

## The Effect of Migration on the Domestic Job Market: Evidence from Australia

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### Abstract

This paper aims at analysing the relationship between foreign workers and its implication for the domestic job market with Australia as the point of reference. The globalized era pushes every nation to open its market including the job market. This ongoing trend surely causes disruptions in the domestic market. At the same time, the wave of overseas migrant workers fulfills the job sectors which are rarely filled by domestic workers. It can encourage the transfer of knowledge from foreign to domestic laborers. On the other hand, more overseas workers threaten the existence of domestic employers. Australia has been in a dilemma position on this matter. Many foreign workers come in fulfilling the low-level job sectors, such as fruit handpicking, construction, and nursery. At the same time, their presence threatens domestic workers who could perform better in the same field. This especially occurs when they always ask for higher wages which might be irrelevant to the domestic business cycle. In order to analyze this problem, this paper used the quantitative method. The main findings of this paper show that when the government issues policies to encourage employers to spend more on human investment, it improves the work quality of domestic workers more than foreign ones. This suggests/concludes the way government should be protective and selective in securing the domestic job market from overseas migrant workers.

**Keywords:** Australia; domestic job market; overseas migrant workers; employment policy changes

### Introduction

Managing net migration is one of the main issues for the Australian government. They migrate for many reasons, including to improve better life conditions rather than living in their home country. In this sense, this migration trend has a close relationship with employment availability. It eventually affects the domestic labor demands.

There is some labor issue, including the proportional employment sectors between

home and migrants and payment schemes. It sometimes fluctuated both issues, depending on the domestic employer's decision. In this sense, these decisions change arguably influence the federal immigration policy. The research question researcher wants to ask is whether there are changes in net migration to Australia as a result of major external shocks or policy changes.

There is a debate about this matter. Some say domestic employers should be open for migrant workers, especially the latter

is part of ongoing demographic devider in their home countries (Jati, 2015). Others say external shocks, such as the global economic crisis subsequently encourage migrants to live and work in Australia. In this essay, the author argues policy changes shape the net migration into Australia, particularly labor demands for migrants, more than external shocks. The influence of external shocks is lesser than employment policy change because there is no strong argument in the literature. In this essay, the author analyses the domestic employment factors which inhibit the presence of migrant workers. First, the author reviews previous existing literature about domestic employment policy change and its impact on the immigration policy reciprocally. Second, the author runs a regression analysis of the statistical migration data. Third, the author discusses findings and their challenges which reveals while the net migration is decreased, the wage and labor cost is increased.

### **Previous Existing Theories**

A large literature exists to explain the influence of employment policy change in net migration, and vice versa.

First, the English language is one of the immigration policy components in Australia. Since the Australian population shows a negative net migration because of deploying many Australians in world wars and the series of cold wars. The Chifley government launched the initial assimilation initiative soon after the World War 2 ended to gain more migrants to move to Australia (Markus and Taft, 2015: 241–42) The first thing he did was establish the Department of Immigration based on the Alien Act of 1947. The definition of “alien” to mention immigrant people in Australia is the main concern here. This relates to the psychological condition during the post-war period. Some ally countries are still suspicious of the emergence of refugees

in their countries. Therefore, the Australian police took the responsibility of looking after the aliens. However, this policy has been changed by Chifley by transferring the immigration policy from the police to the new immigration department. This new institution has a responsibility to monitor and gather information about newcomers (Markus and Taft, 2015: 242). Markus & Taft argue these policy changes cause different treatment for newcomers in Australia. Previously, the label “alien” refers to migrants who are ethnically different from white Australians (Markus and Taft, 2015: 242). However, the government tries to dilute that label with linguistic assimilation. The government believes the English language will enable the migrants to work in domestic sectors. This treatment shows the strong assimilation tendency for migrants especially personal care workers (Morrison-Dayana, 2019).

The second and third initiatives were the compulsory English language course for the new migrants and the direct state supervision over the immigrant. Both policies wanted to ensure that newcomers have good language capacity and skilled work knowledge while living in Australia (Markus and Taft, 2015: 242). These policy changes arguably want to select the best candidate for migrant workers, especially international students once they graduate from their schools (Hawthorne and To, 2014). The selected group comprises students, working holidaymakers, skilled workers, and visitors (Brell and Dustmann, n.d., 19). These groups have filled in several domestic employee sectors for short- or long-term periods.

The language policy certainly helps the migrants to engage in society and workplaces gradually. However, since the language and advanced skills have been the main criteria in most industries, both prevent migrants from achieving upward mobility in Australian society (Hugo, 2013: 5). In some respect, this issue directly related to labours and wages. As a result, both issues may affect

to the net migration trend which causes the lower newcomers than remaining people. This trend shows the positive net migration because of the strict language policy in Australian immigration.

The more required English language in business arguably shows limited chance for the migrant workers. This condition is giving helpful side for the home workers because they do not work in overseas.

From this literature, the author wants to hypothesises that:

*H1: the more skilled language requirement in job requirement is much likely persuading the lower migrants.*

Second, labour demands often persuade the net migration of Australia. This issue is closely connecting with the employability of domestic workers. They view the migrant workers will prevent Australians from getting a job and the employers tend to hire skilled workers from overseas rather than training the local workers (Brooks, 1996: 1). The reason is cheap and skilled immigrant workers are favourable to domestic employers. In this sense, the skilled immigrants are arguably the chosen migrants who enter the country for their acknowledged skills. They also could compete with the domestic workers with the moderate salary. However, the presence of migrants eventually affects the net migration. Some industries try to favour home workers in order to enable them to invest money in labour cost. This action is shows the nationalistic sentiment because using migrants will afford much money in wage. They just work in a short period rather than home workers. This short-lived work period does not give more added values for the business rather than domestic workers. As a result, some domestic employers change employment policy to protect their home workers by restricting job promotion criteria for migrant workers. This is the way to protect the native workers in home country. Also,

this is also the way to invest more money in labour cost because they would have the interest in a bank or stock exchange. These employers eventually could gain material benefit from this policy change.

In short, there are pros and cons about investing more money in labour cost than accepting open migrants in some Australian business. In this regard, labour cost includes health insurance, over work hours compensations, and also family insurances. If employers open migrants to work, they should provide more money for wages and foreign people taxation which is higher than regular taxation. Conversely, if migrants are lower would enable businesses to pay more in labour cost and wage. This policy change also helps the federal immigration policy.

From these second theories, the author hypothesises:

*H2: the continuing trend of labour cost spend is more likely to affect wage and migration policy.*

Third, similar with the labour cost, the wage is also the important factor in persuading net migration policy. In this sense, migrants receive the payment according to their skills in the workplace. If they are able to perform better, then they would receive the higher payment. Likewise, the home workers also do in same policy logic. However, the migrants are more vulnerable than domestic workers because just a few of them are the high-skilled workers (Brooks, 1996). Therefore, this workforce proportion arguably affect to the presence of migrants in Australian domestic businesses.

There are two important policy issues regarding to the wage payment for the migrants, particularly low-skilled migrants. First, the wage underpayment. The temporary migrant workers have been the victim of this system. According to Farbenblum & Berg, international students have been making up the largest unpaid wage workers in Australia

(Farbenblum and Berg, 2017: 312). They may work up to 40 hours per two weeks while studying in Australia. After graduating, they will transform themselves as the working holidaymakers to work in two or three employee sectors in the extension three or six months stay period (Farbenblum and Berg, 2017: 312). Otherwise, they should change their visa type of student to business visa in order to stay and work longer in Australia. Second, overwork hours. The migrants realise that their skills are not adequate in one industry with low payment. Therefore, they work in two or even three employers while living in Australia. Both factors basically show the employment policy changes in Australia. Most industries often encourage committed workers with the competitive salary.

Regarding the net migration policy, the lower wage payment influences the lower presence of migrants. Wage is remaining higher for those high skilled migrants. This policy change implementation complies with current federal immigration policies that restrict the migrants without adequate skills living in Australia

According to this literature, the author hypotheses:

*H3: the lower wages are much likely decrease the emergence of low skilled in industries.*

All these hypotheses basically test the net immigration theory whether true or false in real-world situation. This policy change represents the current employment policy in Australia. In this sense, the relation between net migration wave, wage, and labour demands is still unrelated each other. Therefore, the next section will present the statistical analysis to examine that relationship.

## Data and Method

This research builds datasets from the Australian Bureau of Statistics (ABS) and the CEIC (China Premium, Indonesia Premium, and Global Database) from the ANU Library. The origin of datasets is in the excel (exc), but then the author transforms it into compact datasets (dta) in STATA. The datasets consist of net migration and estimated resident population (ERP) from ABS, labour cost and wage index from CEIC. In this sense, the author drop the time variable because each data components show different starting time period. For example, the net migration and ERP begin the data from 1981, whereas the labour cost and wage index start the data from 1985. This year gap does not matter in this analysis, but the author pick up the data from CEIC which counts quarterly. The reason behind this is enabling the author to match each variable easily because of the ERP and ABS in the quarter data. Therefore, the author intention in this regression is to find out the relation between each variable in general. Each variable mainly has a missing point which may affect the regression analysis. Another missing point in this statistical analysis is there are no control variables to give more precise information. Some common control variables, such as GDP may be relevant, but unfortunately the author could not find it.

This research uses simple regression analysis to examine a correlation between dependent and independent variables. The specific aim of this analysis is to test the above hypotheses. After that, it will follow with the discussion findings.

This research certainly has limitations in terms of literatures and datasets. This research may present the preliminary findings in this field. Therefore, further research is important to expand the findings. Control variable, such as GDP or gender, may important to find out precisely the impact on the migration policies.

Regarding to the variables, here the author explains the dependent and independent variables below.

- 1) Dependent variable (netmigration): Net Migration
- 2) Dependent variable (ERP): Estimated Resident Population
- 3) Independent variable (labor\_cost): Labour Cost Unit
- 4) Independent variable (wage\_index): Wage Index

All these variables lead to formulate the regression analysis model below.

$$Y = \beta_0 + \beta_i X_i + \varepsilon$$

In the author's first equation, is the independent variables, is the intercept variable, stands for the coefficient variables

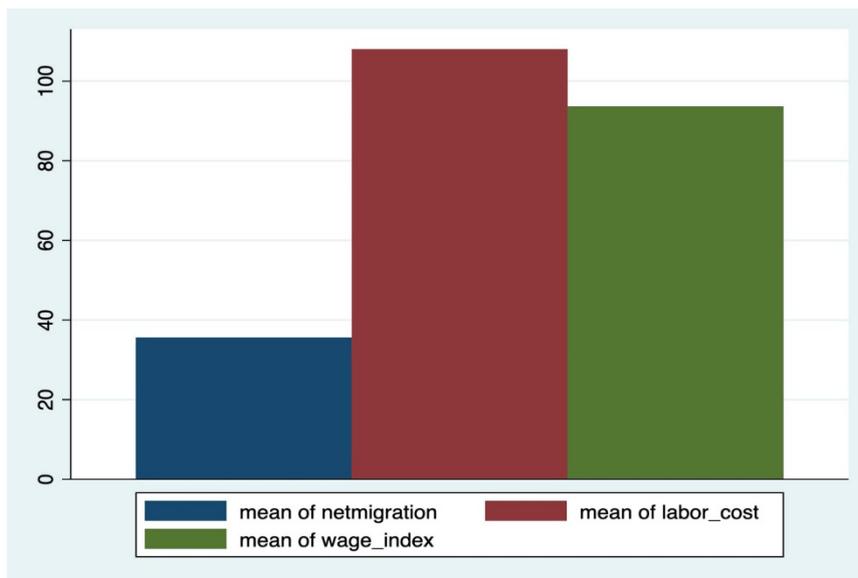
(labour and wage index) and, is the given period term.

*Data Analyses*

In this data analysis, the author runs a multiple regression analysis in each dependent and independent variable. The author expects to find out the general explanation about the causal effect from the employment sectors to migrant peoples from these multiple variables. First, the author wants to examine the correlation between net migration and wage. Second, the author also wants to examine the relation between net migration and labour cost index. From both regression analyses, the author expects to find strong statistical evidences whether the results are accepted or rejected.

**Table 1. Regression Analysis Result**

No	Dependent Variable	Independent Variable	Coefficient	Standard Error	P-value
1	Net Migration	Wage index	0.6234	0.0917	0.00
2	Net Migration	Labour Cost	-2.210	0.2495	0.00



**Figure 1. Graphic Bar Analysis Result**

### *The Statistical Results Analysis*

From regression analysis, all the regression analysis shows statistically significant results in a relation between dependent and independent variables. The p-values show less than 0.05 in both tested dependent and independent variables. In this sense, the labour cost and wage are much likely to affect to the net migration in Australia. The labour cost shows the strongest factor in affecting the net migration. The -2.210 show the significant impact on the net migration.

From the regression analysis, the author can argue when the wage and labour go up, but not followed up by the net migration. Both payment factors show the domestic business policy changes for their workers. In this sense, more skilled workers are favourable in most industries (McDonald, 2017). Therefore, this gives a decreased rate for the net migrant. Home workers are more likely to remain, whereas the migrants are more likely deceased. In other words, the home workers are more adaptive to employment policy change than migrants. This business policy change arguably affects to the federal immigration policies. Actually, the author's regression analysis could provide evidence-based research to legitimate the government to restrict immigration system for the newcomers, particularly the migrant workers.

This statistical analysis certainly gives us the general trends in the correlation between each dependent and independent variable. However, this finding does not give any sense because there are no probabilistic factors to flesh out this statistical analysis. Next section, the author will examine the hypothesis testing and further elaboration on it.

### **Findings Discussion**

In line with the regression analysis, key finding of this research is net migration is lower when wage and labour cost are higher.

For the both latter factors, they represent the current policy changes in Australian employment sectors. It decreased gradually the migrants when most businesses require advanced skills from workers. In this sense, this change also shows the natural selection for the workers in competitive industries. The low-skilled migrants would be decreased if they cannot satisfy their employers while living in Australia. As a result, the lower migrants are, the positive net migration Australia has. The reason is more home people remain to stay in Australia instead of going abroad to work.

This is for the hypothesis 1 which says "*the more skilled language requirement in job requirement is much likely persuading the lower migrants*". This hypothesis does not show strong evidence about the language requirement as the determinant factor in net migration. Therefore, the author rejects the hypothesis 1 in this analysis. Although linguistic policy is not workable, language skill has been integral in work skill knowledge for the migrant workers (Clibborn and Wright, 2018: 212). Therefore, the other two hypotheses may show significant results.

As for the hypothesis 2 which says "*the continuing trend of labour cost spend is more likely to affect wage and migration policy*", this hypothesis is statistically significant with the regression analysis. This finding also the show the strongest factors in the author's analysis because it closely related the regression analysis to low skilled migrants factor. There are two supporting probabilistic policy changes factors, such as de-unionisation and capital investments. For the first factor, de-unionisation are including suppress wage growth and dissolve the union under strict industrial relation (Bornstein and Blackburn, 2019: 446). The employers want to ensure there is no protest from their workers about the business policy changes. They just require more hardworking results from their workers. This policy change does not relate to the federal immigration policy

because the industries keep remaining migrant workers rather than accepting the new applicants. However, this strict industrial relation affects to the upcoming migrants in Australia. They would think twice if working under that relation. Therefore, the migrants will gradually lower in the future. For the second factor, investments see the workers are part of capital. Since the labour share of income in Australia has gradually fallen in recent times, the employers should invest in their labours in order to gain strong productivity growth (La Cava, 2019: 3–5). This human investment may be able to run a business cycle in other sectors. Therefore, most business is more concerned about their workers' welfare. This policy changes directly affect to the less money spending to wage payment than before. Although these changes are unclear to mention the impact on to migrants, it seems that only high skilled migrants could gain the labour cost benefit. As a result, this system eliminates the low skilled migrants which make up the largest migrant population. This change also may give an indirect impact on immigration policy which only accepts the qualified migrants.

The hypothesis 3 says *“the lower wages are much likely to decrease the emergence of low skilled in industries.* This hypothesis is also significant with the regression analysis, albeit wage influence is weaker than labour cost. The probabilistic factors, including bargaining work system in Australian labour, demands (Bornstein and Blackburn, 2019: 448). There are two main issues in this demands issue, that is 1) changing employment status from full-time to part time, temporary, or fixed term; 2) providing fair workforce environment for the workers (Bornstein and Blackburn, 2019: 443 & 447). Both factors show a trade off scheme between permanent work contact and supporting work condition. This trade off basically is the middle way to reduce protests and higher wage demands. Therefore, this system encourages the workers to commit to their job achievement without thinking about

salary. Similar with the hypothesis 2, this analysis and findings also give indirect impact on federal immigration policy. However it can assume that lower wages factor may not attract the newcomers go to Australia.

## **Conclusion**

Employment policy changes are the main factors in affecting the Australian net migration. The main policy changes component, such as wage and labour cost, are much likely to decrease migrants in most Australian industries. As a result, the lower migrants cause the positive net migration in Australia. Although the result of employment policy changes does not give direct impact on the federal immigration policy, the government can use this evidence-based research to strengthen bold arguments in refusing migrants without advanced skills. Therefore, the government only just show the current employment policy change for the migrant candidate.

Some probabilistic employment policy changes, such as dissolving the union, human capital investment, and changing employment status may cause the changes in industries. One of the main results is the stricter industrial relation between employers and employee. This system encourages the workers to keep up their productivity without thinking about compensations. The migrant workers, particularly low-skilled migrants, are vulnerable in this system because they do not have the strong back up as the home workers do. The domestic workers contribute high taxation because of their skills produce higher impact on industries. However, this situation does not occur among migrant workers because their low work skill only contribute small taxation to the country.

Further research is important to elaborate deeply on this finding and analysis. More variables in order to make robust datasets is significant to enrich this research in the future.

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