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Minister for Immigration and Citizenship**

**Address to the  
Committee for the Economic Development of Australia  
[CEDA]**

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**Introduction**

Ladies and gentlemen thank you for the opportunity to speak again at a CEDA luncheon. May I acknowledge the important role of CEDA particularly in encouraging Australia's economic and social development through such events as today, and its research program.

The last time I addressed CEDA was in February 2005, when I outlined the government's proposals to embark on further workplace relations reform. I said then that "the Government must take this once-in-a-generation opportunity to put in place a contemporary and national workplace relations system able to meet Australia's longer term economic and social goals".

Two years later, we are witnessing the fruits of that reform: the lowest unemployment rate in over three decades; rising real wages, low inflation, and the lowest levels of industrial disputation in almost a century.

As I said in 2005, the changes that were proposed then were about ensuring Australia's longer term economic prosperity and social goals. The same is true of immigration.

**Immigration and the post war boom**

Throughout our history, immigration has been of great significance to Australia's development. At the end of the Second World War, Australia's political leaders recognised that a larger population was necessary for national security and economic development. They embarked on a widescale immigration program. By 1955, the one millionth 'new Australian' had arrived in this country, with most people coming from Britain and Europe.

I was acutely aware of this as a young person growing up in Gippsland in the late fifties and sixties. To the west of my home town were the massive industrial developments in the Latrobe Valley, on which thousands of immigrants from overseas worked. And to the north was the nation-building Snowy Mountains Scheme, on which more than 100,000 immigrants found work during its construction.

Since the Second World War, more than 6 million people have immigrated to Australia, without which we would not be the prosperous nation we are today.

### **A nation of migrants**

The post-war period is but one of the eras of immigration to Australia. Almost from the beginning of European settlement, immigrants have come to this land to make a new life for themselves and their families. Many families, including my own, can trace their ancestry to forebears who immigrated during the gold rushes; others can trace back to different eras, such as the 1920s, or since the Second World War.

Indeed a little known statistic is that the proportion of Australians born overseas is similar today - at 24% - as it was in 1901, when the figure was 22.7 %.

However we view it, Australia is truly a nation of immigrants.

Immigration is not an end in itself; it must serve the national interest, both economic and social, and it must focus on the successful integration and participation of migrants into the Australian way of life.

To this end, we must develop an immigration program that helps to address the challenges we face in Australia.

Two challenges are significant.

First, we live in a globally competitive environment. This competition is not just for goods, services and resources, but for people themselves. Skilled workers, and in particular the human capital they possess, are in high demand in many OECD countries.

The competition is immense, with countries such as the UK, US and Canada all operating skilled and economic migration programmes.

Recently I joined with the UK Minister for Immigration for his announcement that a points based system for skilled migrants is to be introduced into the UK. This system will be based on the Australian points based system, which focuses on more effectively targeting foreign workers who have skills that are genuinely in demand.

In Canada, a ratio of 60/40 economic and humanitarian migration has been maintained since the early 1990's, with a points based system also applying to skilled migration, and a particular premium placed on tertiary education.

And in the United States, which has historically had an abundance of low and unskilled workers coming across the border from Mexico, the Senate in 2005 voted to increase the cap on skilled visas.

Secondly, we face the challenge of an ageing population.

The consequences of population ageing are profound and immediate.

Let me illustrate.

### **The challenge of an ageing population**

The ageing of the population will result in fewer new entrants into the labour force. If we do nothing to address this issue, then we will see a substantial reduction in the growth of the labour force over the next 10 to 15 years.

At present the net growth in the Australian workforce is approximately 170,000 - 180,000 people each year. Access Economics has estimated that, over the decade from 2020 to 2030, it is expected the workforce will only grow by just 125,000 people. That averages out to a mere 12,500 people per year.

Two years ago, my former department commissioned research about the impact of the ageing population which was subsequently published as *Workforce Tomorrow*. This was the first Australian research which specifically analysed the medium-term effects of population ageing on the labour market, by occupation, industry and region.

The research found that Australia faced a potential shortfall of 195,000 workers over five years, as a result of population ageing.

In other words, while employment is expected to continue to grow at a solid pace over the next few years, it is likely to be substantially less than it could be if the age structure of the adult population were to have remained unchanged.

The resultant side effects will also lead to an ever diminishing tax and revenue base for our governments. This could seriously impact on the ability to provide a range of government services, including old age pensions, working age income support payments and health services, unless we address the challenge.

The Treasurer has noted that in 20 years time the same number of taxpayers are going to be asked to support double the number of people over retirement age.

The Australian Government's first Intergenerational Report (2002) also warned that 'Although the ageing of the Australian population is not expected to have a major impact on the Commonwealth's budget for at least another 15 years, forward planning for these developments is important, to ensure that governments will be well placed to meet emerging policy challenges in a timely and effective manner.'

Australia has therefore been faced with a simple question. What changes are necessary so that Australia is able to sustain its prosperity, remain competitive in the global economy and meet future challenges such as the ageing of our society? Two matters are at the core of the Government's response to the challenges facing us as a nation.

First, we need to ensure that more people participate in the economic life of our country. This is not just an ethical responsibility; it is an economic imperative.

As our nation ages, and the workforce growth contracts over the next two decades, our push to increase participation in the workforce will be a crucial ingredient to ensuring Australia's ongoing economic growth.

This is what was behind the Government's 'work-first' approach to welfare reform, an approach that has numerous benefits for both the individual and the nation.

Secondly, we must continue to grow our productivity.

It is also the reason for our massive investment in education and training over the past year, including the new Australian Technical Colleges and the education endowment fund announced in last week's budget.

It is also why Labor's capitulation to the union bosses is economically irresponsible.

The third response, also spelled out in the *Intergenerational Reports*, relates to population. Three factors here are important: fertility, mortality and migration.

As the second IGR (2007) notes, "higher fertility and higher levels of migration slow the rate of overall ageing of the population." Mortality rates have fallen in Australia faster than predicted in the first IGR, and fertility rates have risen for the first time in almost four decades, but remain below replacement levels. Whether this rise is temporary, or evidence of a new trend remains to be seen.

### **The role of immigration in maintaining our prosperity**

The level of net overseas migration is important as net inflows of migrants to Australia reduce the rate of population ageing because migrants are younger on average than the resident population.

Just under 70% of the migrant intake are in the 15 – 44 age cohort, compared to 43% of the Australian population as a whole. Just 10% of the migrant intake are 45 or over, compared with 38% of the Australian population.

As Access Economics notes in research undertaken for my Department, the 15-44 age range where people also make the greatest fiscal contribution – education expenses are winding down and tax revenues are high – given a high rate of participation in the workforce.

As the IGR indicates, net migration is a significant factor in population increase. As the natural increase (total births minus total deaths) decreases, migration will assume a greater importance in the population component of our national growth.

As the Secretary to the Treasury, Ken Henry, pointed out this week, the ageing of the population and higher fertility over the next 35 years will bring down per-capita gross domestic product by more than two per cent. But this will be partly offset by a 0.75 per cent through migrant intake alone, and by a further 0.5 per cent through the age composition of the migrants.

Preliminary results from my department's longitudinal survey of migrants show very strong employment outcomes for skilled migrants with an employment rate of over 97 per cent and a participation rate of 94 per cent just 18 months after arrival.

Migrants on a spouse visa also have very good outcomes, with unemployment of just five per cent, and participation at 72 per cent.

These observations lead me to a number of conclusions.

First, migration will remain important to our economic prosperity.

Without a migration intake and one that is focused on skilled migration, the underlying participation rate will decline.

Immigration helps to maintain a steady, healthy growth rate in the Australian workforce.

Secondly, the migration program should continue to support our national interest.

Thirdly, the migration program needs to retain broad community support, otherwise a substantial diminution in numbers would impact upon our national prosperity. This means, among other things, that the important settlement aspects of migration be reinforced.

### **Recent developments**

Let me turn then to a number of recent developments in the program.

In the recent Budget, the government announced the program numbers for 2007-08 migration program. In summary they are:

- Skilled stream – 102,500
- Family stream – 50,000
- Humanitarian stream – 13,000

This represents a modest 5,000 increase in the skilled stream. It also maintains the 4,000 increase in the family stream in the current financial year. This arose from an increase in the applications for spouse visa, which account for about 85 per cent of the family reunion stream.

The Humanitarian stream remains the same as this year at 13,000 people, 6,000 of which are offshore refugees and 7,000 of which are onshore humanitarian applications.

The numbers retain the approximately 2:1 ratio between the skilled stream and the family reunion stream that the government established after coming to office.

While some people suggested a higher migration intake, it should be noted that a major component of the Welfare to Work reforms come into effect this July, potentially adding significant numbers to the workforce.

It is also the case that many spouses who migrate under the family stream also work. Latest data from my department's longitudinal survey of immigrants indicates that approximately 68 percent of spouses are working and some 29 per cent are in skilled occupations.

In an increasingly mobile world, emigration from Australia has also been increasing. In 1985-86, 18,100 people departed Australia saying they were leaving permanently. By 2005-06, this had risen to 67,853, the highest number since at least 1975-76. The number of Australian-born departing has increased to comprise about half of all departures.

Nearly 75 per cent of those leaving who stated an occupation were skilled.

On the positive side, about 25 per cent of those who state they are leaving permanently return within five years.

Nonetheless, there are an estimated three-quarter of a million Australians living overseas permanently or long term.

The combination of immigration and emigration means that we have a net intake of about 110,000 permanent migrants a year, a number considered to be in our national interest.

In addition to permanent migrants, we also have three other significant categories of temporary entrants to Australia. The most populous are visitors who add so much to the economy of Australia. Similarly, international students contribute \$10 billion to our economy. Thirdly, temporary skilled workers enable us to meet short to medium term workforce needs, especially in a period of almost full employment and major infrastructure development.

### **Future challenges**

Turning to the future, may I recite a quote and invite you to contemplate who might have uttered these words.

***‘This is a country where people work hard, play by the rules, speak English and get on through merit.***

***It has a proud, centuries-old record of integrating immigrants from all round the world and, many times down the years, it has become home to communities fleeing persecution...***

***Access to the benefits of residence and citizenship should be earned. It’s not uncivilised to treat our own nationals different from overseas citizens. Shared nationality, whatever your race, is an important part of what binds us together.’***

These words were not uttered by me or any of my predecessors. Nor were they uttered by the Prime Minister or any member of this Government. Rather they are the words of the Home Secretary in the British Labor Government and were published only two months ago.

Clearly the challenges facing Australia are not unique and we do not have the luxury of ignoring them or not facing up to them.

However, it is also essential that we remain in control of our destiny. It is important for the community to believe that they are not being exploited.

The community also needs to be assured that migrants are able to integrate into the community. Like the United Kingdom, Australia is an English speaking country and to get by in Australia it is necessary to speak English. That is not to say that migrants should forget their language or their culture or traditions.

However, it is to say that they will not be able to participate effectively in the community in Australia if they cannot speak English adequately or if they do not understand our values and way of life.

The Australian Government has committed to introduce a citizenship test to ensure that those people who wish to become an Australian citizen do so by demonstrating some level of understanding and commitment to Australia and our way of life, including and a command of English. Such tests already exist in the US, the UK, and Canada.

It is unfortunate that the recent debate over the proposed citizenship test has focused on the claim that it will be solely about english proficiency. This is both misleading and incorrect. The test will actually encompass questions covering a range of topics, relating to both historical and contemporary issues. The test will of course require the demonstration of english comprehension in answering the questions and there is a very good reason for this. If migrants are to actively participate in the workforce, then at the very least they need a basic command of english.

I note that from April of this year, a person wishing to become a permanent resident of the UK must demonstrate knowledge of the English language and of life in that country. This extends the previous requirements that apply to people wishing to take out citizenship to those wishing only to stay indefinitely.

It makes sense to encourage the uptake of English if migrants are to take advantage of everything that this country has to offer, both the economic and social benefits. When people come to Australia they do so because they see it as a land of opportunity, but surely an

essential part of our responsibility to them is to ensure that they understand and can use English to their benefit and that of the wider community.

Consequently I have announced changes to the rules to increase the level of English comprehension of migrants. At present under our points system migrants receive points if they passed IELTS5. From the 1<sup>st</sup> September, professional or managerial migrants will not be allocated points unless they have IELTS6.

Such changes are consistent with what is happening in other OECD countries, such as the UK. According to the Home Office website, applicants for the highly skilled visa program will be 'judged against criteria designed to better reflect the likelihood of a migrant's labour market success, and the use of English within the UK labour market is seen as a key part of these criteria'.

Controlling our destiny also means that the Government has to demonstrate that our visa system is robust and that it cannot be abused.

That is why from the 1<sup>st</sup> September, the Government is tightening the eligibility criteria for students seeking to become permanent migrants. To earn points students will need to have a very high level of English comprehension IELTS 7, 12 months experience in their field of study or a closely related field or have undertaken a 12 months professional course in their field of training.

The need to maintain systems of demonstrable integrity also lies behind the changes to the 457 temporary skilled migration regime. Everyone acknowledges that there is a shortage of skilled labour. However for its own political motives, the union movement has conducted a concerted scare campaign against the 457 scheme. It is therefore in nobody's interests, including business, if the community thinks that 457 visas are merely vehicles for driving down wages and conditions of workers. The Howard government will not tolerate the abuse of 457 visas in this way.

I recently announced that the Migration Act will be amended to ensure employers of skilled temporary overseas workers (457 visas) face tougher penalties if they breach their sponsorship obligations.

New civil penalties will apply for those employers who commit the most serious offences. Offences will relate to such matters as failure to pay the minimum salary level and using workers in unskilled jobs.

The Department of Immigration and Citizenship will also be given stronger powers to enforce employer compliance with the 457 visa programme, including the power to conduct unannounced audits of employers and their premises.

This will be complemented with greater powers for the Office of Workplace Services to investigate breaches of the Minimum Salary Level.

The other sign of the coin, however, is that people ought to be encouraged to do the right thing and recognized when they do so. That is why I also have announced fast tracking for those employers with demonstrably good records.

However, fast tracking and quick turn around of visa applications brings its own challenges and requires a balance between efficiency and security. The Department has discovered cases of visa applicants supplying fraudulent references. This is a recent development and increasing trend. Detecting fraud requires time and, at the extreme, lies in conflict with the demands for quick processing times.

Finally, there is the Migration Act itself. Those of you familiar with it would know that it is often compared with the Income Tax Assessment Act. Of course such a comparison is made in the pejorative.

Currently there are 83 classes of visas and 143 sub-classes. Many of these have evolved on the basis of keeping tighter controls by have specific visas for specific purposes. The risk, however, is the greater the number of visas the greater the number of criteria and the greater the risk of inconsistent criteria for similar visas.

There is also the matter of confusion for both the customer and the Department about the most appropriate visa for a particular purpose.

The recent changes have slashed the number of student visa categories. In future, I would hope that we can substantially reduce the overall number of visas to create a more efficient and user-friendly system.

## **Integration**

Immigration is a process, not an event. It must meet not only our economic objectives: Social cohesion and integration are equally important, as is the protection of our sovereignty and borders.

That is why we are doing three other things.

First, the recent Budget included some \$200 million to expand and improve a range of services and programs for new arrivals under the Humanitarian program, including the teaching of English.

This is important, as some of the more recent refugees have come from situations of conflict that has resulted in lower levels of education than previous arrivals.

Secondly, we are continuing to strengthen our borders. This includes continued vital co-operation with Indonesia to defeat the abhorrent practice of people-smuggling.

Thirdly, we propose to introduce a Citizenship Test for people who wish to become citizens of Australia.

Migrants have come to Australia from more than 200 countries around the world. They include people from cultures of the Judeo-Christian heritage like ours, and systems of government from the western, liberal democratic tradition like Australia – and people from other cultures and traditions.

It is a fact that Australia is a multicultural society. Our diversity is part of the rich tapestry of Australia today. While people are not expected to leave their own

traditions behind, we do expect them to embrace our values and integrate into the Australian society. In becoming a citizen, they pledge their loyalty to Australia. Citizenship is not merely instrumental; nor can it be simply reduced to an institutional status. It is also about our human associations and the moral commitment we have to Australia.

The era of ideology that crumbled with the Berlin Wall has not been replaced with nothing. In this new era, identity – whether race, religion or nation – is what divides. It can also be what unites us. That is why I say that the identity of being an Australian is what is primary as a citizen of this nation.

Our great achievement in Australia has been to balance diversity and integration. Denying one or the other is not helpful. Diversity is celebrated in Australia. But so too should we support and highlight the relationships which hold societies together. These include not only respect for the process of Parliamentary democracy, the rule of secular law, and the equality of all people, but loyalty to each other and the country, responsibility, mutual respect, fairness and compassion.

The material which will form the basis of the test will highlight the common values we share, as well as something of our history and background.

It is our sense of reciprocal obligations and a vision of a common destiny that has been foundational to Australia's success.

The words of Henry Parkes, the father of Federation, said at Tenterfield in 1889, remain as true today: we are “one people, with one destiny.”

**Ends.**