



**Hopes Fulfilled or Dreams Shattered?  
From resettlement to settlement Conference  
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**Background Paper**

**Refugees and Economic Contributions**

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**This background paper has been prepared to inform discussion at this conference and does not necessarily represent the views of the Centre for Refugee Research.**

# **Refugees and Economic Contributions**

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**Introduction**

Subsequently there follows an important chapter about the roles that refugees can play in regional Australia. Regional Australia has been facing increasing problems related to depopulation and loss of services and there has been a wide range of support for the roles that refugees, including Temporary Protection Visa (TPV) holders, can play in helping to alleviate some of those problems. Included is an analysis of Frank Stilwell's quantitative research into the impact that Afghan TPV holders had on the economy in Young, New South Wales. This is a rare quantitative study into the economic impact of refugees and provides strong evidence for the positive contributions that refugees can make to a region.

The penultimate chapter discusses resettlement issues in light of what has been outlined in the rest of the paper. Finally there is a concluding section about asylum policy and the factors affecting it. The implications of the issues put forward in the rest of the paper are argued to be of value for policy-makers and governmental decision-makers.

## **Defining Refugees**

Refugees are legally defined under Article 1a of the *1951 Convention relating to the Status of Refugees* as:<sup>1</sup>

*Any person who owing to a well founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his/her nationality and is unable, or owing to such fear, is unwilling to avail himself/herself of the protection of that country.*

Refugees can come to Australia in one of two ways. The majority arrive under the Refugee and Special Humanitarian Program, which is the humanitarian component of the migration program (for these refugees selection occurs overseas, usually having been referred by the United Nations High Commissioner for Refugees (UNHCR)). These "offshore refugees" are granted a permanent residency visa upon arrival.

For some refugees this method of coming to Australia is practically impossible. Many of those fleeing persecution or conflict are unable to seek asylum in a neighbouring country either because that country is not party to the international treaties relating to refugees, may not be sympathetic to the refugees' plight, or may be equally unsafe itself. Refugees faced with these problems may choose to head directly to countries like Australia and become known as "asylum seekers". These "boat arrivals" attract a great deal of publicity and influence public opinion significantly – they receive the least government support and much of the argument involved in this paper is aimed towards this category of refugees.

All refugees should have the right to seek and enjoy asylum in another country, as stated in Article 14.1 of the *Universal Declaration of Human Rights (1948)*.<sup>2</sup> This

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<sup>1</sup> To view the *Convention Relating to the Status of Refugees* go to the United Nations High Commissioner for Refugees (UNHCR) website - [www.unhcr.ch](http://www.unhcr.ch)

<sup>2</sup> See <http://www.un.org/Overview/rights.html> for the *Universal Declaration of Human Rights*

fundamental right is at the heart of international refugee rights globally and forms the basis of the UN Refugee Convention. All refugees have been asylum seekers at some point but once their refugee status has been officially declared it is inappropriate to continue referring to refugees as asylum seekers.

The term “economic refugee” should not be used, as those people who move to another country for economic benefit are “economic migrants”. Refugees have very different needs to other migrants and thus must be treated differently when it comes to the provision of settlement services and introductory programs to Australia. There are three broad categories of immigrant that make up Australia's immigration program: Family, skill, and – of relevance to this paper - humanitarian migrants.<sup>3</sup>

## **Social Aspects**

Australian history and culture has been greatly influenced by refugees. Australia has proved itself to be one of the major countries involved in refugee resettlement - in the second half of the Twentieth Century almost 600,000 migrants settled in Australia under humanitarian programs - a particularly impressive number given the relatively small size of our population.<sup>4</sup> Australia was one of the first countries to ratify the 1951 Convention of Refugees having already allowed the entry of 181700 refugees and displaced persons between 1947 and 1952.<sup>5</sup> The diversity and multicultural nature of Australian society has largely resulted from the mass influx of refugees and other migrants during the last century. They have provided the building blocks on which the Australian nation as we know it has been built.

The movement of refugees has important political, social, economic and personal implications for those on the move as well as for the societies receiving them.<sup>6</sup> The reception that refugees receive upon their arrival in Australia or their area of resettlement can be of utmost importance in affecting the potential social, cultural and economic contributions they will be able to make. The skills, English language proficiency, and rural/urban background of each refugee will play a large factor in determining what type of social and economic interactions they are able to have in their new surroundings. The particular characteristics of each refugee group (their ‘visibility’, cultural difference, or human and social capital of the group) and the host society’s reception to them (its treatment of refugees through official policies and informal encounters) both combine to influence the process of refugee acculturation and settlement and subsequently the role they are able to play economically in their new environment.<sup>7</sup> If an individual feels that they are accepted in their new

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<sup>3</sup> Williams, 1995: 4

<sup>4</sup> Mares, 2002: 1 - *Peter Mares is a senior researcher in the Institute for Social Research at Swinburne University of Technology and the author of Borderline: Australia's Response to Refugees and Asylum Seekers in the Wake of the Tampa (UNSW Press 2002).*

<sup>5</sup> Pittaway, 2002

<sup>6</sup> Colic-Peisker & Walker, 2003: 338

<sup>7</sup> For an insight into the Human Capital, Acculturation and Social Identity of Bosnian Refugees in Australia, see an article by Colic-Peisker, V., & Walker, I., “Human



*Australia, in particular, having arrived at the stage where... the time is ripe for development of new secondary and tertiary industries, stands to gain from migrants with technical skills of the kind possessed by many refugees.*

Unfortunately during World War 2 and in the immediate post-war years Australia was slow to offer asylum to many of the budding intellectual geniuses that were forced to leave Eastern and Central Europe. These brains could have made enormous contributions to Australia. We should beware of being so short sighted in the present and future – it is inevitable that many of today’s refugees and their children will make profound contributions - economically, socially, culturally, or intellectually - to their countries of resettlement.

Refugees, both men and women, have had enormous success in the Australian business sector. Judit Korner and Jardin Truong are two of the country’s premier businesswomen and both arrived as refugees. They were enthusiastic to succeed in their new country and participate fully. In Judit Korner’s words: “Australia was the country that did it all for me... I was stateless. I was a refugee. It was not a question of “shall I give up my citizenship?” I became an Australian wholeheartedly”.<sup>11</sup>

There are often widespread misconceptions about the ambitions that refugees have but these are frequently vastly unfounded. Many have been through extremely difficult and traumatic times that most Australians cannot envisage and the majority have shown remarkable strength of character to get to Australia. Their strengths can only be of benefit to the nation as long as we ensure that we offer them a positive welcome and the necessary resettlement services to help them overcome the traumas of their past experiences and become fully participating members of Australian society and the economy.

The importance of being seen to abide by the international treaties relevant to refugees must also not be understated. It is crucial that Australia is perceived to be abiding to the agreements and sh

international humanitarian obligations is most certainly in Australia's national interest.

### **Economic Aspects**

The extent to which refugees supply the economy relative to how much they take from it is one of the most contested issues surrounding asylum policy. It is commonly thought that immigrants, and in particular refugees, are of little economic value and make initial demands upon arrival on the host government that end up being at the taxpayer's expense.<sup>14</sup> Another accusation levelled is that refugees take away immigration places that would otherwise be filled by more skilled immigrants who could make a more positive contribution to Australia.

'What are the economic effects of refugee resettlement' is a complicated question with the answer dependent on a wide range of issues and circumstances. The impacts and contributions may appear to be different depending on whether analysis is conducted at a macro or microeconomic level. Different studies vary in assessing which economic indicators are the most important, be it per-capita GDP, balance of payments, inflation, wages, employment, government expenditures, production and marketing costs, living costs, or capital accumulation.<sup>15</sup>

Since refugees are immigrants, the debate over whether immigration is beneficial economically is of relevance here. Later I will focus more specifically on the roles refugees can play but since refugees must face up to the same accusations that the immigrants in general receive regarding their perceived "draining effect" on the economy it is worthwhile to discuss this "myth". Public debate regarding immigration is often misinformed as it does not readily account for the extent to which migrants make a positive contribution but instead focuses more on their supposed dependence on the welfare system.

The British Home Office conducted research in 2002 into the costs and distributions of foreign-born people in the United Kingdom.<sup>16</sup> It is a rare governmental study that adopts quantitative analysis of the much-debated issue. The report estimated that

without sufficient appreciation of the benefits they can bring.”<sup>18</sup> Another British Home Office report revealed that there were a higher proportion of qualifications and skills amongst refugee arrivals than among the general UK population as a whole.<sup>19</sup> This stands in the face of another myth: that refugees and asylum seekers are often unskilled and uneducated. It has been shown that immigrants to Australia (including refugees) make a positive contribution to the economy within five years of arrival and many refugees are skilled professionals who have been persecuted in their home countries.<sup>20</sup>

Residents’ standard of living is often equated to their economic well-being and so living standards are commonly used to measure the overall economic effects of immigration.<sup>21</sup> They are usually measured through assessing the average annual output per person or the average annual consumption per person. Most research has shown that the effects of immigration on average living standards are very small.<sup>22</sup> Each new arrival in Australia brings a new set of skills and experience with them (supply) and needs to live by buying food, paying for accommodation, and settling down (demand). Immigration increases demand for goods and services, thus increasing the size of the economy and the number of jobs needed to produce the new goods and services. Immigrants also generate private consumption and invest in new business. They help supply the economy through participating in the labour market and bring with them diversity, new work approaches and funds (although in the case of refugees the funds aspect is often not so relevant). When analysing the economic effects of refugees we must obviously take into account both aggregate demand and supply.<sup>23</sup>

In a 1995 analysis of research into the economic effects of immigration Lynne Williams, of the Bureau of Immigration, Multicultural and Population Research, concluded that at the macroeconomic level



- immigration has a relatively small impact on the balance of payments in the long-run; and
- in the longer term immigrants are net contributors to Commonwealth and local government revenues.<sup>25</sup>

She goes on to state that the research evidence indicates that it is impossible to justify strong positive or negative views on the economic effects of immigration due to the largely neutral overall effects of immigration.

Using a range of models, economists have shown that there is not a relationship between immigration, wages, and inflation in Australia.<sup>26</sup> Increased immigration does not have any significant effect on levels of unemployment.<sup>27</sup> Recently arrived immigrants, including refugees, often experience high levels of unemployment, but their impact through the demand and supply effects they have generates an essentially neutral result on unemployment rates.

In their 1994 study, *Australian Immigration: A Survey of the Issues*, Wooden et al. concluded that immigration does not lead to increases in aggregate unemployment. They established that immigration has a relatively small effect on prices or wages, in the long term it has very little impact on Australia's balance of payments, and also in the long term it generates government revenues that more than account for the government expenditure it entails. Some economists go further in their boldness in analysing the economic effects of immigration to Australia with Glenn Withers stating that migrant labour directly increased Australia's post-war GDP growth rate from 3.2 to 4.55 %.<sup>28</sup>

The mindset of Hong Kong's residents is often said to be the reason behind that state's standing as an economic powerhouse – most of the island's residents were originally refugees from mainland China.<sup>29</sup> Migration and the intake of refugees can diversify and enhance the skill level of the population, increase economies of scale and foster innovation and flexibility. Refugees are often entrepreneurial as they face the need to set up and establish themselves in a new environment.<sup>30</sup> They arrive with individual and collective skills, experiences and motivations and can create new businesses and employment opportunities that lead to positive direct and indirect fiscal effects.

The entrepreneurial trait that refugee arrivals often have is more than shown in the 2000 Business Review Weekly's annual 'Rich 200' list which showed that five of Australia's eight billionaires were people whose families had originally come to the country as refugees.<sup>31</sup>

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<sup>25</sup> Williams, 1995: 23

<sup>26</sup> Williams, 1995: 12

<sup>27</sup> Foster & Baker, 1991

<sup>28</sup> Withers, 1999: 23

<sup>29</sup> Mares, 2002: 2

<sup>30</sup> Withers, 1999: 24

<sup>31</sup> These include Frank Lowy – a Czech refugee who arrived in 1952, Richard Pratt – the packaging tycoon and Polish refugee, Harry Triguboff – Residential property

## **Short-Term Costs outweighed by Long-Term Benefits**

It is important to avoid being shortsighted when assessing the economic contributions of refugees and other migrants. There may be short-term costs as refugees are resettled and adjust to their new surroundings but once successful resettlement has occurred refugees are able to quickly make permanent cultural, social, and economic contributions and infuse vitality and multiculturalism into the communities into which they are resettled. Although refugees can bring short-term costs they are able to bring long-term benefits to their new country or region.<sup>32</sup>

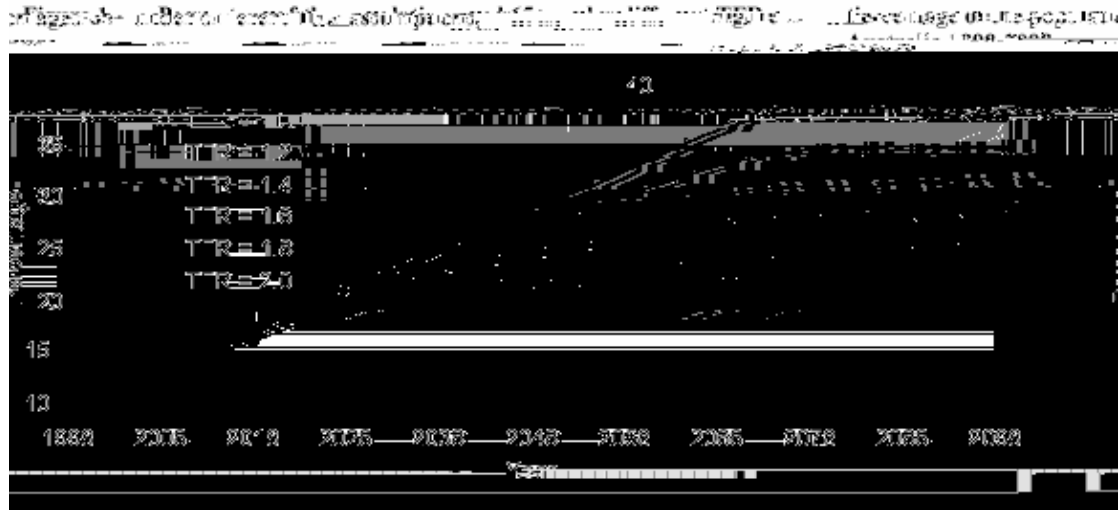
Many major studies show that the initial costs

Council of Australia, have been advocating a higher rate of immigration on economic grounds.<sup>39</sup>

The circumstances in which different groups or refugees arrive can greatly affect how positive a contribution each group is able to make to their new country. For example, the East European intellectuals who arrived as refugees during the buoyant Australian econom

in the above graph, the Australian fertility rate has been declining since the mid-1970s and in 1999 it stood at 1.85 offspring per woman.<sup>45</sup> In an *Australian Economic Review* article, Peter McDonald recently suggested it was likely that the TFR in Australia would fall from its 2002 rate of 1.75 to 1.65 within the next decade.<sup>46</sup> This will have a significant impact on Australia's age group structure in the future (we have already begun to see the results of lower fertility levels during the 1970s).

## The Ageing Population



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Along with the declining fertility rate, there has also been a declining mortality rate in Australia in all age groups for both males and females since the mid-1970s (the infant mortality rate fell dramatically from 17 per 1000 births in 1971 to 7 per 1000 births in 1992).<sup>48</sup> The decline in death rates can be attributed to improvements in public health care, greater community awareness about health issues, advances in medical science and technology, and lifestyle changes.<sup>49</sup> Since WW2 average life expectancy has increased by a year for every five calendar years.<sup>50</sup> At current rates of fertility, mortality and immigration, the ratio of people aged over 65 years to those of working age will double by 2050.<sup>51</sup> In other terms this population share (over 65 years old) will increase from 12% in 1997 to 22% by 2031.<sup>52</sup> The rapid ageing of Australia's population results from a sustained period of high fertility rates (1946-1975) followed by a sustained period of low fertility rates (1976 - present).<sup>53</sup>

<sup>45</sup> Withers, 1999: 21

<sup>46</sup> P.McDonald, "The shape of an Australian population policy", *Australian Economic Review*, vol. 33, no.3, 2000, pp.272-80

<sup>47</sup> <http://www.immi.gov.au/population/ageing.pdf>

<sup>48</sup> ANRP, 1994: 17

<sup>49</sup> ANRP, 1994: 17

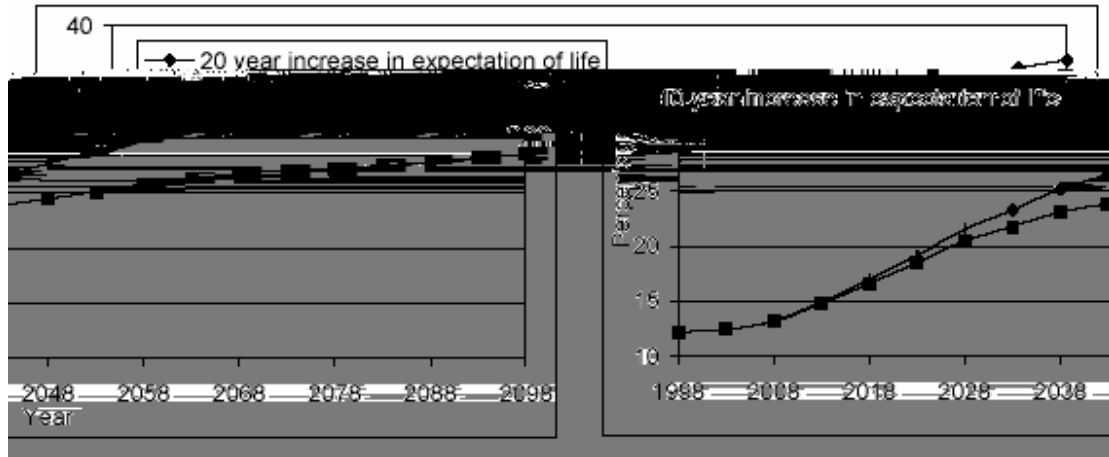
<sup>50</sup> Withers, 1999: 21

<sup>51</sup> Guest & McDonald, 2002: 6

<sup>52</sup> Withers, 1999: 25

<sup>53</sup> "The Impact of Immigration on the Ageing of Australia's Population", McDonald, P. & Kippen, R., May 1999, p.4 - <http://www.immi.gov.au/population/ageing.pdf>

Figure 2. Percentage of the population aged 65+ under different mortality assumptions



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The implications of such an ageing population are significant and we are already beginning to see some

*Large inflows of people with higher fe*



*revealing how much Australia's future work-force will be influenced by immigration that has already occurred. The full measure of the impact, though, comes when comparing... 1973... with ... 1947; (it is) abundantly clear that immigration has had a very substantial effect on the growth of the work-force and that without it Australia's post-war development would have been very much less.*<sup>69</sup>

Through increasing the size of the population, immigrants increase demand for various goods and services. This can lead to economies of scale where commodities are produced more cheaply in bulk.<sup>70</sup>

Sustained immigration-driven population growth can:

- drive expansion of output;
- increase domestic demand;
- provide a skilled and flexible workforce;
- foster entrepreneurship;
- encourage innovation and technological transfer;
- develop trade links and in





regional economy in the Gouldburn Valley, particularly in the horticulture industry.<sup>82</sup>

many jobs the refugee has had.<sup>85</sup> Vanstone said that the TPV changes were in response to “the fact that many TPV holders are making a significant contribution to the Australian community, particularly in regional areas”.<sup>86</sup>

Many factors have contributed to the government's softening of the TPV rules (labour shortages, depopulation in rural areas, employers' economic interests, middle-class humanitarianism, lobbying from Australian groups (such as Rural Australians for Refugees), and international pressures) but the economic considerations appear to have had the most impact.<sup>87</sup> Refugees are increasingly perceived in rural areas as a potential benefit rather than a threat.<sup>88</sup> The new policy reflects this change of attitude, emphasizing regional economic development as a major impacting factor for the new rules. Support for refugees has also come from unexpected sources such as local Nationals MP John Forrest, the Member for Mallee, who lobbied hard to influence the TPV policy changes. The changes have been received well by the refugee community as well as rural farmers like Ian Skiller, who claim that the changes will help to overcome labour shortage in areas like the Murray Valley.<sup>89</sup>

In an address to the *Rural Australians for Refugees* on the 7th December 2002, Martin Ferguson MP (the shadow minister for Regional Development, Transport, Infrastructure and Tourism) outlined Labor policy on the issue: The party recognised that regional communities are finding it difficult to find labour and this was holding back regional development. He proposed that the dispersal of refugees and asylum seekers to these country regions would enrich them and have a positive impact on the labour shortages as long as the right settlement and support programs were in place and accessible (health services, English language tuition, orientation services, translating services, job network information, training assistance and access to advice). He concluded that regional migration of refugees was a win-win situation as long as it is applied strategically and with the proper support mechanisms.

We have also seen rural local councils declaring their towns to be 'refugee-welcome zones' and attempting to influence government policy to allow Temporary Working Visa (TPV) holders to stay longer.<sup>90</sup> In 2003, the understaffed abattoir in Albany, Western Australia, was set to lose fifty of its workforce as Afghan refugees in its employment approached the expiry of the TPVs. Albany City Council wrote to Immigration Minister Amanda Vanstone requesting that the “Albany Hazara Afghan refugees... be granted permanent refugee status

'secondary movement' of refugees out of large cities to rural towns has helped to revive struggling local businesses.<sup>92</sup>

Regional arguments cannot be regarded as being irrelevant to national issues – the national economy is made up of many regional economies. Therefore if refugees are good for regional Australia, it follows that they are good for the nation as a whole. Support for the roles that refugees can play in regional Australia has come from a diverse range of groups and individuals. There are many gaps in regional economies that refugees can fill and many problems that they can help solve. The government must bear this in mind when assessing asylum policy and deciding where refugees can most usefully be resettled so as to be of greatest benefit not only to Australia but also to the refugees themselves.

**Case Study: Research conducted by Frank Stilwell (University of Sydney):  
“Refugees in a Region: Afghans in Young, NSW” *Urban Policy and Research*,  
Vol. 21, No. 3, p.235-238, September 2003.**

Frank Stilwell examined how Afghan Temporary Protection Visa holders affected the regional economy in Young during an 18-month period between mid-2001 and 2003. The main source of work for the Afghans was at the Burrangong meatworks – the largest employer in the area but a business that had been suffering from an acute labour shortage before the arrival of the refugees. Stilwell used a Keynesian economic analysis of the circular flow of income and regional economic multipliers to measure the impact of the refugees on the regional economy.

Stilwell states that the dominant local view was that the Afghans made a positive contribution as workers and caused no significant social problems. Due to the continuing problems the abattoir experienced in finding enough workers job displacement of locals caused by the arrival of the refugees was not a general problem.

Stilwell attempted to quantitatively the economic impacts of the Afghans by:

- calculation of total wage payments;
- calculation of other non-wage income received;
- estimation of how much of these incomes were spent within the regional economy;
- estimation of the direct boost to capital incomes and regional investment expenditures;
- estimation of ‘multiplier’ effects of these expenditures on other regional income flows;
- identification of any ‘displacement effects’ to be offset against these positive economic effects;
- supplementary consideration of the effects of the refugees on the regional economy.

of around \$2.25 million. The refugees also would have picked up some additional income through picking fruit and vegetables part-time during the harvesting season (estimated at around \$18000).<sup>94</sup>

The wages received by the Afghan workers would have been an injection into both the national and regional economies. Stilwell estima



Successful resettlement can be a more efficient and faster process if settlement services, programs, and opportunities are ma





Local processes and principles inevitably operate within a broader institutional and structural context. Thus for resettlement services to be effective in helping refugees make economic contributions to Australia, the federal government has to provide the lead and establish an overall framework that influences the system from the top-down. However, deciding over these policy solutions needs to involve the communities at hand so that local issues are addressed in a adequate manner.<sup>111</sup> Then we will be able to see a system in which resettlement services at the grass-roots level and in regional Australia are able to be efficient, both for the sake of the refugees themselves and for



boat arrivals cost \$572 million.<sup>118</sup> When we see the possibilities that refugees can offer for both our national and regional economies once they are successfully resettled we must ask ourselves if the huge cost of the government's strategy at present is warranted.

In a report into "Prospective demographic change and Australia's living standards in 2050" Ross Guest and Ian McDonald concluded that future living standards in Australia would be more or less independent of rates of immigration and that immigration policy should be decided with more humanitarian considerations in mind.<sup>119</sup> Although refugees are able to make economic contributions in Australia (and it is important that policy-makers take this into account when assessing how best refugees can be resettled to participate in the regional and national economy), overall immigration policy should be decided more by social and humanitarian factors.<sup>120</sup> The government should be thinking about how we might best incorporate our humanitarian obligations into the economy in ways that best suit Australia and the refugees themselves rather than how we might avoid the issue at the taxpayers' expense by detaining asylum-seekers.

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