain an average of **35,000 additional jobs every year for the next 50 years**. The additional humanitarian migrants lift aggregate demand for goods and services and increase the labour supply, leading to job creation and growth in the Australian economy.

The economic improvement is lower than the Australian average in per capita terms at first, but then builds over time as humanitarian migrants become more engaged with the labour market.

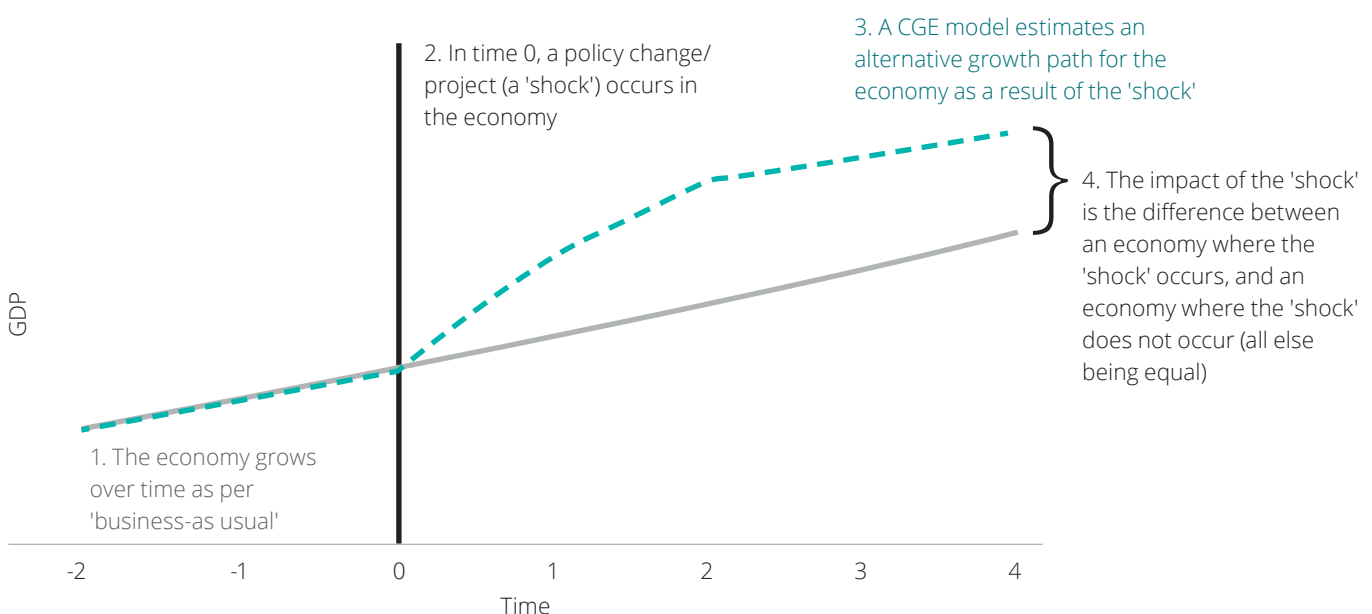
3.1 Measuring the economic impact

This study uses computable general equilibrium (CGE) modelling to measure the *net* economic impact of Oxfam's proposal to **increase humanitarian migration to 44,000 over a five year period**. The *net* impact refers to the economic growth and employment attributable to the decision relative to a "baseline" scenario in which humanitarian migration stays at its current levels until 2023. The model **does not consider** the impact of any **additional humanitarian migrants** relative to the baseline **after the five year period**. The notion of additional activity over a baseline impact is visualised in Figure 3.1.

The focus on additional economic activity means that this study focuses on the economic activity and number of jobs created for people that were previously unemployed or not working, rather than those simply reallocated from elsewhere in the labour market. The focus on additional activity makes impact studies a powerful tool for understanding the outcomes of policy decisions.

More information on the Deloitte Access Economics' Computable General Equilibrium model can be found in Appendix B.

Figure 3.1: Economic impact as the difference between two scenarios



Source: Deloitte Access Economics

3.2 Inputs to the modelling

As highlighted in Section 2.1, Deloitte Access Economics have conceptualised the impact of an increase in humanitarian migration as containing three key components. The impact on labour supply and aggregate demand were captured by the CGE model, and the social impact of changes in the social and cultural fabric of Australia is captured qualitatively in Chapter 4.

3.2.1 Measuring labour market impacts

The labour market impacts were quantified by estimating the population change and labour market outcomes of first and second generation migrants.

First generation impacts

The population change associated with first generation migrants was estimated by comparing the proposed scenario of an increase in humanitarian migration to 44,000 by 2022-23 to a baseline scenario in which humanitarian migration remained at its 2017-18 level for the next five years. As shown in Table 3.1, the impact of the proposed change is an additional 88,750 people in the Australian economy over the next five years. Given the Australian population is around 25 million,⁷³ the cumulative increase represents a 0.36% increase in the current population.

Within the model framework, the additional migrants who are assumed to arrive under the proposed scenario between 2018-19 and 2022-23 were then aged over the 50 year time horizon. The number of first generation humanitarian migrants that entered the labour force was then estimated by applying labour force statistics to the population change in each year. Labour force statistics were disaggregated by the length of time in Australia as outcomes generally improve over time.

Second generation impacts

The population change associated with second generation migrants was estimated using ABS data on demographic and fertility characteristics. This information was used to estimate the age of humanitarian migrants on arrival and the number of children that could be expected to be born over the 50 year period.

The labour market outcomes of second generation migrants that were born in Australia or that arrived as a child less than 15 years of age were modelled separately from first generation migrants. Research from the Productivity Commission suggests that migrants who are born in Australia or who arrive before 15 years of age from non-English speaking countries have different labour market outcomes to first generation humanitarian migrants.⁷⁴

More information on the methodology used to quantify the labour market impact can be found in Appendix A.

Table 3.1: Oxfam Australia's proposal to increase humanitarian migration

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	5 year total
Proposed level of humanitarian migrants		20,000	30,000	36,000	40,000	44,000	
Base level of humanitarian migrants	16,250 (actual)	16,250	16,250	16,250	16,250	16,250	
Additional humanitarian migrants		3,750	13,750	19,750	23,750	27,750	88,750

3.2.2 Measuring aggregate demand impacts

Aggregate demand impacts include changes in government expenditure and taxation as well as household consumption of goods and services and savings.

The cost of settlement services was estimated using the 2019-20 Portfolio Budget Statements and by assuming that humanitarian migrants consume settlement services when they first arrive. This is a simplifying assumption as migration settlement services often remain available to migrants after their first year of arrival in Australia and some programs, such as English language training, are available for other types of migrants. The per capita figure was used to provide a higher level estimate of the cost of settlement services for the additional humanitarian migrants that would be expected to arrive in Australia under Oxfam's proposal, and do not represent a detailed costing.

This report focused on three main types of settlement services provided by the Australian government (see Table 3.2):

- the settlement services provided by the Department of Social Services;⁷⁶
- the refugee and humanitarian assistance provided by the Department of Home Affairs;⁷⁷ and
- English language training provided by the Department of Education and Training.⁷⁸

Other changes in aggregate demand, including increases in uptake of other government services or the consumption of goods and services were indirectly captured in the CGE model. The model simulation included a direct shock to labour as the incoming humanitarian migrants are expected to increase the pool of available workers. The labour supply shock then flows into increases in income, which in turn lifts household consumption and savings, as well as taxation revenue and government spending.

Remittances or overseas cash transfers form an important part of economic activity for humanitarian migrants, particularly for the friends and family that receive these payments. As an overseas transfer, remittances do not contribute to the Australian economy, but provide an importance source of income, and subsequent demand, internationally. Remittances have not been captured in the model due to data limitations and instead are discussed in Section 2.3.3.

3.3 Impact on the Australian economy

The increase in humanitarian migrants as proposed by Oxfam Australia is estimated to increase Australia's real Gross Domestic Product (GDP). The size of Australia's economy is projected to increase by **\$37.7 billion in net present value terms** (\$2017-18 and 7% discount rate) over the next 50 years and is shown in Chart 3.1 below.

On average, **GDP will be \$4.9 billion greater annually** (in \$2017-18) between 2018-19 and 2067-68 compared to what it would have been under the base case scenario where humanitarian migration remains at 2017-18 levels for the next five years.

As shown in Chart 3.1, the economic impact is expected to grow over time. Initially, additional economic activity remains fairly subdued as it takes some time for humanitarian migrants to settle into life in Australia. As outlined in Chapter 2, the majority of migrants that arrived in the last five years are engaged in full or part time study and that number remains fairly high even for migrants that have been here for five to 15 years.

Table 3.2: Settlement services for humanitarian migrants

	2018-19 Estimated actual	Per migrant cost
Settlement services	\$211,003,000	\$11,253
Refugee and humanitarian assistance	\$42,711,000	\$2,278
Adult Migrant English Program	\$258,418,000	\$13,782
Humanitarian migrants	18,750 ⁷⁹	

Note: Per migrant cost is estimated by dividing the \$2018-19 cost by the 2018-19 humanitarian migrant cap.

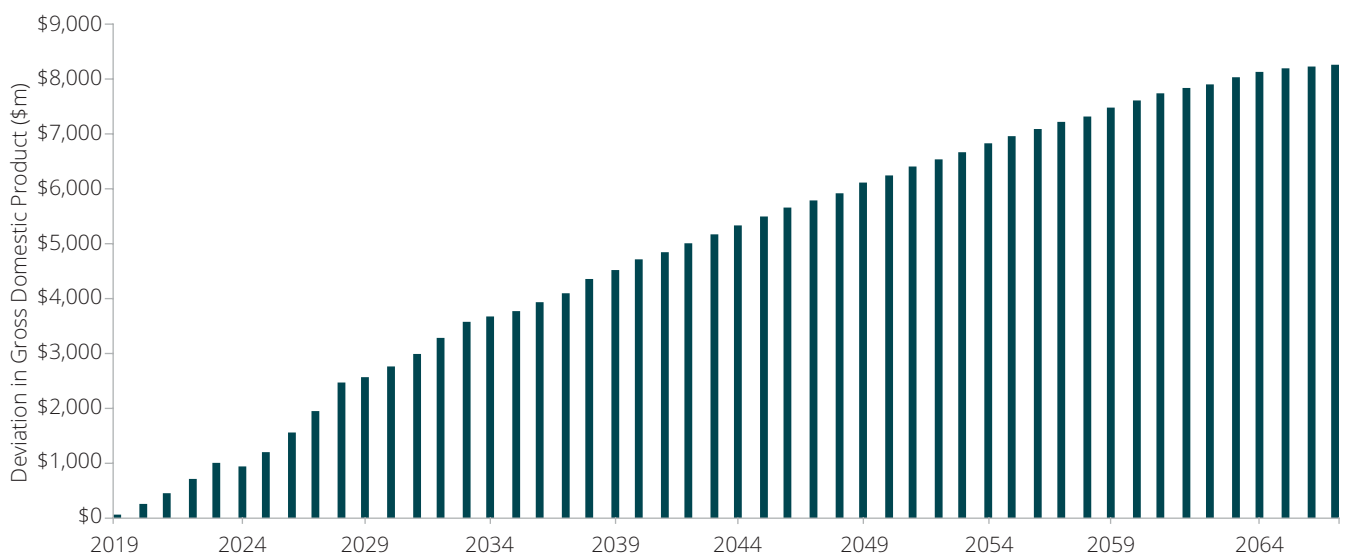
Economic activity starts to pick up in the early 2030s when the humanitarian migrant population has been in Australia for around ten years. As outlined in Chapter 2, labour force outcomes for humanitarian migrants improve significantly over time. Humanitarian migrants are also relatively entrepreneurial, and are more likely to own and receive income from their business as compared to the broader Australian population. The economic impact continues to grow over time, as second generation humanitarian migrants enter the workforce. As outlined in Chapter 2, second generation humanitarian migrants have labour market outcomes similar to the Australian population.

Chart 3.2 presents the net present value deviation in industry gross value added (GVA) at the national level between 2018-19 and 2067-68. Financial and other business services receives the largest benefit from the proposed change. The sector includes insurance, financial intermediation, communication, and other business services and represents a relatively large share of activity in the Australian economy and therefore benefits the most from the uptick in activity.

The relatively labour intensive industries of health, education and other government services; food processing and other manufacturing; retail trade, accommodation and food; and construction also benefit from the increase in labour associated with an increased labour force augmented by the increased level of humanitarian migration.

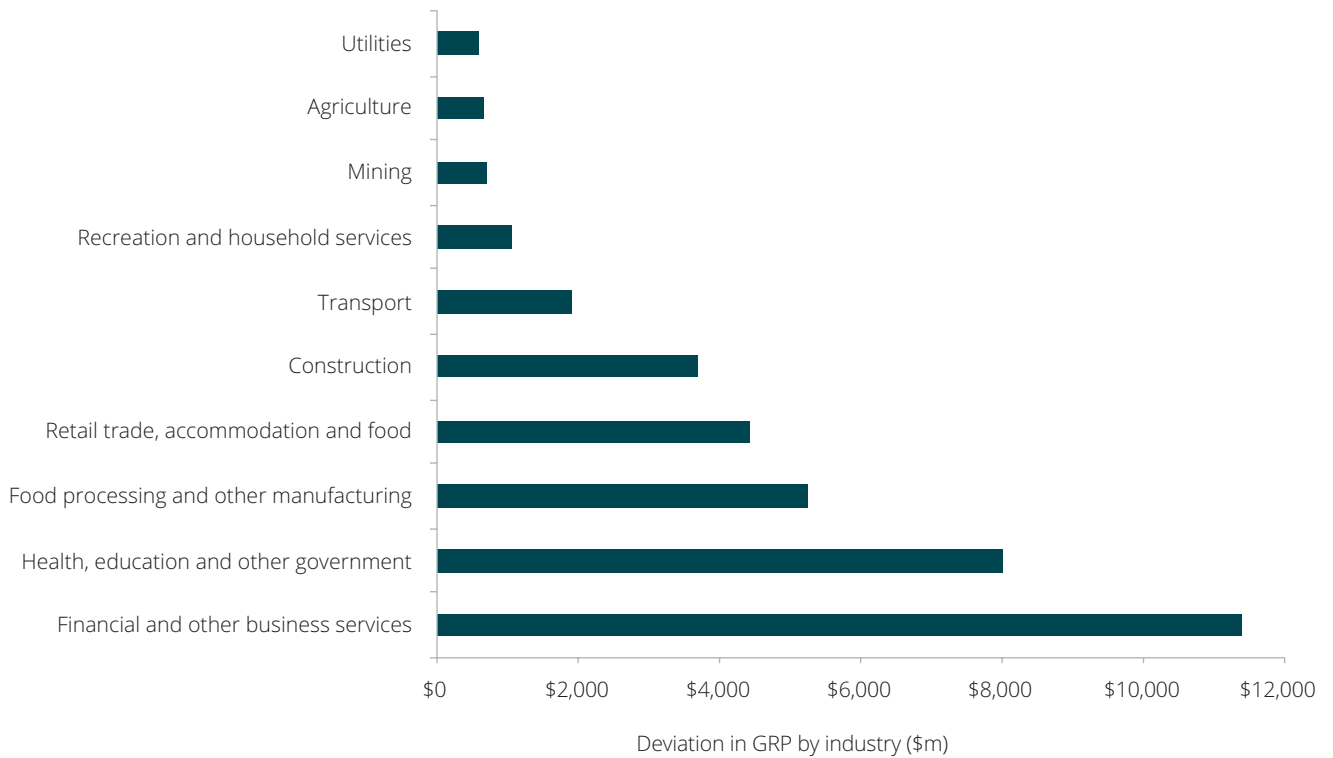
Chart 3.3 presents the deviation in gross domestic product for each additional migrant, and the real GDP per capita in Australia. The chart shows that the additional GDP generated for each additional humanitarian migrant is less than GDP per capita in Australia. This reflects the barriers humanitarian migrants face to entering employment when they first arrive in Australia, as first generation humanitarian migrants typically have lower participation rates, higher unemployment rates and earn lower wages than the broader Australian population. As mentioned in Chapter 2, labour force outcomes improve over time and the labour force outcomes for second generation humanitarian migrants are similar to the broader Australian population. The improvements in labour force outcomes and earnings is shown in the increase in GDP per capita for humanitarian migrants over time.

Chart 3.1: Deviation in real Gross Domestic Product (GDP), 2018-19 to 2067-68 (\$2017-18)



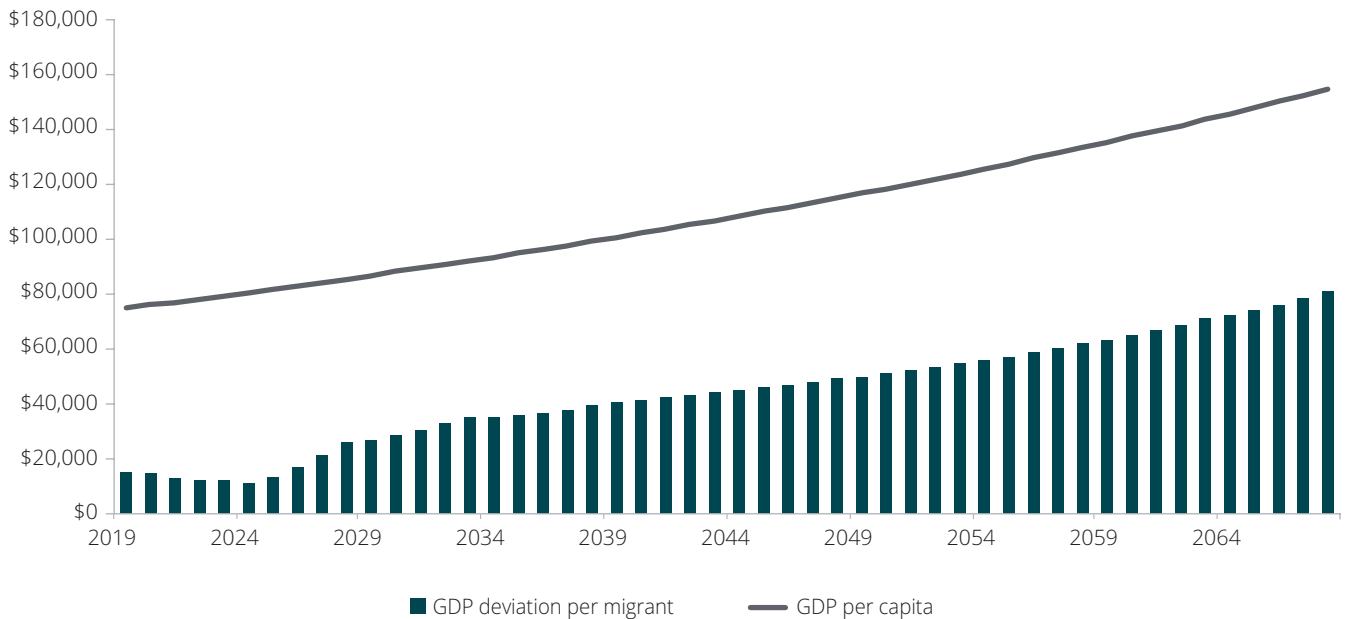
Source: Deloitte Access Economics - Regional General Equilibrium Model.

Chart 3.2: Deviation in net present value of industry value added, 2018-19 to 2067-68 (\$2017-18)



Source: Deloitte Access Economics - Regional General Equilibrium Model.

Chart 3.3: Real deviation in real Gross Domestic Product (GDP) per additional migrant, and real GDP per capita in Australia (\$2017-18)



Source: Deloitte Access Economics - Regional General Equilibrium Model, and ABS 5206.0 - Australian National Accounts: National Income, Expenditure and Product. GDP per capita in Australia was assumed to grow at 1.5% per annum.

3.4 Impact on jobs in Australia

Increasing the humanitarian migrant intake is estimated to increase total employment.

Increasing the humanitarian migrant intake is expected to **increase employment by 35,000 FTE jobs in average annual terms** over the period from 2018-19 to 2067-68. The employment benefits continue to increase over time particularly as humanitarian migrants settle into life in Australia, finish retraining and enter the labour force.

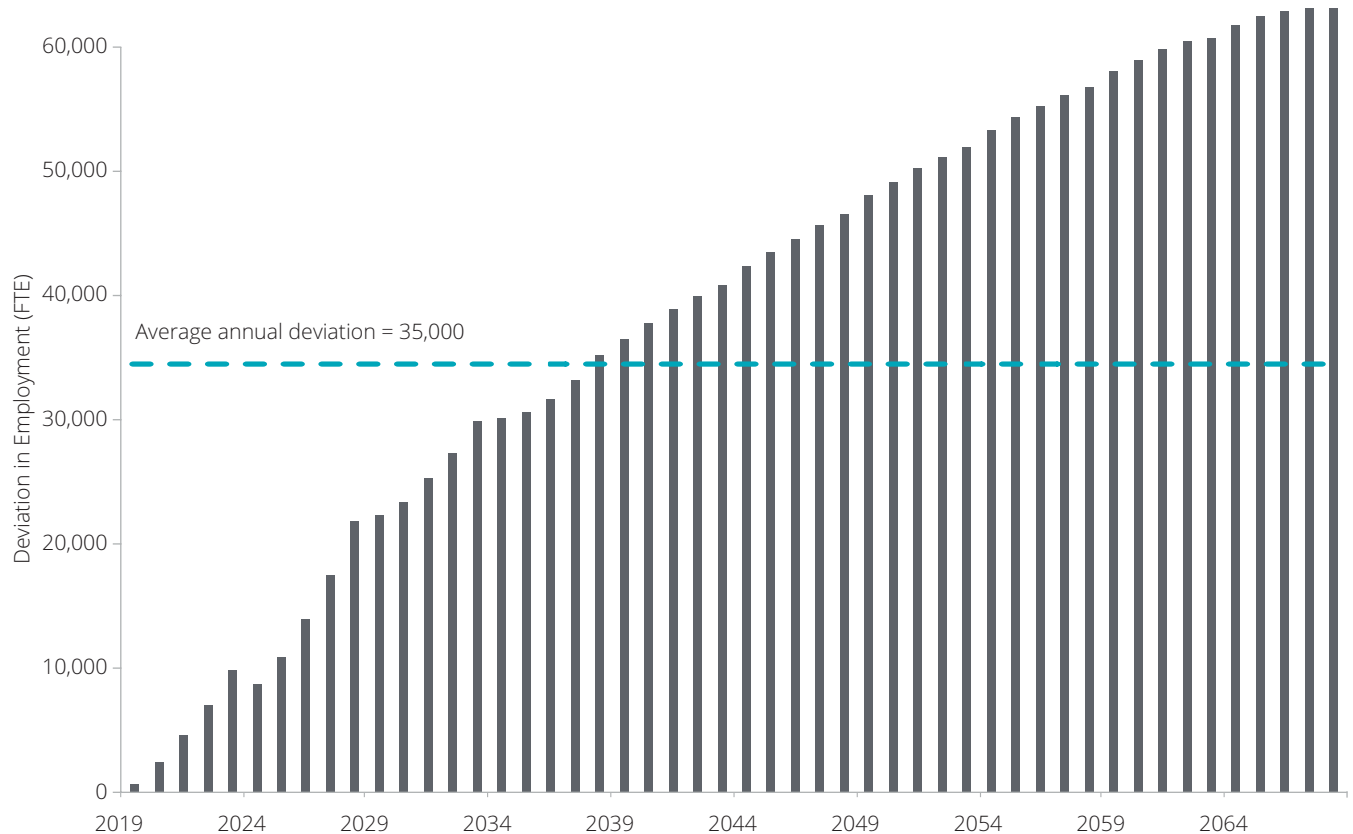
The employment gains also occur as labour market outcomes gradually improve for first generation humanitarian migrants and then as second generation humanitarian migrants start to enter the labour force.

The proposed increase in Australia's humanitarian migration intake is expected to contribute to additional employment across a variety of sectors.

Employment in financial and other business services as well as the health, education and other government sector could increase substantially as the lift in economic activity is expected to boost aggregate demand. These sectors also represent a large amount of economic activity and form a large share of workers in the Australian economy.

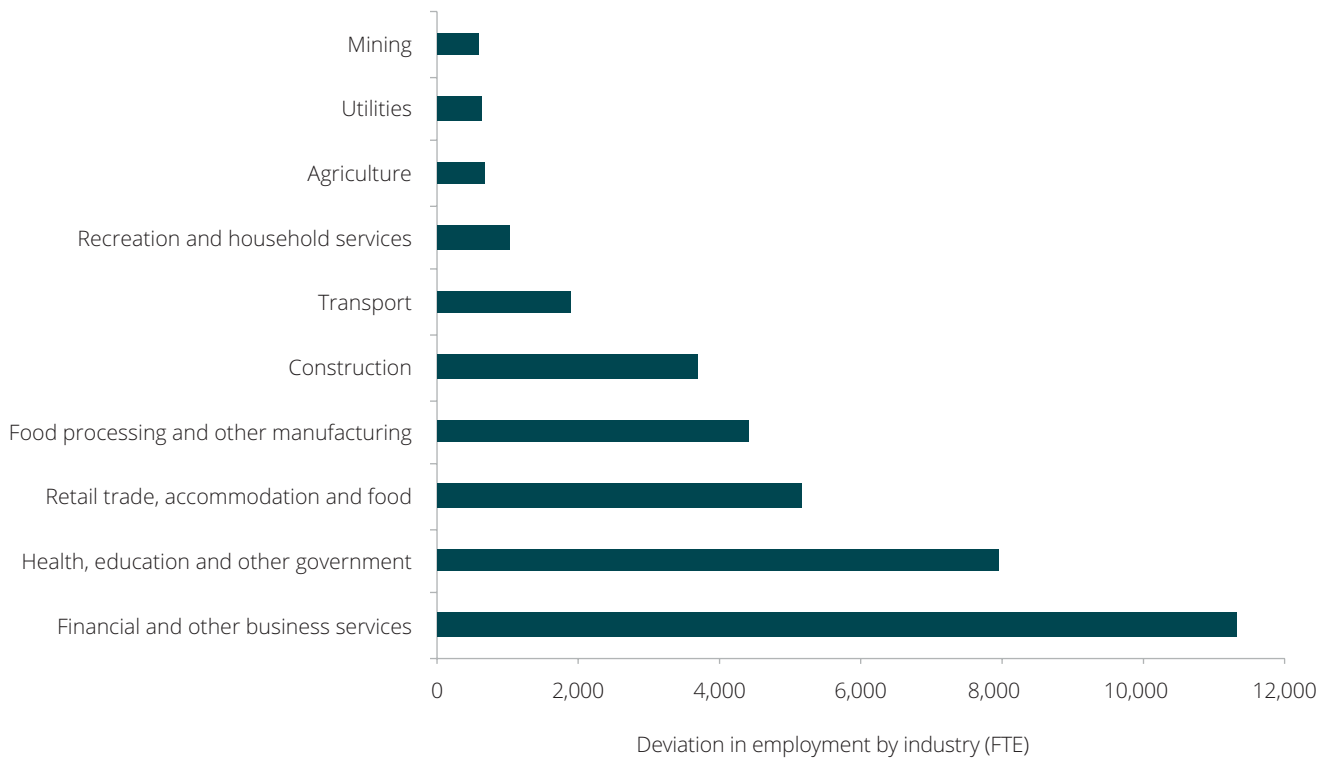
Employment in the retail trade, accommodation and the food sector as well as the manufacturing sector could also increase as the boost in economic activity is expected to increase the demand for consumption goods. These sectors are also relatively labour intensive meaning that any increase in demand has a relatively strong link to employment growth within the sectors.

Chart 3.4: Deviation in employment 2018-19 to 2067-68 in full time equivalent (FTE) terms



Source: Deloitte Access Economics - Regional General Equilibrium Model.

Chart 3.5: Industry composition of the average annual change in employment 2018-19 to 2067-68



Source: Deloitte Access Economics - Regional General Equilibrium Model.

3.5 Impact on consumption in Australia

Increasing the humanitarian migrant intake is estimated to increase the consumption of goods and services in Australia. Private consumption is considered the best approximation of consumer wellbeing or welfare.

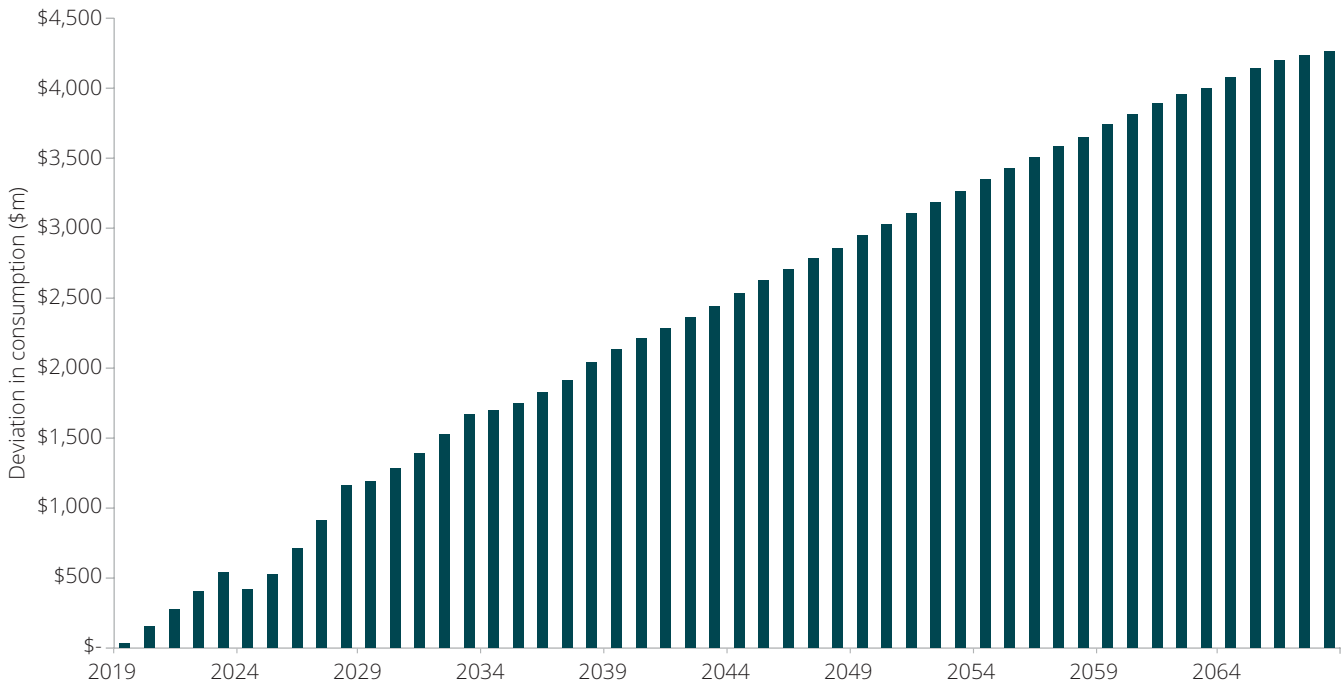
Increasing the humanitarian migrant intake has the potential to increase Australia's **real household consumption by \$18.2 billion in net present value terms** (\$2017-18 and 7% discount rate) over the period from 2018-19 to 2067-68. As shown in Chart 3.6, the impact on household consumption is expected to increase over time in line with the increase in economic activity.

3.6 Impact of government services

Increasing the humanitarian migrant intake has the potential to increase government expenditure by **\$8 billion** over the next 50 years (\$2017-18 and 7% discount rate).

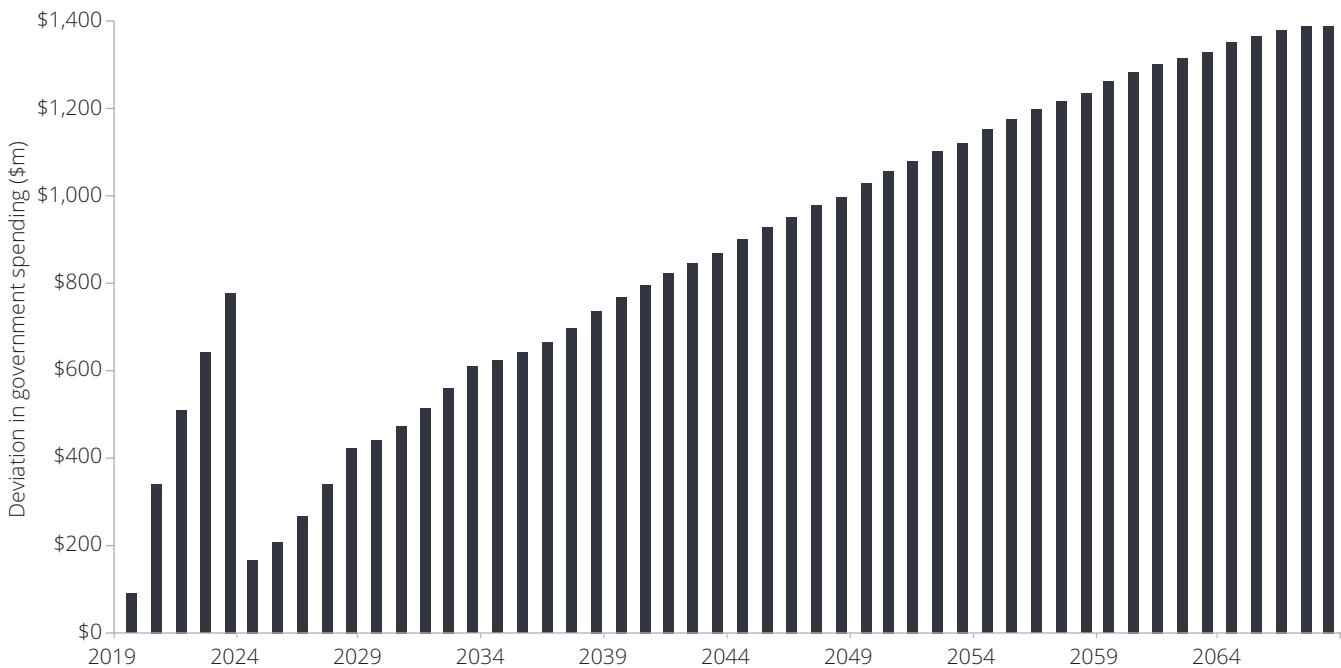
As shown in Chart 3.7 government expenditure grows significantly in the first few years, due to the costs associated with settlement services, but then falls back from this initial expenditure. Government expenditure then starts to gradually lift from 2023-24 onwards due to rises in income. This lift in income is associated with the broader economic impact, as more humanitarian migrants settle into life in Australia and enter the labour force.

Chart 3.6: Deviation in real household consumption, 2018-19 to 2067-68 (\$2017-18)



Source: Deloitte Access Economics - Regional General Equilibrium Model.

Chart 3.7: Deviation in real government expenditure, 2018-19 to 2067-68 (\$2017-18)



Source: Deloitte Access Economics - Regional General Equilibrium Model.

3.7 Summary

The CGE modelling for this report analyses the economic impact of Oxfam's proposal to increase the cap on humanitarian placements to 44,000 by 2023.

The main inputs to the modelling include the labour force impacts associated with the proposed increase in migration from 2018-19 to 2022-23 (which was aged over the 50 year time horizon and formed the basis of the second generation estimates). The labour force impacts were also modelled separately for first and second generation migrants, as the prior literature suggests that it generally takes first generation humanitarian migrants some time to settle into life in Australia and find a job whereas second generation migrants have similar outcomes to the broader population.

The modelling also captures the cost of settlement services in the first years of arrival. The remaining impacts on aggregate demand, such as changes in the consumption of goods and services, as well as the consumption of other government services was captured endogenously by the economy-wide model. That is, the model uses a series of relationships across various economic variables including, for example, labour income and historical consumption patterns, to estimate aggregate demand impacts.

The model does not explicitly capture the impact of remittances or social impacts more broadly due to data limitations. Instead these impacts are discussed qualitatively in the next chapter.



4 Social impact

Increasing Australia's humanitarian migrant intake will have a significant social impact. Humanitarian migrants actively contribute to the multicultural and diverse fabric of Australian society.



The social contributions of humanitarian migrants have an impact on the Australian economy. However, the impact of these contributions, in economic terms, is difficult to quantify due to a lack of sufficient data and difficulties converting these impacts into a comparable measure of impact (e.g. 'monetisation'). Therefore, this section explores the social impacts of increasing Australia's humanitarian migrant intake in more qualitative terms, drawing evidence from both primary analysis and existing research. These impacts include multiculturalism and diversity, citizenship and community engagement.

4.1 Humanitarian migrants influence the social composition of Australia

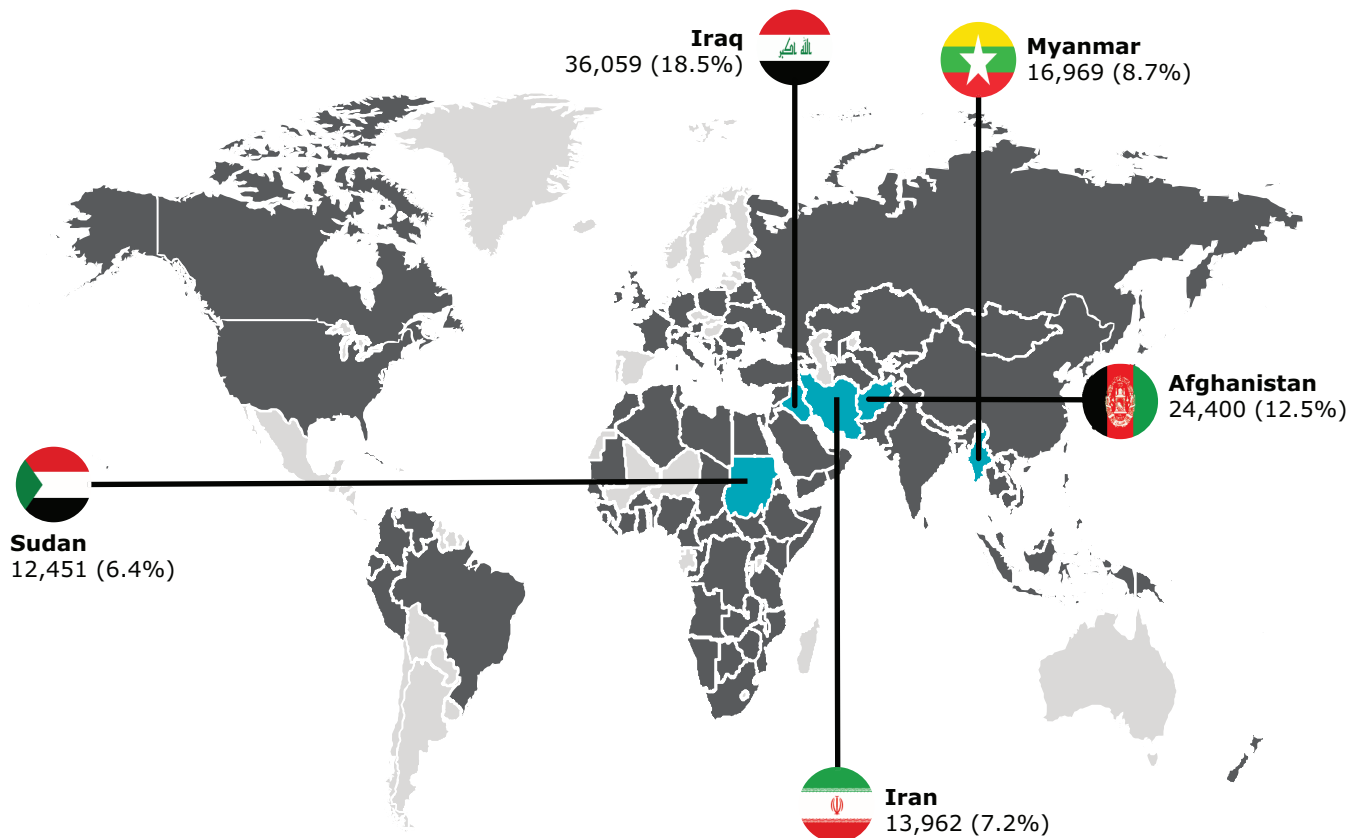
Humanitarian migrants influence the social and cultural composition of Australia. In 2016, humanitarian migrants who arrived between 2000 and 2016 were born in over 138 different countries and this has continued to diversify over time.⁸⁰ In fact, 28% of the Australian population were born overseas, and over 22% of people living in Australia speak a language other than English at home.⁸¹ Exploring both country of origin and language indicators for humanitarian migrants enables an understanding of how this cohort increases Australia's multiculturalism and diversity, and the broader implications this can have on Australian society.

4.1.1 Country of origin

The majority of humanitarian migrants that arrived from 2000 – 2016 indicated they were born in Iraq (18.5%), Afghanistan (12.5%), Myanmar (8.7%), Iran (7.2%) and Sudan (6.4%). These migrants come from some of the most vulnerable countries in the world, consistent with the humanitarian programs identification of individuals with a high need for resettlement. According to the Fragile States Index, which ranks countries based on their conflict risk and vulnerabilities, South Sudan was the most fragile state, Iraq ranked 11th, Afghanistan ranked 9th and Myanmar ranked 22nd on the global scale.

Figure 4.1 shows the share of humanitarian migrants living in Australia in 2016 by country of birth. It is important to recognise that this distribution is sensitive to global events and may not be representative of the humanitarian migrant population in years to come.

Figure 4.1: First-generation humanitarian migrants by country of birth (top five highlighted blue and remaining countries shaded dark grey) (2016)



Source: 2016 Census of Population and Housing (ABS), 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.
 Note: The Australian Census and Migrants Integrated Dataset contains 2016 Australian Census of Population and Housing data linked to Permanent Migrant Settlement Data from the Department of Social Services over the period from 2000 to August 2016.

4.1.2 Diversity of language and English proficiency

Humanitarian migrants speak a diverse range of languages. This provides unique opportunities for government and businesses to engage closely with global markets. In an increasingly interconnected world, businesses that foster diversity of language will be better equipped to meet the demands of international counterparts. However, successful integration of humanitarian migrants into Australian businesses relies on a certain level of proficiency in English.

Of the humanitarian migrants who arrived between 2006 and 2011, 72% were proficient in spoken English upon arrival. Of the humanitarian migrants who arrived in Australia between 2012 and 2016, 45% were proficient in spoken English upon arrival. The decline in proficiency in spoken English could be due to the changing composition of humanitarian migrants as countries around the world face new conflicts.

Proficiency in spoken English upon arrival varies for different humanitarian cohorts. As shown in Chart 4.1, a large number of humanitarian migrants who arrived between 2000 and 2016 were proficient in spoken English upon arrival. Some language cohorts (e.g. Dinka) show significantly higher proportions of migrants who are proficient in spoken English upon arrival than other language cohorts (e.g. Karen), where proficiency levels are closer to 50%.

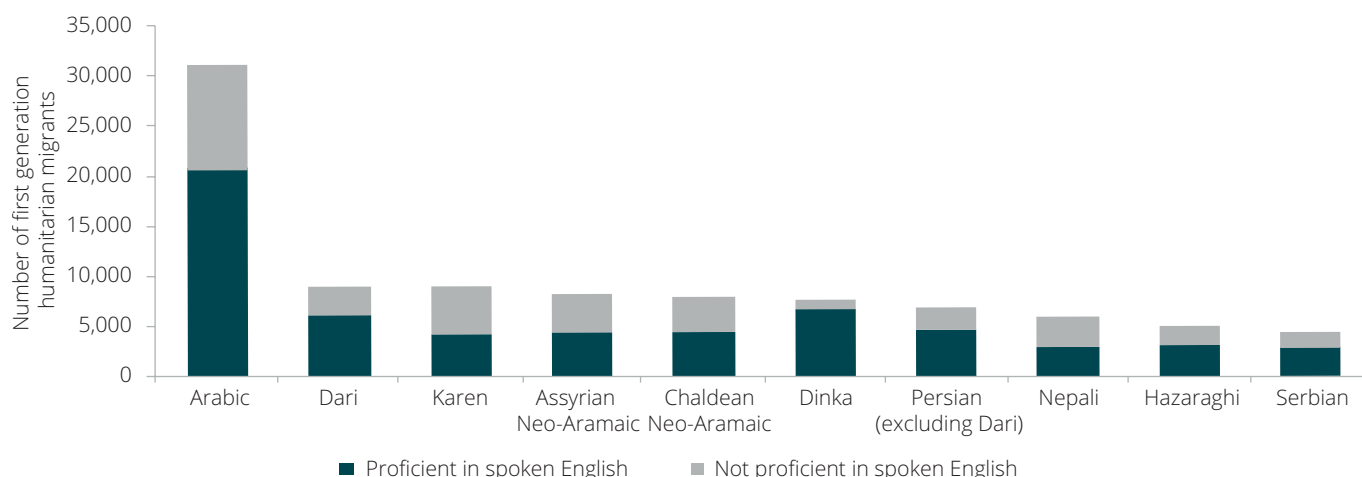
Proficiency in spoken English upon arrival has a significant impact on the level of English proficiency humanitarian migrants attain after settlement. Length of time in Australia, age upon arrival, previous access to English language education in home countries and the level of English language support available to humanitarian migrants upon arrival in Australia all impact further development of English language skills. The latter, English language support, is an important mechanism that governments can provide for humanitarian migrants to enable employment opportunities and further increase social integration and economic outcomes for humanitarian migrants.

Figure 4.2: Proficiency in spoken English, first-generation humanitarian migrants, year of arrival 2000 – 2016 (2016)



Source: 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Chart 4.1: Proficiency in spoken English upon arrival, first-generation humanitarian migrants, year of arrival 2000 – 2016 (2016)



Source: 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

4.1.3 Implications for multiculturalism and diversity

As discussed above, humanitarian migrants come from a variety of countries, with unique languages and cultures. Through this diverse background, humanitarian migrants have a positive impact on social wellbeing and satisfaction of Australians. Research suggests that social resilience, adaptability and vibrancy⁸² – although difficult to quantify – are by-products of a multicultural society, of which humanitarian migrants are an important part.

This diverse cultural background has also enhanced migrants' ability to succeed in endeavours throughout Australia. While English language proficiency is a clear barrier to developing a business, humanitarian migrant business owners have other business traits. They introduce new and unique products and cuisines for consumption in Australia,⁸³ workers bring unique experiences that increase research and innovation,⁸⁴ and humanitarian migrant communities—like other migrant communities—establish their own cultural events and precincts that become cultural activities for all Australians to enjoy.⁸⁵

Migrants themselves attribute their success to their cultural diversity. A third of migrant business owners believe that their cultural background has helped their business to succeed.⁸⁶ This is an indication that diversity can be an important strength, and advantage to, humanitarian migrants.

Increasing humanitarian migration also has broader implications for social cohesion. Research suggests that multicultural and diverse societies – such as Australia – have a unique set of circumstances that allow tolerance and a greater understanding of religions, ethnicities and languages to flourish.⁸⁷ Therefore increasing diversity can increase tolerance of all ethnic groups within and outside of Australia. In an increasingly globalised society, these cultural understandings are important in facilitating cross-country relationships and trade.

4.2 Humanitarian migrant social engagement

The extent to which humanitarian migrants engage with Australian society, not only provides an indication of successful settlement in Australian society, but generates broader community benefits including: community vibrancy, volunteering and community revitalisation. Therefore, understanding the extent to which humanitarian migrants are committed to life in Australia—in terms of citizenship and sense of belonging—and their level of community engagement informs the likely long term contributions of humanitarian migrants to Australian society.

4.2.1 Settler loss and citizenship

Humanitarian migrants have the lowest levels of settler loss—meaning they are the least likely cohort of migrants to leave Australia permanently.⁸⁸ They are more likely to spend their entire lives and raise their families in Australia than migrants from other visa categories.⁸⁹ This is a positive indication of commitment to life in Australia, together with a reflection on their previous circumstances.

Humanitarian migrants have the highest uptake of Australian citizenship, reflecting integration into Australian communities and greater connection with Australian culture. Of the permanent migrants who arrived in 2011 or earlier, humanitarian migrants have the highest uptake of Australian citizenship at 78%.⁹⁰ In 2016, humanitarian migrants from South Sudan and Sudan had the highest uptake of Australian citizenship compared with humanitarian migrants from any other country at 82% and 81% respectively.⁹¹ High uptake of Australian citizenship by humanitarian migrants is a direct result of the issues faced by their home countries in the first instance and as such, the inability to return to their home country. Nevertheless, uptake of Australian citizenship is an important indication of integration and sense of belonging.

4.2.2 A sense of belonging and identification

A sense of belonging and identification with Australia is a significant indicator of social cohesion and integration for humanitarian migrants with the broader Australian community, and vice versa.

Evidence indicates that humanitarian migrants generally respond positively to their experiences in Australia and feel a sense of belonging. For example, data obtained from the Building a New Life in Australia (BNLA) longitudinal study suggests 80% of humanitarian migrants feel welcome in Australia, and 70% report a sense of belonging. In addition, 84% rated their overall settlement experience as good or very good – although many participants were still waiting to reunite with family.⁹²

Attitudes of other Australian citizens is also a key indicator of integration of migrants. Reflectively, the impact migrants have on Australia's social composition are viewed positively by Australians.⁹³ A report by the Scanlon Foundation – Mapping Social Cohesion 2018 – found that 85% of Australian survey participants agree or strongly agree that multiculturalism has been good for Australia. This highlights the positive view towards immigration that many Australians hold. The same report found that 82% of survey participants agreed with the statement that *'immigrants improve Australian society by bringing new ideas and cultures'*⁹⁴ and 80% of survey participants agreed with the statement that *'immigrants are generally good for the Australian economy'*.⁹⁵

4.2.3 Community engagement

Community engagement is critical to the integration of humanitarian migrants into Australian society. It helps migrants build a sense of belonging and high levels of community engagement fosters understanding, acceptance and tolerance in the broader Australian community.⁹⁶

While research on the levels of community engagement for humanitarian migrants is limited, existing research suggests that humanitarian migrants are highly engaged in community activities. Studies of young humanitarian migrants suggest that 81% of youths from a migrant and refugee background are involved in four or more community activities. These activities included participation in social and recreational activities (65%); youth leadership initiatives (59%); and volunteering (53%).⁹⁷

These contributions can often be to their own ethnic and cultural communities, offering support networks for other recently arrived migrants. They can also be contributions to the broader Australian community through volunteering, training and employing young people and contributing to community projects and activities. Both forms of engagement, especially the latter, reflects successful integration into Australian society and helps increase community vibrancy.

Volunteering is a particularly important social, but also economic contribution, and has been found to contribute \$290 billion to Australia in economic and social benefits a year.⁹⁸ Humanitarian migrants play a role in this contribution, with research finding that humanitarian migrants volunteer at a higher rate than Australian-born citizens, and that the volunteering rate remains high for second generation humanitarian migrants.⁹⁹

In their official workplaces, humanitarian migrants also contribute to the community. Giving back to the community is high priority for migrant-owned small businesses.¹⁰⁰ This is attributed to the fact that humanitarian migrants often come from countries that are more collectivist – community orientated – than individualistic – about the self.¹⁰¹

Migrant-owned small businesses have a number of strategies to give back to the community. These include:

- Training and employing young people—particularly those from their own cultural background who may struggle to find employment due to language and educational barriers. However, this is not limited to young people from the same cultural background. Young people, regardless of their cultural background, are often the beneficiaries of training and employment opportunities from migrant-owned small businesses.¹⁰²
- Contributing to community projects and activities—humanitarian migrants contribute to community projects and activities by becoming youth counsellors, cultural awareness trainees, community leaders, cultural mentors, settlement workers, mediators, translators and religious leaders.¹⁰³

Humanitarian migrants also help to revitalise metropolitan, regional and rural areas through increased government funding, new services and amenities and population growth. Previous trends indicate that humanitarian migrants tend to settle in metropolitan areas. This is beginning to change. Evidence suggests that rural and regional areas are experiencing labour shortages, particularly low-skilled or unskilled jobs, attracting humanitarian migrants as they can compete for these jobs more easily.¹⁰⁴

It is important to acknowledge the significant contribution that humanitarian migrants make to the broader Australian community. Fostering an understanding of these contributions will lead to better outcomes for both humanitarian migrants and other Australian citizens.

The background of the slide features a stylized city skyline at the bottom with several buildings of varying heights and widths, some with white window patterns. The sky is a solid teal color, populated with several white, fluffy clouds of different shapes and sizes. A white, speech-bubble-like shape points from the left towards the title. On the left side, a white airplane is shown from a top-down perspective, flying towards the right. A white beam of light emanates from the tail of the airplane, pointing directly at the title.

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Appendix A: Modelling inputs

This appendix explains the methodology used to estimate the labour force impacts of humanitarian migrants and is structured as follows; Section A.1 outlines the estimation process for population changes associated with humanitarian migrants, Section A.2 outlines the estimation process for labour force outcomes for first generation migrants, and Section A.3 outlines the estimation process for labour force outcomes for second generation migrants.

Research from the Productivity Commission suggests that migrants that are born in Australia or that arrive before 15 years of age from non-English speaking countries have different labour market outcomes to first generation humanitarian migrants.¹⁰⁵ For this reason, migrants that arrive after 15 years of age (first generation migrants) are modelled separately from migrants that are born in Australia or arrive before 15 years of age (second generation migrants).

A.1. Population changes

The population changes were estimated for both the first and second generation humanitarian migrants.

First generation

The number of additional humanitarian migrants was estimated by comparing the proposed scenario of increasing humanitarian migration to 44,000 by 2022-23 to a baseline scenario in which humanitarian migration remained at its 2017-18 level for the next five years. As shown in Table A.1, the impact of the proposed change is an additional 88,750 people in the Australian economy over the next five years. Given the Australian population is almost 25 million,¹⁰⁶ the cumulative increase represents a 0.36% increase in today's population.

The additional migrants that arrived from 2018-19 until 2022-23 were then aged over the 50 year time horizon. The Australian Census and Migrants Integrated Dataset was used to estimate the age and gender profiles of incoming migrants, and each migrant was assumed to grow older with each year. Chart A.1 provides an age profile of humanitarian migrants.

No mortality rates or attrition rates were built into the assumption as the work is focused on the labour force impacts (working age 15-65 years). Attrition rates are assumedly negligible for humanitarian migrants as refugees are generally escaping war and persecution and are therefore unable to return to their home country safely.

Second generation

Population estimates of second generation migrants were estimated using the fertility rates for Australians born in Iraq, Afghanistan, Myanmar, Syria, and Iran¹⁰⁷ as more than two thirds of all the humanitarian migrants that arrived in Australia in the past five years come from these countries.¹⁰⁸ The number of children born were estimated by multiplying the number of female humanitarian migrants in each age group with the age specific fertility rate, and these children were then assumed to age over the 50 year time horizon.¹⁰⁹

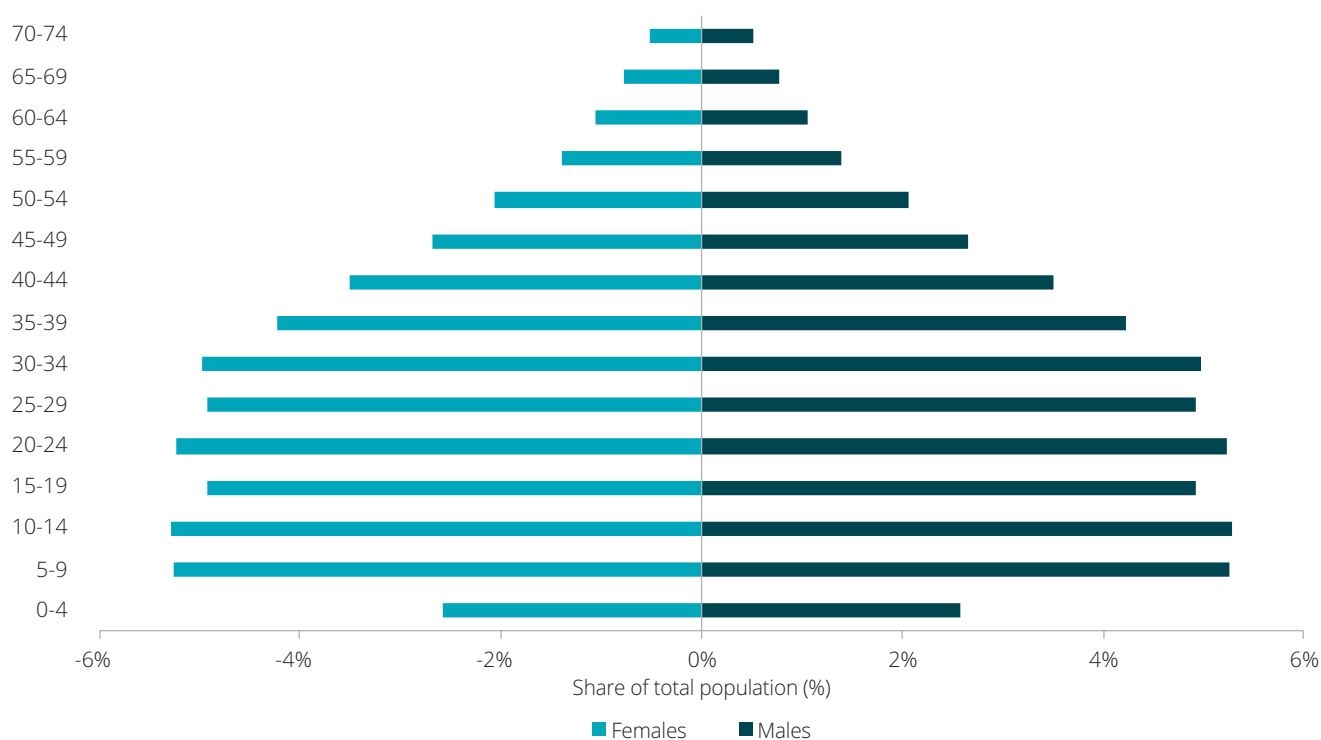
Census data was also used to estimate the number of second generation migrants born to fathers from humanitarian countries and mothers from Australia.

Table A.1: Proposed change in the humanitarian migrant intake

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	5 year total
Proposed level of humanitarian migrants		20,000	30,000	36,000	40,000	44,000	
Base level of humanitarian migrants	16,250 (actual)	16,250	16,250	16,250	16,250	16,250	
Additional humanitarian migrants		3,750	13,750	19,750	23,750	27,750	88,750

Source: Oxfam Australia

Chart A.1: Age profile of first-generation humanitarian migrants that have arrived in Australia from 2012 – 2016 (2016)



Source: 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

Table A.2: Total factor fertility rates for overseas born Australians (2017)

Country	Total fertility rate	Share of humanitarian migrant population in 2012-2016 ¹¹⁰
Iraq	2.47	33%
Afghanistan ¹¹¹	1.86	21%
Myanmar	2.37	18%
Syria	1.99	15%
Iran	1.63	12%
Average	2.1	NA
Australia	1.75	NA

Source: 2017 Births, Australia (ABS)¹¹²

A.2. Labour force estimates for first generation migrants

Humanitarian migrants that arrive after the age of 15 face significant barriers to employment; they generally have poor labour market outcomes when they first arrive in Australia, as it takes time to reskill, develop networks and find a job. While labour market generally improve over time, participation rates remain lower and unemployment rates remain higher for humanitarian migrants as compared to the average for Australia.

The economic benefits associated with humanitarian migrants entering the labour force are dependent on the number of migrants that enter the workforce and find a job. The participation rate for working age humanitarian migrants were adjusted downwards to an “effective participation rate” that aligned with the labour market outcomes for the overall Australian population.

Figure A.1: Equation to estimate the Australian equivalent participation rate

$$\text{Australian equivalent participation rate} = \text{Australia wide participation rate}^*$$

$$\frac{\text{Migrant working age employment to population ratio}}{\text{Australian working age employment to population ratio}} \times \frac{\text{Migrant average income}}{\text{Australian average income}}$$

Source: Deloitte Access Economics

Table A.3: Labour force outcomes for offshore humanitarian migrants in Australia (2016)

		Unemployment rate	Working age participation rate	Average income for employed persons	Australian equivalent participation rates
Humanitarian migrants	Arrived in the last 5 years	32%	33%	\$ 37,577	14%
	Arrived 5-10 years ago	19%	52%	\$ 39,792	28%
	Arrived 10-15 years ago	18%	57%	\$ 42,516	33%
Australia wide		6%	77%	\$ 63,295	N/A

Source: 2016 Australian Census and Migrants Integrated Dataset (ABS), Deloitte Access Economics.

A.3. Labour force estimates for second generation humanitarian migrants

There is evidence to suggest that second generation humanitarian migrants have better labour force outcomes than the average Australian.¹¹³ Graeme Hugo, an internationally acclaimed migration expert, utilised 2006 population census data to determine the labour force outcomes of second-generation humanitarian migrants in his study of *The Economic Contribution of Humanitarian Settlers in Australia*.

As the census does not include a question that differentiates the types of visa under which migrants arrived in Australia, Hugo utilises the Index of Dissimilarity (I_D) to support his key assumption that “the birthplace profile of refugee-humanitarian settlers differs significantly from other immigrants”. At the time of the study, the Index of Dissimilarity was 74.8%. This means that in order for the birthplace distribution of refugee-humanitarian settlers to duplicate that for the rest of the immigrant intake, three quarters of refugee-humanitarian settlers would be required to change their birthplace. The most recent data (2016) indicates that the Index of Dissimilarity is now 80.9% suggesting that the birthplace profile of humanitarian migrants has become even more unique.

Hugo then identifies second-generation humanitarian migrants in the population census using the method outlined below. This method was replicated by Deloitte Access Economics to determine the labour force outcomes of second-generation humanitarian migrants.

Figure A.2: Estimating the characteristics of second-generation humanitarian migrants, methodology

1 The **Index of Dissimilarity** was calculated to ensure the **birthplace profile of humanitarian migrants is unique**

$$\frac{1}{2} \sum_{i=1}^N \left| \frac{a_i}{A} - \frac{b_i}{B} \right| \quad I_D = 80.9\%$$

Where:

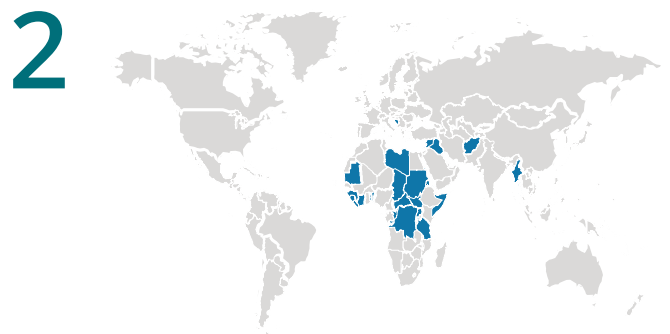
N = total number of countries

a_i = number of humanitarian migrants from country X

b_i = number of 'other' migrants from country X

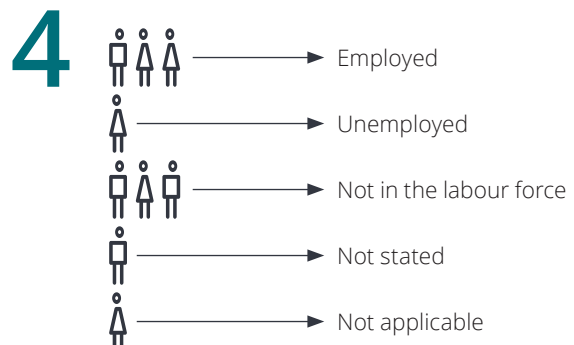
A = total number of humanitarian migrants

B = total number of 'other' migrants



The countries that have a **majority share of humanitarian migrants** (as opposed to 'other migrants' e.g. skilled migrants) were identified


3 Australian-born census respondents who **have at least one parent who was born in a country with a majority share of humanitarian migrants** were identified



The labour force status of this sample was obtained and the **outcomes calculated** (i.e. unemployment rate and labour force participation rate)

Source: Hugo (2013)¹⁴





Appendix B: General Equilibrium Framework

The project utilises the Deloitte Access Economics' Regional General Equilibrium Model (DAE-RGEM). DAE-RGEM is a large scale, dynamic, multi-region, multi-commodity CGE model of the world economy with bottom up modelling of Australian regions. DAE-RGEM encompasses all economic activity in an economy – including production, consumption, employment, taxes and trade – and the inter linkages between them. For this project, the model has been customised to explicitly identify the Australian economy, including some of its unique economic characteristics.

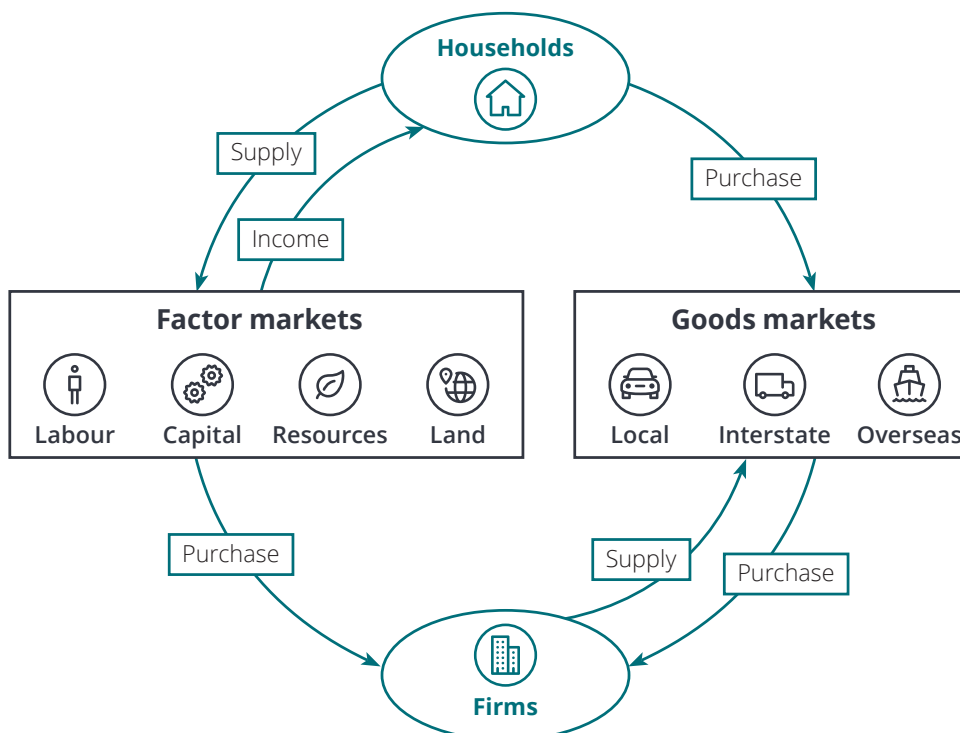
Figure B.1 is a stylised diagram showing the circular flow of income and spending that occurs in DAE-RGEM. To meet demand for products, firms purchase inputs from other producers and hire factors of production (labour and capital). Producers pay wages and rent (factor income) which accrue to households. Households spend their income on goods and services, pay taxes and put some away for savings. The government uses tax revenue to purchase goods and services, while savings are used by investors to buy capital goods to facilitate future consumption. As DAE-RGEM is an open economy model, it also includes trade flows with other regions, interstate and foreign countries.

B.2. Economic modelling framework

The Deloitte Access Economics Regional General Equilibrium Model (DAE-RGEM) is a large scale, dynamic, multi-region, multi-commodity computable general equilibrium model of the world economy with bottom up modelling of Australian regions. The model allows policy analysis in a single, robust, integrated economic framework. This model projects changes in macroeconomic aggregates such as GDP, employment, export volumes, investment and private consumption. At the sectoral level, detailed results such as output, exports, imports and employment are also produced.

The model is based upon a set of key underlying relationships between the various components of the model, each which represent a different group of agents in the economy. These relationships are solved simultaneously, and so there is no logical start or end point for describing how the model actually works. However, they can be viewed as a system of interconnected markets with appropriate specifications of demand, supply and the market clearing conditions that determine the equilibrium prices and quantity produced, consumed and traded.

Figure B.1: The components of DAE-RGEM and their relationships



Source: Deloitte Access Economics

DAE-RGEM is based on a substantial body of accepted microeconomic theory. Key assumptions underpinning the model are:

- The model contains a 'regional consumer' that receives all income from factor payments (labour, capital, land and natural resources), taxes and net foreign income from borrowing (lending).
- Income is allocated across household consumption, government consumption and savings so as to maximise a Cobb-Douglas (C-D) utility function.
- Household consumption for composite goods is determined by minimising expenditure via a CDE (Constant Differences of Elasticities) expenditure function. For most regions, households can source consumption goods only from domestic and imported sources. In the Australian regions, households can also source goods from interstate. In all cases, the choice of commodities by source is determined by a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function.
- Government consumption for composite goods, and goods from different sources (domestic, imported and interstate), is determined by maximising utility via a C-D utility function.
- All savings generated in each region are used to purchase bonds whose price movements reflect movements in the price of creating capital.
- Producers supply goods by combining aggregate intermediate inputs and primary factors in fixed proportions (the Leontief assumption). Composite intermediate inputs are also combined in fixed proportions, whereas individual primary factors are combined using a CES production function.
- Producers are cost minimisers, and in doing so, choose between domestic, imported and interstate intermediate inputs via a CRESH production function.
- The supply of labour is positively influenced by movements in the real wage rate governed by an elasticity of supply.
- Investment takes place in a global market and allows for different regions to have different rates of return that reflect different risk profiles and policy impediments to investment. A global investor ranks countries as investment destinations based on two factors: global investment and rates of return in a given region compared with global rates of return. Once the aggregate investment has been determined for Australia, aggregate investment in each Australian sub-region is determined by an Australian investor based on: Australian investment and rates of return in a given sub-region compared with the national rate of return.
- Once aggregate investment is determined in each region, the regional investor constructs capital goods by combining composite investment goods in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these goods via a CRESH production function.
- Prices are determined via market-clearing conditions that require sectoral output (supply) to equal the amount sold (demand) to final users (households and government), intermediate users (firms and investors), foreigners (international exports), and other Australian regions (interstate exports).
- For internationally-traded goods (imports and exports), the Armington assumption is applied whereby the same goods produced in different countries are treated as imperfect substitutes. But, in relative terms, imported goods from different regions are treated as closer substitutes than domestically-produced goods and imported composites. Goods traded interstate within the Australian regions are assumed to be closer substitutes again.
- The model accounts for greenhouse gas emissions from fossil fuel combustion. Taxes can be applied to emissions, which are converted to good-specific sales taxes that impact on demand. Emission quotas can be set by region and these can be traded, at a value equal to the carbon tax avoided, where a region's emissions fall below or exceed their quota.

On the next page is a description of each component of the model and key linkages between components.

B.2.1. Households

Each region in the model has a so-called representative household that receives and spends all income. The representative household allocates income across three different expenditure areas: private household consumption; government consumption; and savings.

The representative household interacts with producers in two ways. First, in allocating expenditure across household and government consumption, this sustains demand for production. Second, the representative household owns and receives all income from factor payments (labour, capital, land and natural resources) as well as net taxes. Factors of production are used by producers as inputs into production along with intermediate inputs. The level of production, as well as supply of factors, determines the amount of income generated in each region.

The representative household's relationship with investors is through the supply of investable funds – savings. The relationship between the representative household and the international sector is twofold. First, importers compete with domestic producers in consumption markets. Second, other regions in the model can lend (borrow) money from each other.

- The representative household allocates income across three different expenditure areas – private household consumption; government consumption; and savings – to maximise a Cobb-Douglas utility function.
- Private household consumption on composite goods is determined by minimising a CDE (Constant Differences of Elasticities) expenditure function. Private household consumption on composite goods from different sources is determined by a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function.
- Government consumption on composite goods, and composite goods from different sources, is determined by maximising a Cobb-Douglas utility function.
- All savings generated in each region is used to purchase bonds whose price movements reflect movements in the price of generating capital.

B.2.2. Producers

Apart from selling goods and services to households and government, producers sell products to each other (intermediate usage) and to investors. Intermediate usage is where one producer supplies inputs to another's production. For example, coal producers supply inputs to the electricity sector.

Capital is an input into production. Investors react to the conditions facing producers in a region to determine the amount of investment. Generally, increases in production are accompanied by increased investment. In addition, the production of machinery, construction of buildings and the like that forms the basis of a region's capital stock, is undertaken by producers. In other words, investment demand adds to household and government expenditure from the representative household, to determine the demand for goods and services in a region.

Producers interact with international markets in two main ways. First, they compete with producers in overseas regions for export markets, as well as in their own region. Second, they use inputs from overseas in their production.

- Sectoral output equals the amount demanded by consumers (households and government) and intermediate users (firms and investors) as well as exports.
- Intermediate inputs are assumed to be combined in fixed proportions at the composite level. As mentioned above, the exception to this is the electricity sector that is able to substitute different technologies (brown coal, black coal, oil, gas, hydropower and other renewables) using the 'technology bundle' approach developed by ABARE (1996).
- To minimise costs, producers substitute between domestic and imported intermediate inputs is governed by the Armington assumption as well as between primary factors of production (through a CES aggregator). Substitution between skilled and unskilled labour is also allowed (again via a CES function).
- The supply of labour is positively influenced by movements in the wage rate governed by an elasticity of supply is (assumed to be 0.2). This implies that changes influencing the demand for labour, positively or negatively, will impact both the level of employment and the wage rate. This is a typical labour market specification for a dynamic model such as DAE-RGEM. There are other labour market 'settings' that can be used. First, the labour market could take on long-run characteristics with aggregate employment being fixed and any changes to labour demand changes being absorbed through movements in the wage rate. Second, the labour market could take on short-run characteristics with fixed wages and flexible employment levels.

B.2.3. Investors

Investment takes place in a global market and allows for different regions to have different rates of return that reflect different risk profiles and policy impediments to investment. The global investor ranks countries as investment destination based on two factors: current economic growth and rates of return in a given region compared with global rates of return.

- Once aggregate investment is determined in each region, the regional investor constructs capital goods by combining composite investment goods in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these goods via a CRESH production function.

B.2.4. International

Each of the components outlined above operate, simultaneously, in each region of the model. That is, for any simulation the model forecasts changes to trade and investment flows within, and between, regions subject to optimising behaviour by producers, consumers and investors. Of course, this implies some global conditions that must be met, such as global exports and global imports, are the same and that global debt repayment equals global debt receipts each year.

Endnotes

01. Calculated as Australia's Humanitarian intake (16,250) divided by the total number of forcibly displaced people (68,500,000) as estimated by the UNHCR.
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