

COVID-19 and young migrants – impact and solutions



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Glossary

Acronym	Full name
ABS	Australian Bureau of Statistics
ACMID	Australian Census and Migrant Integrated Dataset
BNLA	Building a New Life in Australia
CDE	Constant Differences of Elasticities
CGE	Computable General Equilibrium
CRESH	Constant Ratios of Elasticities Substitution, Homothetic
CSAM	Continuous Survey of Australia’s Migrants
DAE-RGEM	Deloitte Access Economics’ Regional General Equilibrium Model
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
MYAN	Multicultural Youth Advocacy Network

Key terms

Key terms	Explanation
Migrants	Any person who changes their country of usual residence. In Australia, for official population counts, a person is regarded as a usual resident if they have been (or are expected to be) residing in Australia for a period of 12 months or more over a 16-month period. By this definition, a long-term international migrant is a person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. This includes those arriving in Australia through the Skilled and Family streams or as refugees, through the Humanitarian Program.
First generation Australians	People living in Australia who were born overseas.
Second generation Australians	Australian-born, with at least one overseas-born parent.
Young migrants	Migrants (as per the definition provided above) aged between 15 and 29 years of age.
Permanent migrants	Migrants entering Australia through the permanent visa streams.
Temporary migrants	Migrants entering Australia with a temporary visa.
Labour force	People aged over 15 that are working or are willing to work. It captures both those that are employed and unemployed.
Participation rate	The percentage of the adult population in the labour force.
Unemployed	People that are willing to work but are not employed.
Unemployment rate	The proportion of the labour force that is unemployed.
Part-time employment	Employed people that <i>usually</i> work less than 35 hours a week and those that <i>actually</i> worked less than 35 hours a week in the reference week.

Executive summary

Australia’s migration program

Australia has benefited from a very successful migration program spanning many decades. As of 2019, 7.5 million migrants (generally, people born outside of Australia) were living in Australia, with India, China and the United Kingdom accounting for almost 40% of the migrant population.

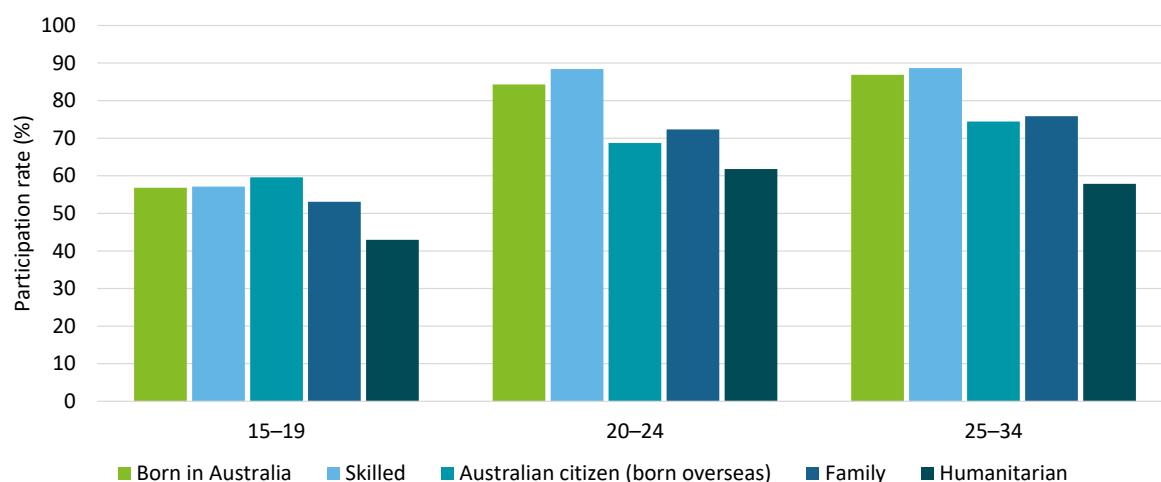
The contribution of these migrants to Australia’s economy and society has been significant for a number of key reasons:

1. Nearly half of all permanent arrivals to Australia since the turn of the century have been part of the skilled migration program, filling workforce gaps in the Australian economy.
2. Migration has been pivotal to Australia’s population growth. The combination of first and second-generation migrants now account for almost half of the Australian population. That growth has been a key driver of Australia’s economic success.

Permanent migrants to Australia can enter through three main streams: skilled, family or humanitarian. Each visa stream is restricted by caps set by the Australian Government, in part reflecting the government’s priorities. A large cohort of these permanent arrivals are young migrants, with two-thirds of permanent arrivals in the last decade aged under 35.

Young migrants experience varying levels of labour market success upon arrival in Australia. Data from the Australian Census and Migrant Integrated Dataset (ACMID) shows skilled migrants generally achieve higher labour market participation and lower unemployment than those born in Australia (as shown in Chart i).

Chart i: Participation rates by Visa type and age (2016)



Source: ACMID 2016.

Apart from those aged 15-19, this is true across all age cohorts. Conversely, humanitarian migrants initially experience notably poorer labour market outcomes than the Australian born cohort. There are several potential reasons for the disparity in labour market outcomes, including difficulty accessing training, poor recognition of overseas skills and perceived or real discrimination during recruitment processes. Regardless of the underlying reason, the gap in labour force participation for many young migrants represents a significant source of untapped potential.

This report quantifies that potential by modelling the benefits of improving labour market outcomes for young permanent migrants to Australia. We find policies that successfully create parity of labour force participation between young migrants and the Australian born population could increase the size of the Australian economy by \$44 billion from 2022-23 to 2031-32 and create 54,000 Full-Time Equivalent (FTE) jobs.

COVID-19 impacts

Many of the challenges faced by young migrants to Australia have been exacerbated by the onset of the COVID-19 pandemic.

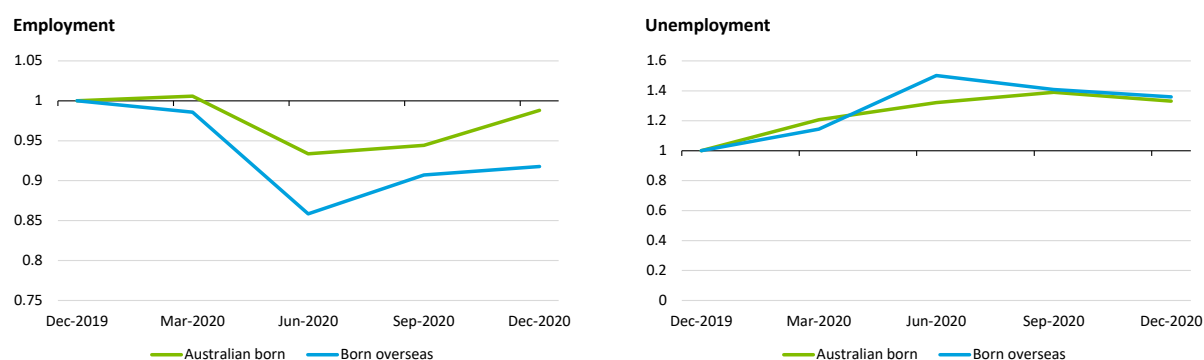
Severe labour market contractions were seen through 2020 in Australia and globally, as governments enacted swift social distancing and lockdown requirements to limit the spread of the virus.

Relative to global outcomes, Australia largely controlled outbreaks of the virus, enabling some states and territories to reopen and return to relatively normal economic activity. New South Wales and Victoria – states with the largest populations – suffered the most with high case numbers and secondary outbreaks throughout 2020 and early 2021, resulting in tough social distancing requirements and multiple lockdown periods for Victoria in particular.

While the lockdowns helped to avert a health crisis similar to those seen in the United States and the United Kingdom, it did not prevent Australia from entering a recession during 2020. The economic downturn saw the participation rate fall as people left the labour market, and the unemployment rate rose.

These impacts have been disproportionately observed for young migrants. Relative to pre-COVID-19 levels, employment was 8% lower for young people born overseas, while only 1% lower for those born in Australia by December 2020. Similarly, a larger immediate rise in unemployment was observed at the onset of the crisis for younger people born overseas than for those born in Australia.

Chart ii: Labour market impacts through COVID-19, ages 15-34



Source: ABS (2020), Detailed Labour Force.

While the end of 2020 and early 2021 showed the Australian economy recovering relatively quickly from COVID-19, the recession of 2020 will likely have lasting effects on young people, particularly young migrants. This has been true in previous downturns, with women, young people and older workers facing prolonged labour market scarring.^{i ii}

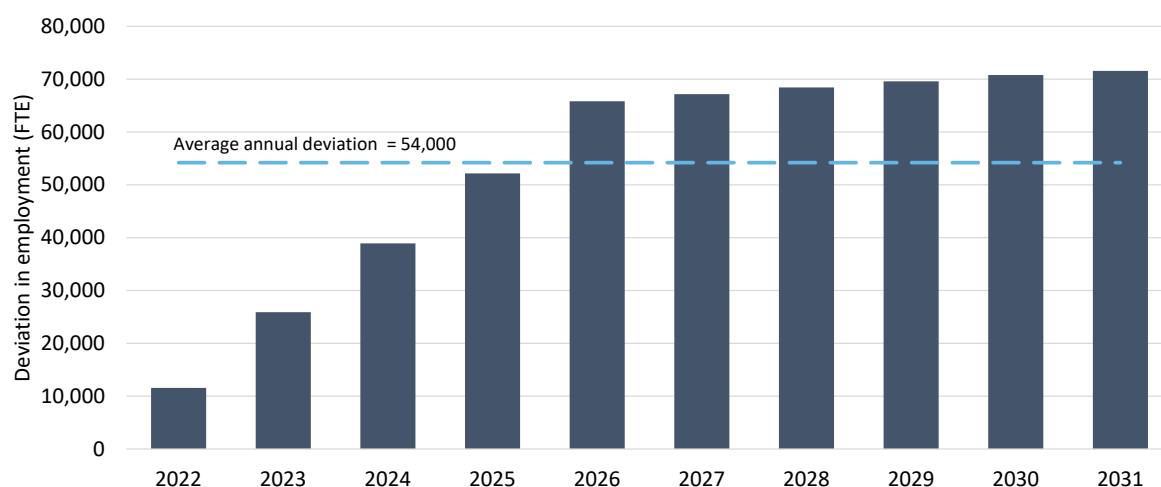
Modelling the economic impacts of improved labour market outcomes for young migrants

Deloitte Access Economics has modelled a 'shock' to reflect potential economic outcomes for young migrants in the post COVID-19 recovery. The 'shock' used in this study is an increase in the participation rate, closing the gap between the participation rates of young people born in Australia

and those born overseas. This is done by increasing the participation rate of visa streams by age to the Australian born equivalent.

In part, the participation rate reflects people’s perception of finding employment. People who believe they will find employment are often more inclined to participate in the labour market. For young migrants, there are a number of measures which could encourage higher participation including increasing English proficiency, deeper recognition of overseas qualifications, coaching, mentoring, successful navigation of education and training pathways and building greater understanding of the Australian business environment. The exact circumstances that lead to an increased participation rate are not considered here. Instead, this shock explores the economic benefit if such policies were successful in closing the participation rate gap between residents born overseas and those born in Australia.

Chart iii: Projected increase in employment (FTEs), FY2022 to FY2031



Source: DAE-RGEM.

An increase in the size of the labour market does not necessarily guarantee that all new entrants will find employment. This is largely due to labour market friction assumed in the economy’s ability to absorb new entrants. In saying this, the majority of additional young migrants in the labour force are expected to find employment over the forecast period. Those finding employment support economic growth owing to their increased spending. This in turn helps to support further job creation. The annual average increase in aggregate employment is estimated to be 54,000 Full-Time Equivalent (FTE) jobs over 10 years from 2022 to 2031 (see Chart iii).

1 Introduction

1.1 Purpose and scope of this report

The Multicultural Youth Advocacy Network Australia (MYAN) has engaged Deloitte Access Economics to investigate the impact of COVID-19 on the labour market outcomes of young migrants and estimate the economic impact of increasing labour force participation. The purpose of this report is to illustrate the impact of the pandemic on migrant youth and to demonstrate the potential broader economic consequences of providing additional support to this cohort.

1.2 Migration to Australia

Multiculturalism is an integral part of Australian society. As of 2019, 7.5 million Australian residents were born outside of Australia, with India, China and the United Kingdom accounting for almost 40% of the migrant population.* This has been facilitated through a relatively large migration program (by international standards and relative to our population size) over the past two decades.

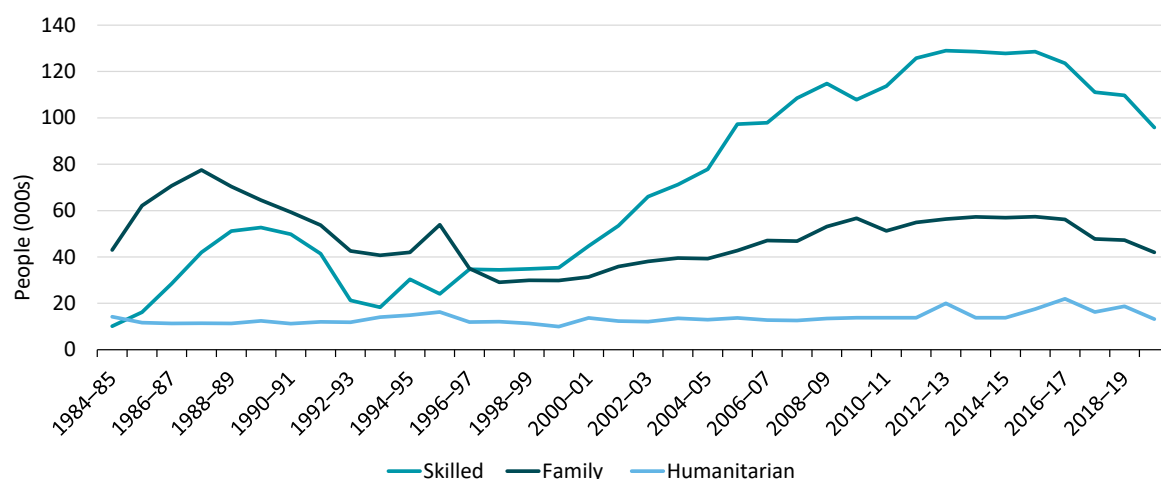
Migration has, and continues to be, a driver of population growth. The number of first and second-generation Australians reveals the extent of this impact. First-generation migrants are those who were born overseas and migrated to Australia. This group has consistently increased over time - from 27% in 2001 to 33% in 2016. Second-generation migrants are Australian born children of a migrant. Combining these two groups, this makes up almost half of the Australian population.

Within Australia, the migration program has largely been viewed favourably, with 84% of respondents in the 2020 Mapping Social Cohesion survey agreeing that multiculturalism has been beneficial for Australia.ⁱⁱⁱ

Permanent migrants to Australia can enter through three main streams: skilled, family or humanitarian. Each visa stream is restricted by caps set by the Australian Government, in part reflecting the government's priorities. This is exhibited in the change in prominence of the family visa in the 1990's, losing favour to the skilled visa (as shown in Chart 1.1). This reflects a shift of focus to the labour market outcomes of migrants. The number of humanitarian migrants has remained relatively constant over time, accounting for 9.6% of Australia's overall migrant intake (arriving on either family, skilled or humanitarian visas) in 2019-20.

* Migrants in this context are defined as any person who changes their country of usual residence. In Australia, for official population counts, a person is regarded as a usual resident if they have been (or are expected to be) residing in Australia for a period of 12 months or more over a 16-month period. By this definition, a long-term international migrant is a person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence.

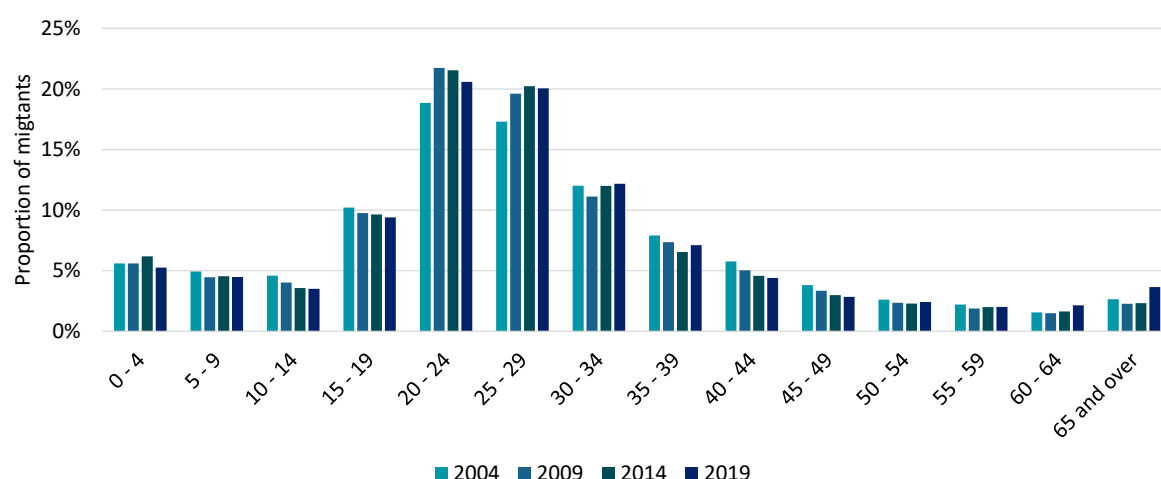
Chart 1.1: Migration by visa class over time



Source: Department of Home Affairs.

A significant proportion of new arrivals into Australia are aged between 15 and 29 years (Chart 1.2). In 2019, this group accounted for 50% of migrant arrivals. Unless otherwise stated, for the purposes of this report young migrants refers to those aged between 15 and 29 years.

Chart 1.2: Age demographic of new arrivals in Australia



Source: ABS, National State and Territory Population.

1.3 COVID-19

The onset of the COVID-19 pandemic saw the Australian government implement a number of activity restrictions aimed at mitigating the spread of the virus. These policies were overwhelmingly successful in preventing large-scale outbreaks seen in many other parts of the world, as well as ensuring our healthcare system was able to cope with the increased demand for hospital beds and other health services.

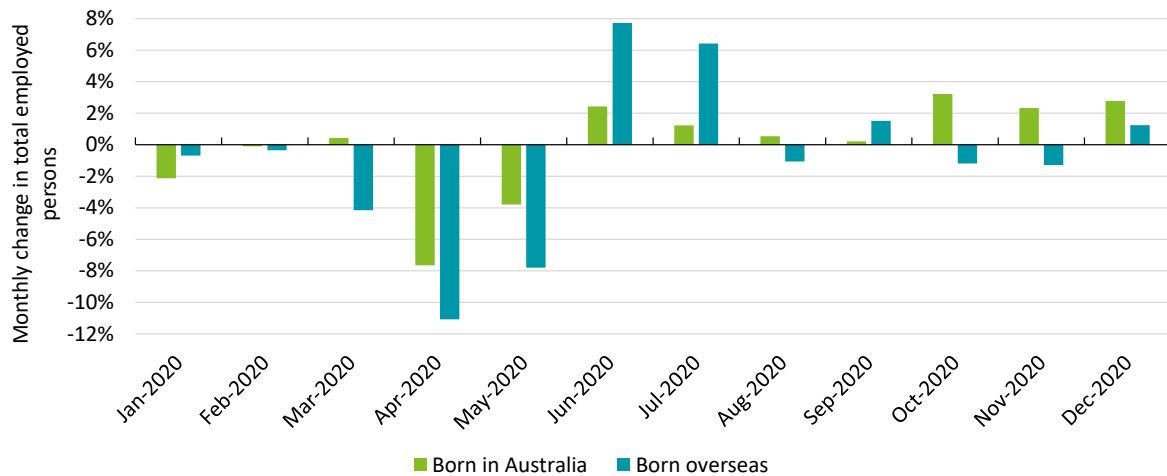
However, the nature of the health response saw significant labour market disruption. Unemployment rose sharply in early-to-mid 2020, with many businesses forced to temporarily close and lockdown restrictions stifling demand for many industries.

The Australian government acted quickly to support businesses and people through the worst of the pandemic. JobKeeper succeeded in keeping people in jobs, with the maintenance of linkages between employees and employers essential in reducing long-term detachment from the labour

market. In addition to JobKeeper, JobSeeker saw an increase in the rate of unemployment benefits over the course of the pandemic.

While government stimulus was invaluable in supporting the economy, Australia entered a recession in mid-2020. As shown in Chart 1.3, the total number of employed persons fell sharply in April and May, considered to be the height of the pandemic. By June and July, growth in the total number of employed people recovered strongly, primarily driven by states and territories - other than NSW and Victoria – beginning to reopen. In the latter half of the year, employment growth for young people born in Australia consistently outperformed those born overseas.

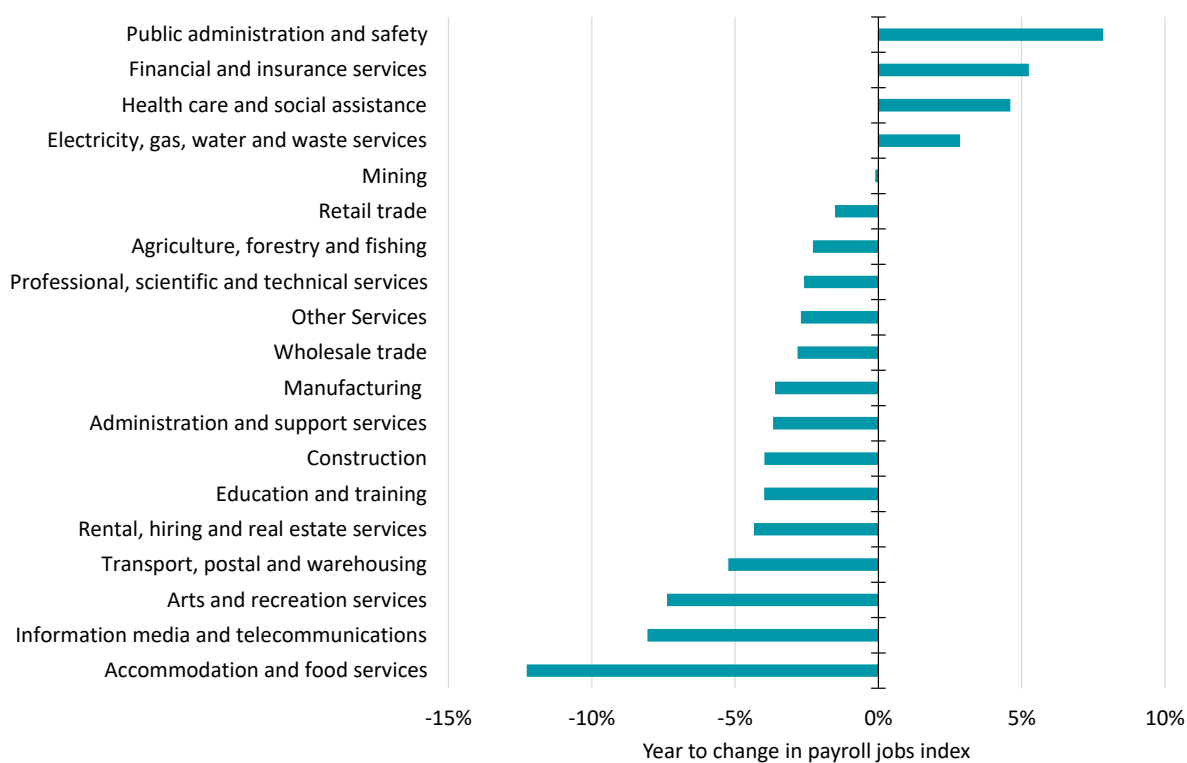
Chart 1.3 COVID-19 impacts on monthly change in total employed persons (15 to 29 year olds)



Source: ABS (2020), Detailed Labour Force.

Since mid-February 2020, payroll jobs in accommodation and food services decreased by 12.3%, with information media and telecommunications declining by 8.1% (Chart 1.4). The largest increase in payroll jobs was in public administration and safety, financial and insurance services and health care and social assistance. Young people typically work in customer services facing industries such as accommodation and food services, arts and recreation services and retail trade, all of which experienced a fall in payroll jobs. Until international borders re-open and large-scale domestic travel returns, it is likely that education and training and accommodation and food services industries will continue to face significant headwinds.

Chart 1.4 Year to change in payroll jobs by industry between 15 February 2020 and 13 February 2021



Source: ABS (2021), Weekly Payroll Jobs and Wages in Australia.

1.4 Approach and structure of this report.

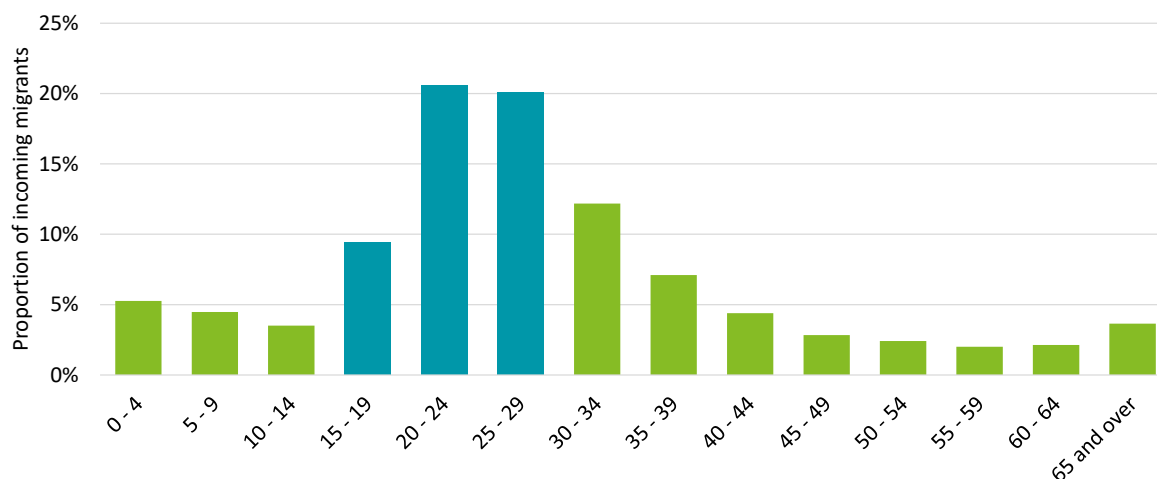
The remainder of the report is structured as follows:

- Section 2 outlines the observed labour market outcomes of young migrants over time
- Section 3 investigates the impact of COVID-19 on young migrants
- Section 4 estimates the broader economic impact of increasing the labour market participation of young migrants
- Section 5 outlines potential policy measures and next steps.

2 Young migrant profile

Young people form an important cohort of those migrating to Australia. As shown in Chart 2.1, those aged between 15 and 29 years of age represent a significant proportion of those arriving in Australia. Additionally, given their youth they are also likely to have a significant impact on the economy due to the length of time left in the Australian workforce over the course of their lifetime.

Chart 2.1: Proportion of incoming migrants by age, 2019



Source: ABS (2020), Migration.

The following sections investigate the observed labour market outcomes of young migrants over time and act as a base to compare the impact of COVID-19.

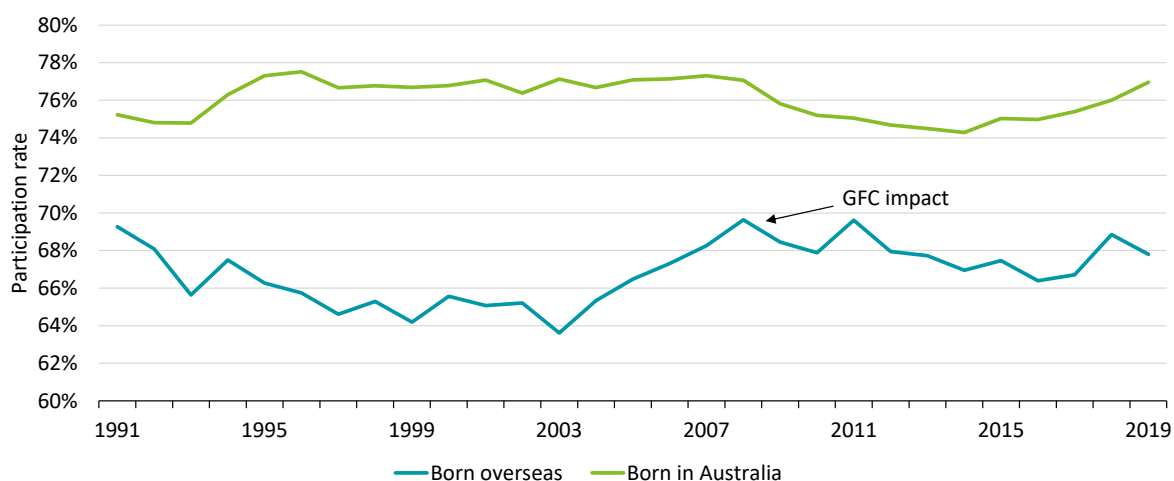
2.1 Labour force participation

The labour force represents those that are working or are willing to work. It captures both those that are employed and unemployed. For the purposes of this report the participation rate represents the percentage of the adult population in the labour force.

The Labour Force Survey has consistently shown a disparity in the youth participation rate for those born overseas and those born in Australia (Chart 2.2). Over the last 20 years, the gap between these two groups has been as large as 17 percentage points. While this gap was narrowing through the mid-2000's, progress was halted by the Global Financial Crisis. The disparity between young migrants and those born in Australia is reflected across most visa classes. In the 2016 Australian Census and Migrant Integrated Dataset (ACMID) only 18 of 74 permanent visa classes had higher participation rates than those born in Australia.[†]

[†]ACMID provides information on 129 visa classes, however only 74 are represented with more than 100 people.

Chart 2.2: Participation rate of those born in Australia and overseas, aged 15 to 29 years old



Source: ABS (2020), Detailed Labour Force.

2.1.2 Humanitarian visas

There are several reasons why migrants (of any age) may not participate in the labour market. Focusing on humanitarian migrants, the Department of Social Services’ findings from the first three waves of Building a New Life in Australia (BNLA) provide some insights.[‡] Of those surveyed, 53.3% of females indicated they were not seeking a job due to looking after the family or home. Additionally, 51.9% and 40.0% cited health and English proficiency, respectively. Men surveyed also indicated family obligations, health, and English proficiency were the top three factors for not seeking employment.^{§iv}

The difference between male and female participation for migrants reflects similar differences in work experience prior to arrival, English proficiency, and educational attainment seen in BNLA. Additionally, of the women responding in the first wave of BNLA, almost 86% were born in a region listed by the International Labour Organization as having a gender difference in labour force participation of greater than 50%. It is likely that some of the difference in participation rates is cultural and continues after arrival to Australia.^v

2.1.3 Family visas

Many spouses and partners of those entering Australia on family visas also experience lower participation rates than their Australian born counterparts. In part, this reflects the stream through which these migrants enter Australia – they have not been selected for migration based on their employment outcomes or skills (as those on skilled visas are). Additionally, the Continuous Survey of Australia’s Migrants (CSAM) has found that these migrants were more likely to have caring duties.

Social and demographic characteristics also impact how active migrants are within the labour market. A study conducted by the International Monetary Fund on migrants in Europe found that in general, those that are more educated have a higher probability of participating in the labour market. Meanwhile, being in a couple with children generally increases the probability of men participating in the labour market and lowers the probability of women participating. These results occur irrelevant of whether the person migrates or is born locally. The extent to which these characteristics impact the probability of participation does, however, vary depending on migrant status. Migrant women are less likely to participate if they have children or are in a couple than locally born women, controlling for age. Additionally, migrant women are less likely to participate than locally born women when controlling for age and educational attainment.^{vi}

[‡] BNLA is a longitudinal study of the settlement experience of humanitarian arrivals in Australia

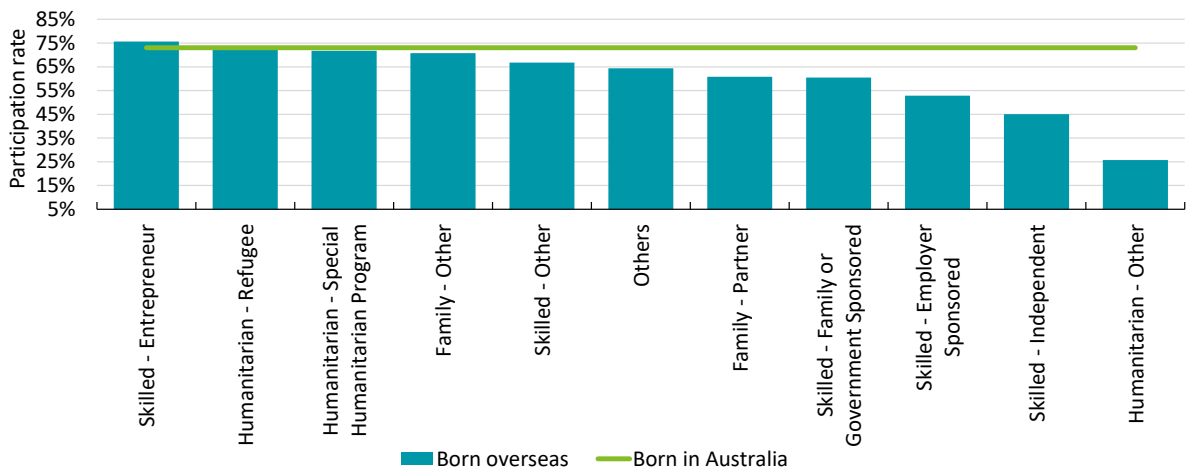
[§] While BNLA is focused on humanitarian migrants, many responses are likely to be common amongst other migrant groups.

2.1.4 Skilled visas

As shown in Chart 2.3, migrants who enter on a skilled (entrepreneur) visa have the highest participation rates. Overwhelmingly, this reflects the purpose of the skilled visa category; filling existing workforce and skill gaps in the Australian workforce.

Migrants arriving on a humanitarian visa follow with the second highest participation rates. Aside from the skilled visa category, all other visa categories had a lower participation rate than those born in Australia.

Chart 2.3 Comparison of youth participation rate by visa group, 2016



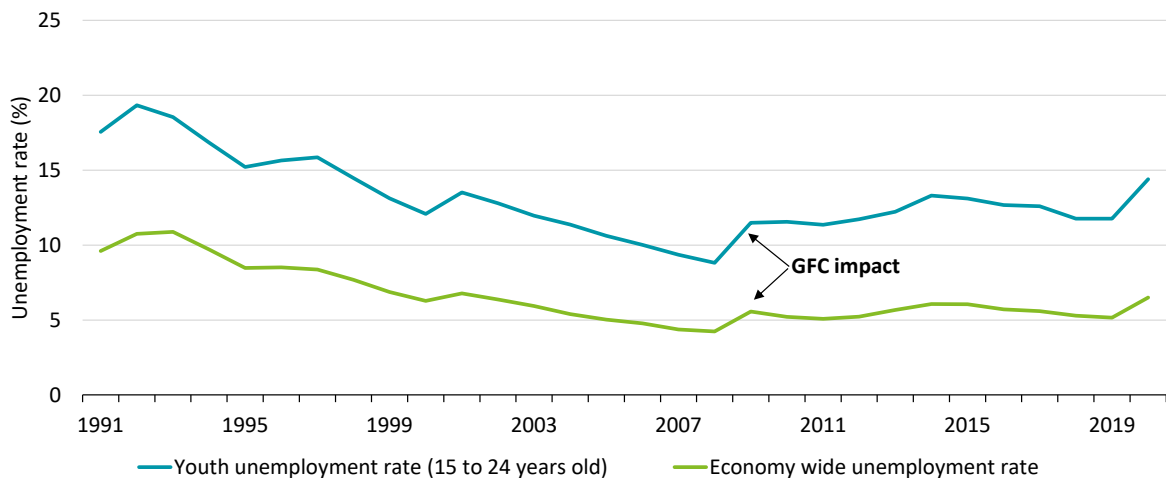
Source: ABS (2020), Detailed Labour Force.

2.2 Unemployment

Unemployed people are those that are willing to work but are not employed. The unemployment rate represents the proportion of the labour force that is unemployed.

In Australia, the youth unemployment rate is typically higher than the unemployment rate for the general labour force. The gap between labour force unemployment and youth unemployment becomes more pronounced during economic downturns and tends to take longer to recover as shown in Chart 2.4.

Chart 2.4 Youth unemployment rate, Australia

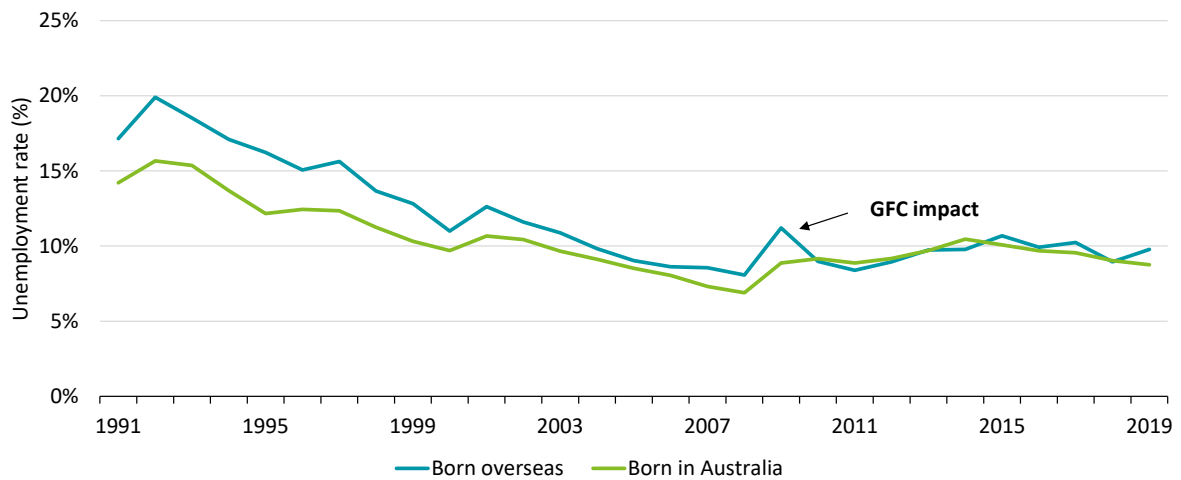


Source: ABS (2020), Detailed Labour Force.

While there is a difference between the unemployment rate for youth born in Australia and those born overseas, it is not as severe as the results presented for labour market participation. Since the global financial crisis, the difference between these two groups appears negligible (as shown in Chart 2.5).

Importantly, the unemployment rate is a function of both the number of people unemployed, and the number of people in the labour force. The lower participation rate observed for residents born overseas (compared to those born in Australia) likely – in part – reflects a cohort of workers that are unable to find work and subsequently leave the labour force. This in turn would deflate the unemployment rate, relative to a scenario where their labour force participation remained higher.

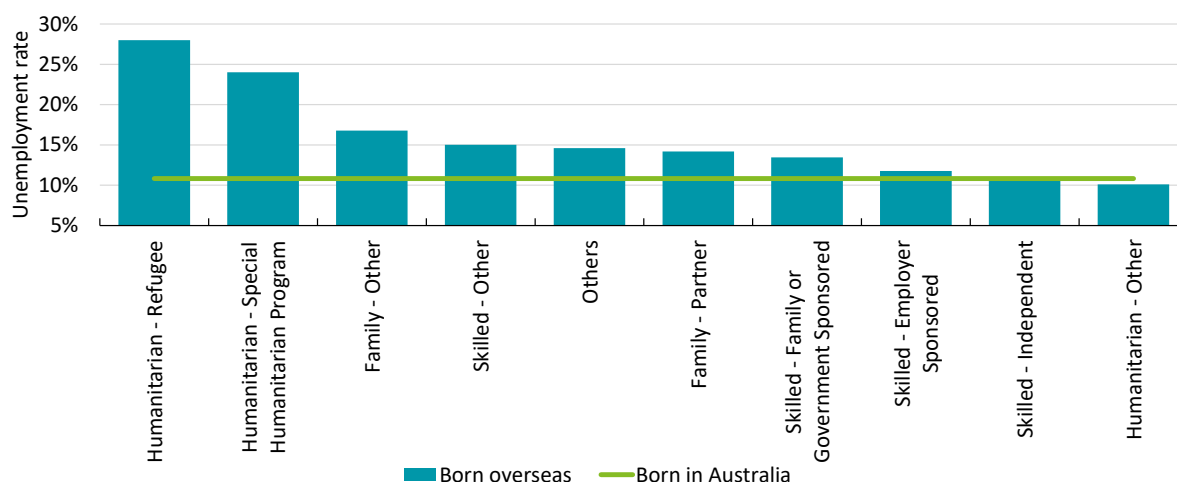
Chart 2.5: Unemployment rate of 15 to 29 years olds



Source: ABS (2020), Detailed Labour Force.

The discussion thus far has grouped visa streams together. As most young migrants are on skilled visas, the results presented above are likely skewed towards the experience of this subgroup. Differentiating between visa classes shows different labour market experiences. In 2016, only two of the visa groups (skilled - independent and humanitarian – other) had a lower unemployment rate than those born in Australia. This reflects differences in demographic characteristics of migrants as well as reason for migration – primary applicants on skilled visas are specifically sought for their skills. A more detailed breakdown of unemployment and participation rates by visa class is provided in Appendix A.

Chart 2.6: Comparison of youth unemployment rate by visa group, 2016



Source: ABS (2020), Detailed Labour Force, Australian Census and Migrants Integrated Dataset, ABS (2016).

There are also migrant-specific factors that impact employment outcomes. *The My Australia Census* revealed that 56% of those surveyed found it either 'difficult' or 'very difficult' to find work.** Numerous reasons for this were provided including:

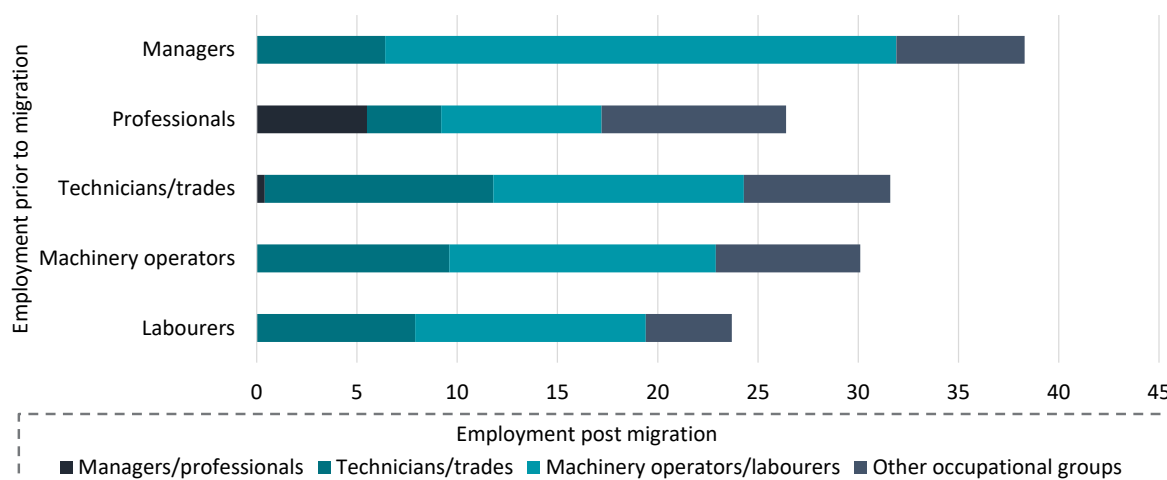
- Lack of social networks
- Lack of recognition of qualifications obtained overseas
- Lack of experience and knowledge in how to apply for jobs
- Racial discrimination.

Education is an important factor affecting employment. Studies have shown that migrants tend to have lower returns to education than those born locally. Previous work by Deloitte Access Economics showed that 49% of skilled migrants and refugees in Queensland were not fully utilising their skills and experience in the labour force. Of these, 25% was due to their qualification not being recognised, and a further 27% indicated they could not find a job related to their qualification.^{vii}

Additionally, while prior work experience is likely to assist in migrants (of any age) finding a job, it does not mean work is found in a related field. Chart 2.7 shows that those working as managers prior to migrating to Australia under the humanitarian program were the most likely to be in employment, however they were most likely to be employed as machinery operators or labourers.

** The My Australia Census surveyed 1920 'multicultural youths' aged between 15 and 25 years. Multicultural youth includes first or second-generation migrants or refugees, along with those who have grandparents who were migrants or refugees, or who identify as 'multicultural'. 95% of the sample were first- or second-generation migrants or refugees.

Chart 2.7: Employment prior to migration and after migration, Humanitarian migrants, all ages



Source: BNLA, Findings from the first three waves.^{††}

Note: The results presented in the chart are for Wave 3 only.

Other factors impacting the unemployment rate for migrants are English proficiency and time since arrival. The longer migrants have been in Australia the lower the unemployment rate. Similarly, the higher one’s English proficiency the lower the unemployment rate.^{viii}

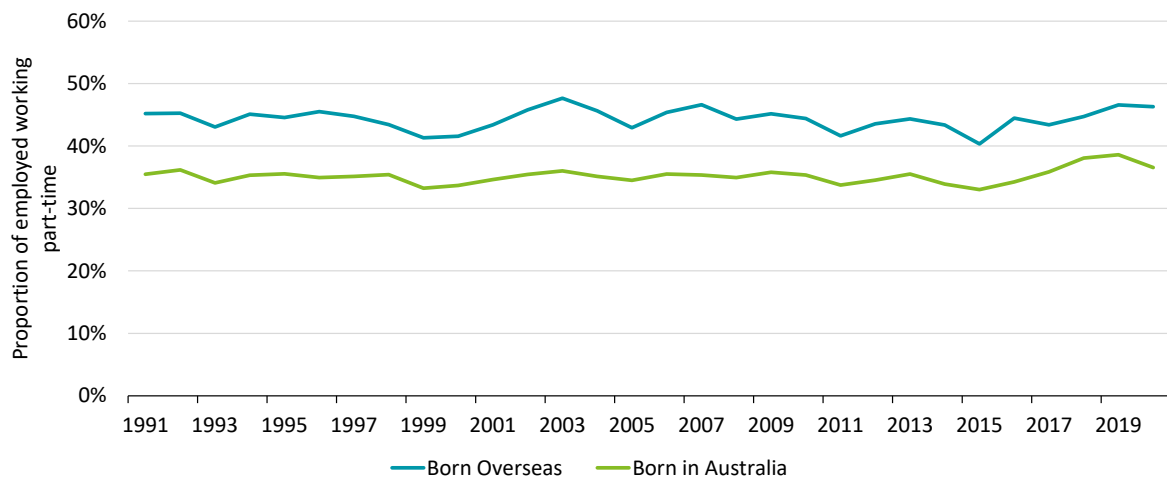
2.3 Part-time employment

People are defined as employed part-time if they *usually* work less than 35 hours a week and those that *actually* worked less than 35 hours a week in the reference week.

As shown in Chart 2.8, young migrants are more likely to work part-time than those born in Australia. The *MY Australia Census* also found a higher proportion of people working part-time (15.7% of sample) and in casual/irregular paid jobs (19.9% of sample), whereas only 9.4% of multicultural youths were in a full-time job. This is partly a result of the industries in which young migrants are employed. Data from the 2016 Census indicates 42% of young migrants worked in accommodation and food services and a further 24% worked in retail trade. For young people born in Australia, those numbers are 33% and 28.5% respectively. These industries are more likely to employ casual and part-time employees rather than full-time workers. Approximately 61% of workers in accommodation and food service industries are employed part-time.^{ix} Across all industries, part time share of employment reached 31.8% in January 2021 according to ABS labour force data (January 2021).

^{††} BNLA is a longitudinal study of humanitarian migrants, as such these results reflect the experience of humanitarian migrants. Most respondents were aged between five and 34 years.

Chart 2.8 Young people born overseas are more likely to work part-time



Source: ABS (2020), Detailed Labour Force.

Those undertaking part-time work are a combination of those actively seeking part-time employment and those that are underemployed. Data from the 2016 ACMID shows that approximately 55% of young migrants were actively seeking part-time employment - five percentage points above Australian born youth.

However, while part-time employment may be a preference for some, many may be working in part-time roles because of an inability to find full-time work. Indeed, the *MY Australia Census* reported that almost 50% of youth migrants were underemployed, compared to 31% for young people overall.

3 COVID-19 and young migrants

The impact of labour market downturns can be assessed through multiple labour market statistics. This section provides analysis of the impact of COVID-19 on young migrant labour market outcomes. The following sections provide information from recent labour market statistics, highlighting the effects of COVID-19 on young migrants.

Figure 3.1: Labour market schematic



Source: ABS.

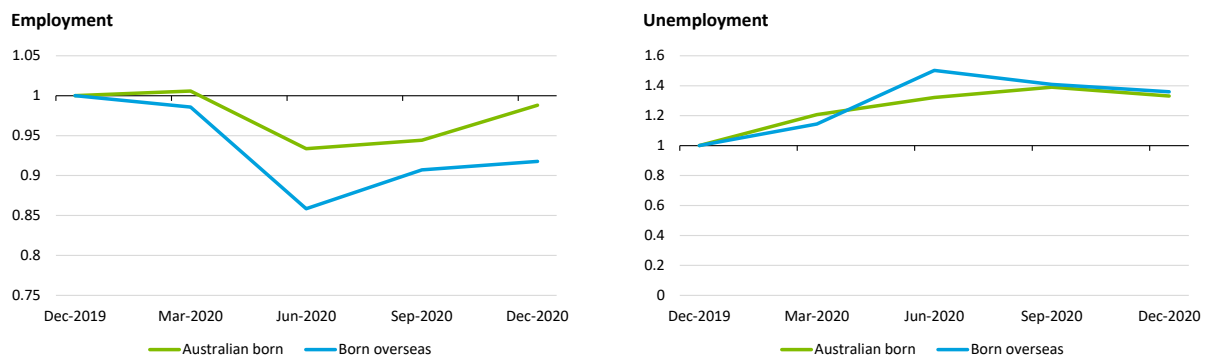
3.2 Labour market outcomes

Severe labour market contractions were seen through 2020 in Australia and globally, as governments enacted swift social distancing and lockdown requirements to limit the spread of the virus.

While the lockdowns helped to avert a health crisis similar to those seen in the United States and the United Kingdom, it did not prevent Australia from entering a recession during 2020. The economic downturn saw the participation rate fall as people left the labour market, and the unemployment rate rise.

These impacts have been disproportionately observed for residents born overseas aged 15-34. Relative to pre-COVID levels, employment was 8% lower for young people born overseas, while only 1% lower for those born in Australia by December 2020. Similarly, a larger immediate rise in unemployment was observed at the onset of the crisis for younger people born overseas than for those born in Australia.

Chart 3.1: Labour market impacts through COVID-19, ages 15-34



Source: ABS (2020), Detailed Labour Force.

3.2.2 Industry of employment

Part of the reason young migrants have been impacted more than the broader labour market is due to their industries of employment. As discussed in Section 2.3, those born overseas are most likely to work in accommodation and food services and retail trade. As shown in Table 3.1 accommodation and food services and arts and recreation services were the industries impacted most by the pandemic. Migrants are more likely to work in these two industries, along with retail trade, than the general labour market. By extension, migrant employment is more likely to be impacted by downturns in these industries.

Table 3.1: Industry share of migrant employment, June Quarter 2020

	COVID-19 impact on payroll jobs (average over June Quarter)	Industry share of migrant youth employment (2016 Census)
Agriculture, forestry & fishing	-3%	1%
Mining	-6%	0%
Manufacturing	-4%	4%
Electricity, gas, water & waste services	0%	0%
Construction	-3%	4%
Wholesale trade	-4%	1%
Retail trade	-6%	24%
Accommodation & food services	-28%	42%
Transport, postal & warehousing	-5%	2%
Information media & telecommunications	-8%	1%
Financial & insurance services	0%	1%
Rental, hiring & real estate services	-9%	1%
Professional, scientific & technical services	-3%	2%
Administrative & support services	-8%	2%
Public administration & safety	-3%	1%
Education & training	-6%	5%
Health care & social assistance	-2%	4%
Arts & recreation services	-25%	3%
Other services	-7%	3%

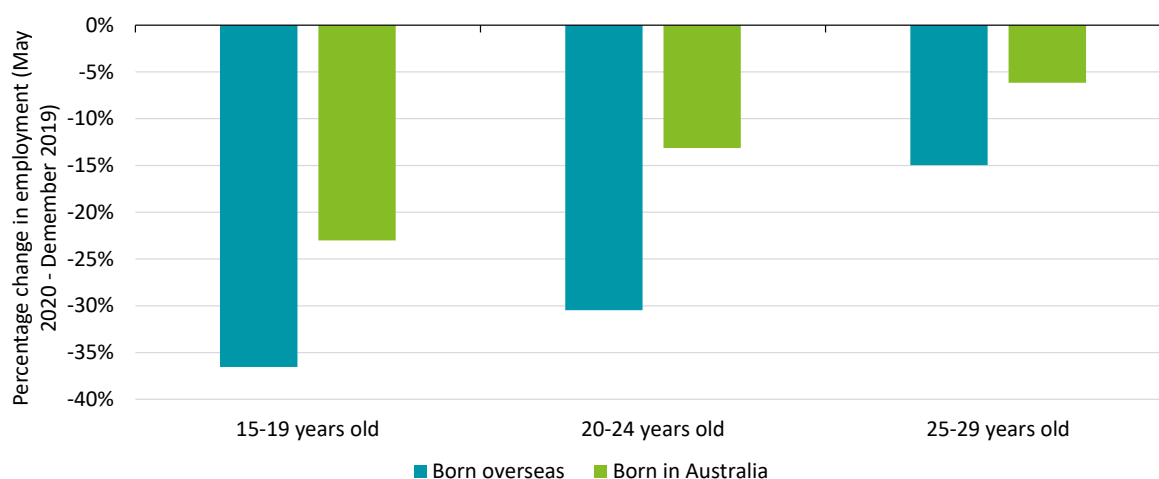
Source: Weekly Payroll Jobs and Wages in Australia, ABS (2020) & Australian Census and Migrants Integrated Dataset, ABS (2016).

3.2.1 Age

Across each age cohort, larger employment falls were observed at the peak of the crisis for residents born overseas than those born in Australia. This is particularly true for those aged 15-19. At the peak impact, employment for this cohort dropped by over 35%, far above that of their Australian born counterparts.

Irrelevant of place of birth, the impact on employment lessens with age. This is likely the result of the type of work (i.e. part-time, full-time or casual) and industry of employment. While loss of employment can cause long term social and financial impacts at any age, scarring is likely to be more severe for youth and those first entering the workforce.

Chart 3.2: Change in employment by age group (difference between May 2020 and December 2019)



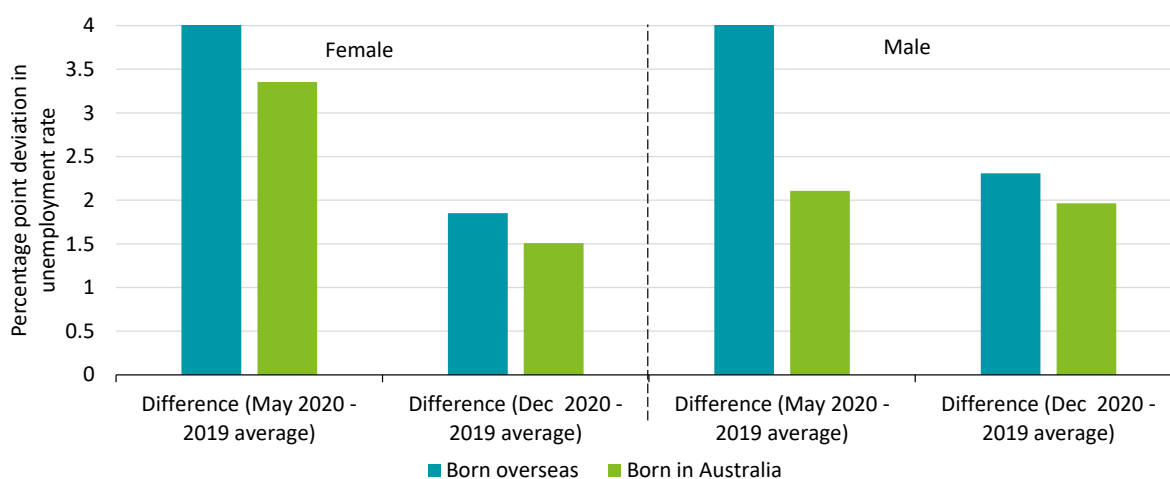
Source: ABS (2020), Detailed Labour Force.

3.2.2 Gender

Gender is an important factor in assessing labour market outcomes. As shown in Chart 3.3, COVID-19 had a larger unemployment impact on young people born overseas than on young people born in Australia. This is true for both males and females.

Since the peak of the crisis, there has been substantial improvement in labour market outcomes. Females born in Australia experienced the strongest recovery by December 2020 (compared with their 2019 average). In contrast, females born overseas have experienced the weakest recovery by the last quarter of 2020.

Chart 3.3: Impacts of COVID-19 on unemployment rate for those aged 15-29



Source: ABS (2020), Detailed Labour Force.

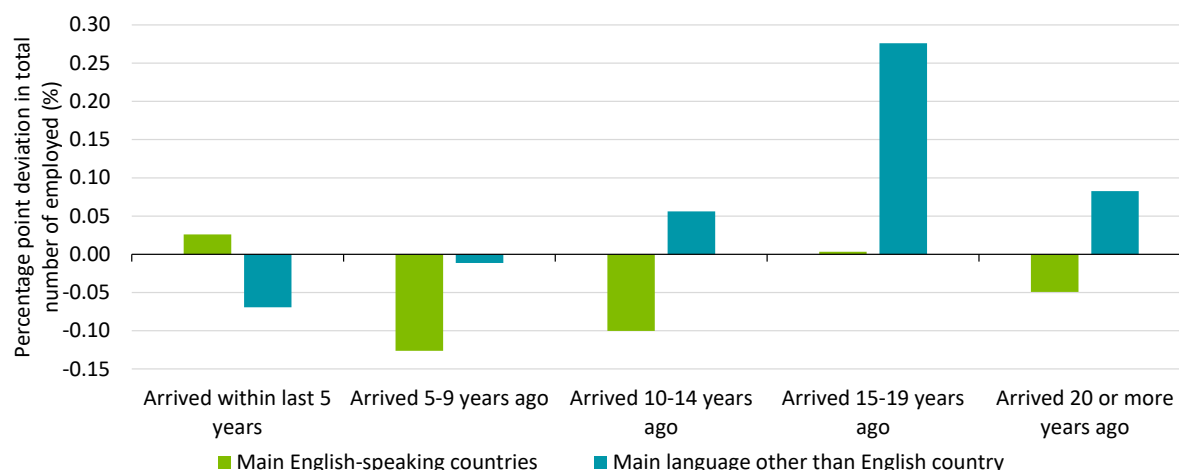
3.2.3 Time since arrival and English proficiency

Labour market outcomes for migrants are in part a function of the amount of time spent in Australia. The longer a person has lived in Australia, the closer their experience of the economic downturn from COVID-19 is to the Australian born population.

Chart 3.4 shows the change in employment between December 2020 and the 2019 average. As the economy recovered in the last month of 2020, the total number of employed people in the cohort of migrants born in a country whose main language is other than English and had been in Australia for over 10 years increased. On average, total employed people in the recent arrival

cohort (arrived within the last 9 years) declined when comparing December 2020 with average number of employed people across 2019. Migrants who arrived 15 to 19 years ago and were from a country whose main language is other than English saw a sharp increase in the number of employed people.

Chart 3.4: Changes in total employed people compared with December 2020 to 2019 average (all age categories)



Source: ABS (2020), Detailed Labour Force.

3.3 Hours worked

At the peak of the crisis, the number of hours worked in the Australian economy fell 10.4% (March 2020). The JobKeeper initiative helped prevent many of the workers losing hours from entering unemployment.

While public data on hours worked is not available by country of birth, a study by the Centre for Social Research and Methods at the Australian National University used a longitudinal study from May to October 2020 to investigate the impact of COVID-19 on hours worked. The study found that Australians born overseas lost more hours than their Australian born counterparts, even when controlling for demographic and human capital characteristics. Those who were born overseas in a non-English speaking country experienced a loss of 104 hours of employment and those born in a main English-speaking country lost 46.9 hours compared to those born in Australia.^x

3.4 Longer term effects of unemployment

Evidence from previous recessions suggests that migrants tend to be the first cohort to lose their jobs as they are often the last to be hired.^{xi} This 'last hired - first fired' mentality is especially pervasive in countries hardest hit by economic downturns, but is still felt by migrants in Australia.

For young migrants, the loss of employment opportunities during their youth can have long term labour market scarring impacts. Employment not only provides financial stability, but is also important for the mental health of young people. Employment is especially important for migrant youth, whose economic participation can help develop social ties and further employment, education and social opportunities in their new country of residence.

The social and psychological impacts of the COVID-19 recession on young people will be felt over the medium and long term. Anecdotal evidence already suggests that young people are more pessimistic about their future and are postponing higher education opportunities to find employment.^{xii}

A 2009 report by the Federation of Ethnic Communities' Councils of Australia found that during periods of economic downturns, increased incidences of racism, discrimination and a lack of tolerance exacerbated the disadvantages already felt in migrant and refugee communities.^{xiii} Further, many migrants may find it more challenging to find new employment after retrenchment

in an economic downturn due to reduced social networks, personal and family commitments and lower education attainment levels than those in the Australian born population.^{xiv} Combined, these factors can lead to longer-term labour market discouragement, where young migrants have low expectations about their future employment opportunities. However, as the health crisis abates due to the roll out of vaccines and the domestic and global economy recovers, it is expected that the labour market will return to pre-COVID-19 levels over the medium term.

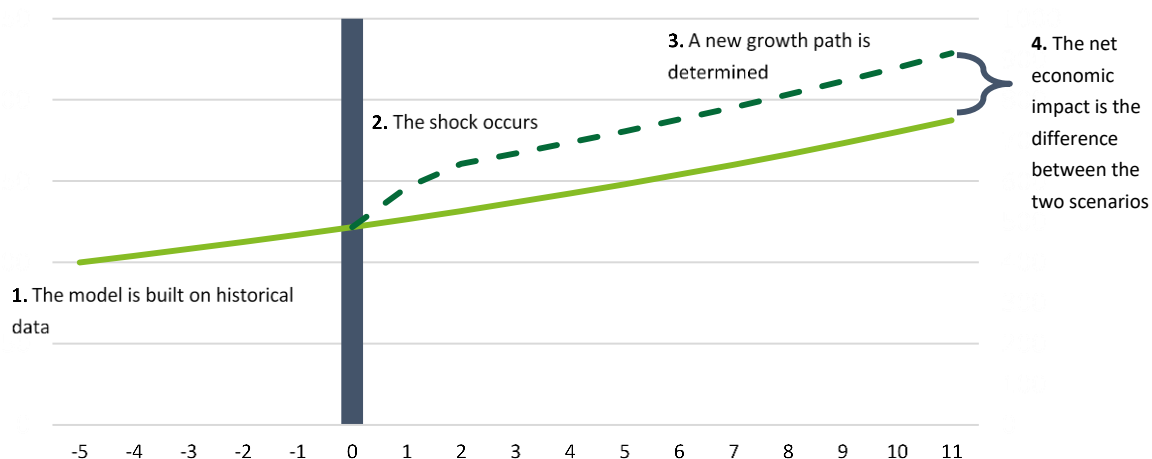
For many young people, including migrants, finding secure employment in 2021 will help provide more certainty about their future in an otherwise still uncertain economic environment.

4 Modelling the impact of improved labour market outcomes

Computable general equilibrium (CGE) models are a class of economic model that is used to estimate how an economy reacts to changes in policy or economic conditions. This study uses computable general equilibrium modelling to measure the net economic impact of closing the participation rate gap between those born overseas and those born in Australia. The net impact refers to the economic growth and employment attributable to the decision relative to a “baseline” scenario in which the participation rate for those born overseas follows historical trends. The policy scenario is a ‘shock’ to the baseline where it is possible to simulate the economy-wide impact of a reduction in the participation and unemployment rate gap for young migrants between that observed for each visa category and the rates for those born in Australia. This scenario is stylised and aspirational in nature. It does not model any specific policies, but rather the outcome if policies were successful in closing the participation rate gap.

The notion of additional activity over a baseline impact is visualised in Figure 4.1. The focus of this study is on the additional 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. More information on the Deloitte Access Economics’ Computable General Equilibrium model can be found in Appendix B.

Figure 4.1: Economic impact as the difference between two scenarios



Source: Deloitte Access Economics.

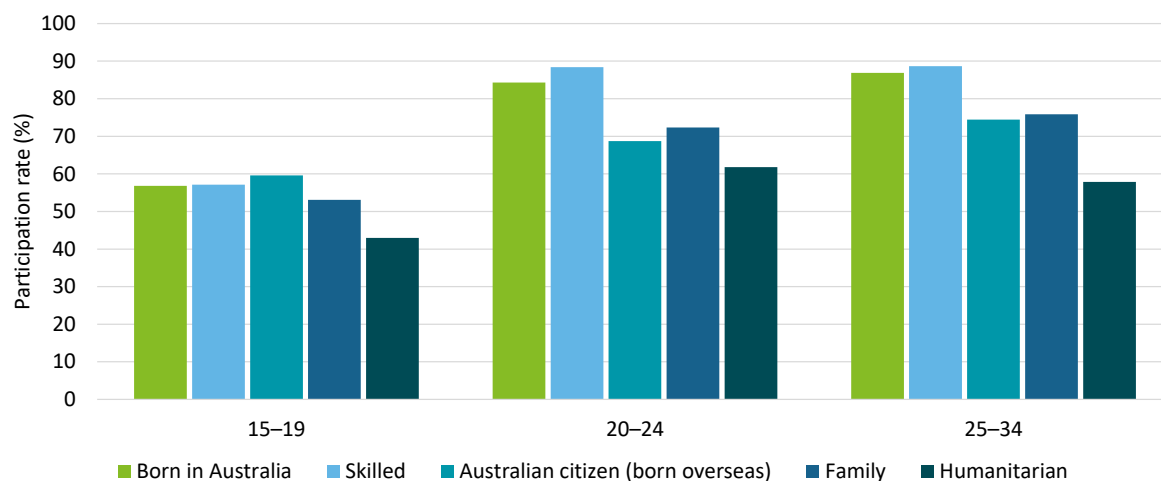
4.1 The scenario being examined

The scenario being examined or ‘shock’ in this instance is an increase in the participation rate for young migrants. As discussed in Section 2 the participation rate for young migrants is generally

lower than that of youth born in Australia. The ‘shock’ seeks to close this gap. This is done by increasing the participation rate of visa streams by age to the Australian born equivalent (Chart 4.2).^{**}

A detailed discussion on potential factors limiting labour force participation for young migrants can be found in Section 2.

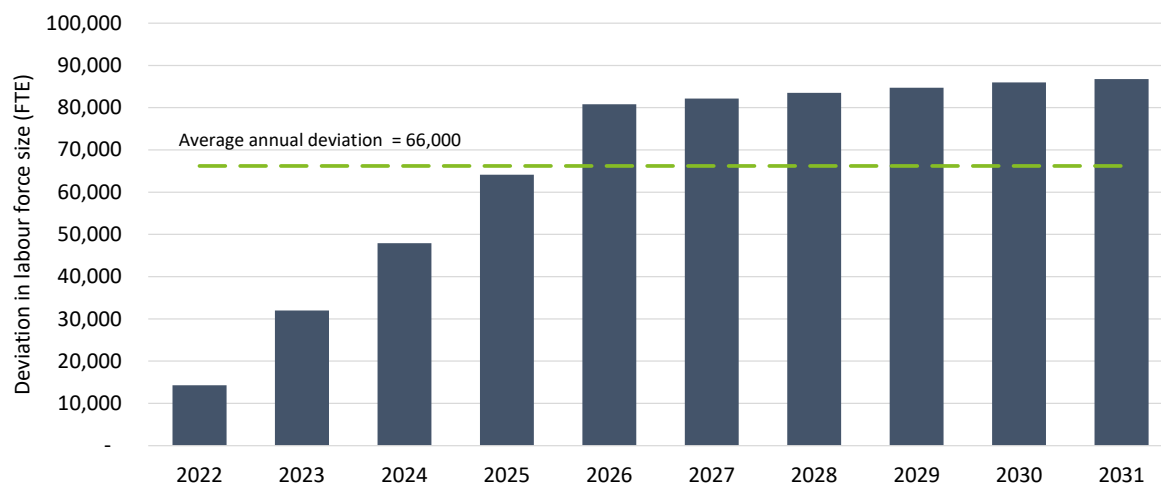
Chart 4.1 Participation rates by visa class



Source: ACMID 2016.

The ‘shock’ is designed such that the gap in participation rate is closed over five years – the participation rate for young migrants is the same as those born in Australia by 2026. Lifting the participation rate results in an additional 86,800 young migrants in the labour market at 2031, with an average annual increase of 66,200 over the policy period (as shown in Chart 4.2).

Chart 4.2 Assumed annual increase in effective labour supply, 2022 - 2031



Source: DAE-RGEM.

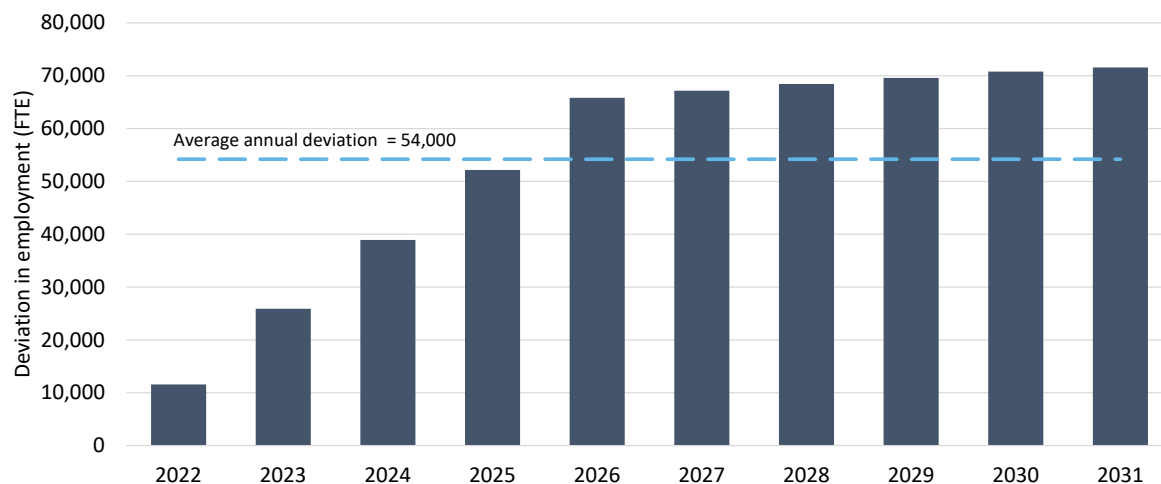
4.2 Labour market impacts

An increase in the size of the labour market does not necessarily guarantee that all new entrants will find employment. This is largely due to labour market friction assumed in the economy’s ability to absorb new entrants. In saying this, the majority of additional young migrants in the labour

^{**} As skilled migrants experience a higher participation rate than those born in Australia, their participation rate has not been adjusted in this ‘shock’.

force are expected to find employment over the forecast period. Those finding employment support economic growth as reflected in their increased spending. This in turn helps to support further job creation. The annual average increase in aggregate employment is estimated to be 54,000 Full-Time Equivalent (FTE) jobs over 10 years from 2022 to 2031 (see Chart 4.3).

Chart 4.3 Projected increase in employment (FTEs), 2022 to 2031

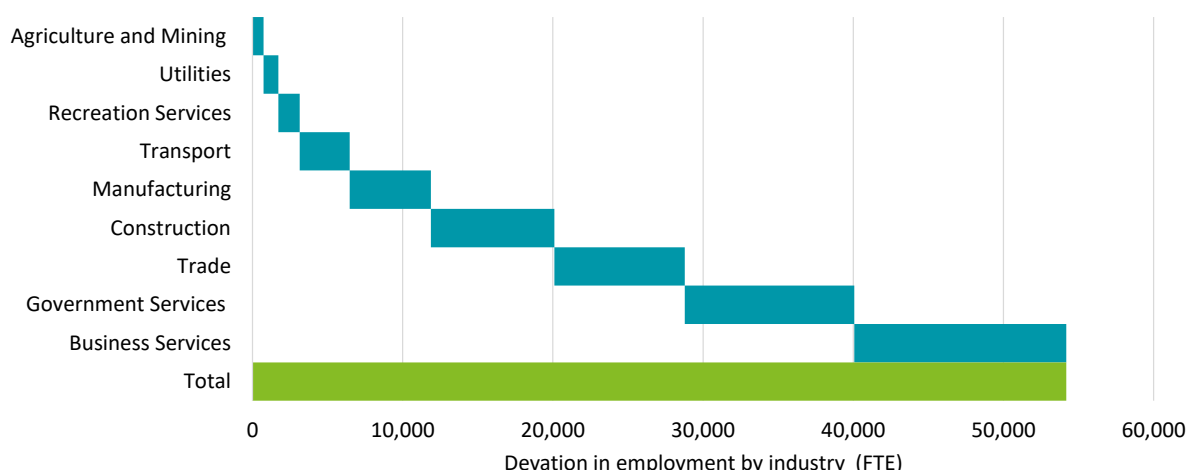


Source: DAE-RGEM.

As the 'shock' assumes a policy intervention targeting those disengaged from the labour force, it is assumed that the characteristics of additional young migrants will mimic their Australian born counterparts rather than young migrants already in the labour force. For example, if a lack of qualification recognition discourages young migrants from entering the labour market, a policy intervention improving qualification recognition will likely result in those affected entering the labour market and becoming employed in the area they are qualified. Therefore, those with a qualification in business would now be more likely to work in business services rather than a trade (see Section 2.2).

Chart 4.4 shows the composition of employment in 2031. Most employment is expected to be found in government and business services. Fewer jobs are estimated to be created for sectors like agriculture and mining. These industries are less responsive to the effective labour supply increase owing to the more fixed nature of their production and their lower labour intensity in general.

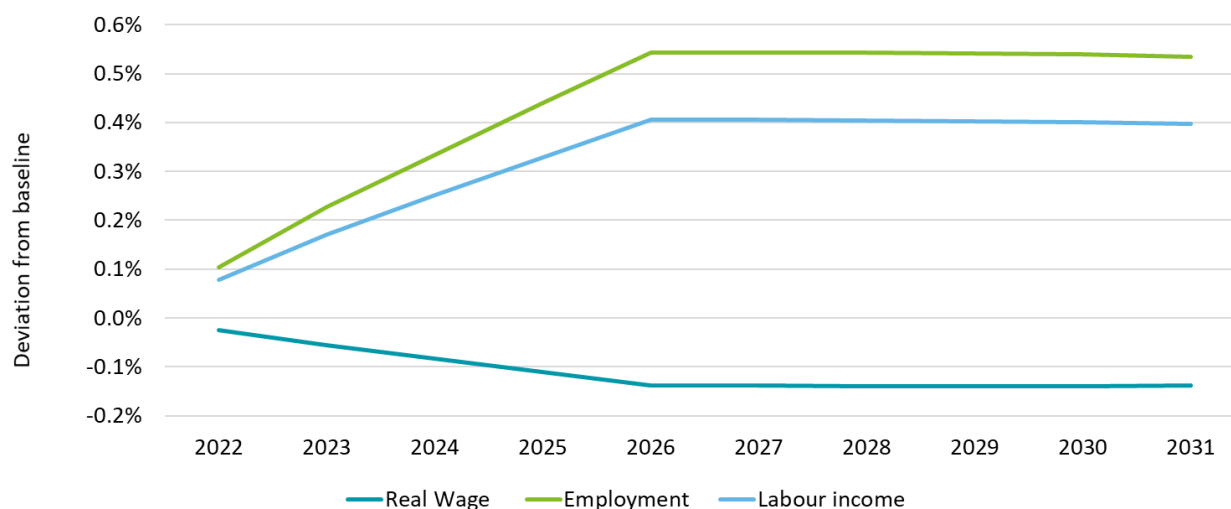
Chart 4.4 Impacts on sectoral employment, Australia



Source: DAE-RGEM.

Wages are also impacted by the increase in the labour force. A modest fall in wages is observed, with a decrease of 0.03% from the baseline in 2022 and steadily decreasing to 0.14% from 2026 to the end of the modelling period 2031 (see Chart 4.5).

Chart 4.5 Projected impacts on wages (%), employment (%) and labour income (%), 2022 to 2031

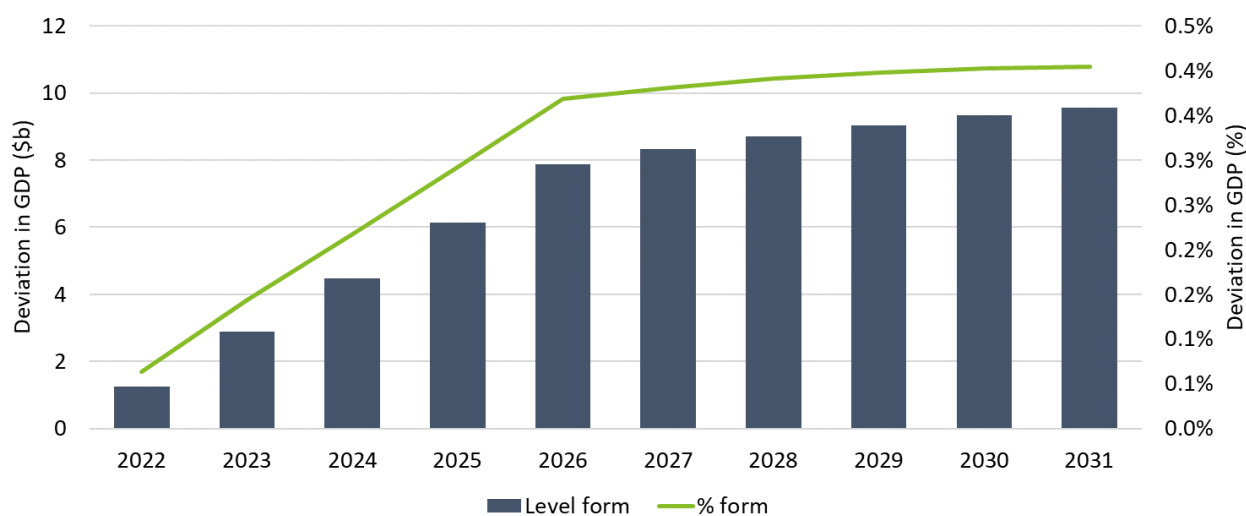


Source: DAE-RGEM.

4.3 Broader economic impacts

Increased employment coupled with expanded services and construction sectors increases the size of the economy. Australia’s Gross Domestic Product (GDP) is estimated to increase by \$44 billion over the policy period. This represents an average annual increase in GDP of around \$7 billion (refer to Chart 4.6).

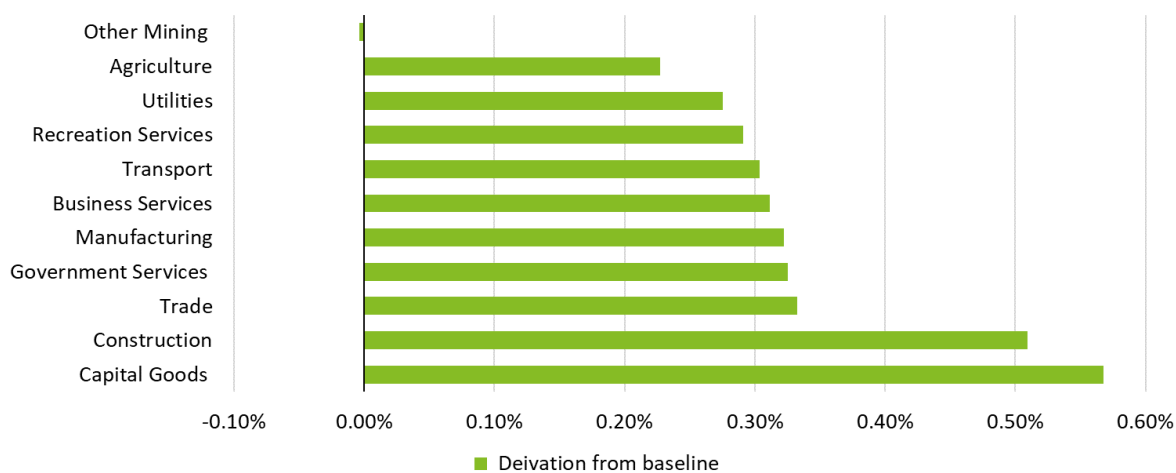
Chart 4.6 Projected increase in GDP, 2022 to 2031



Source: DAE-RGEM.

Increased employment directly stimulates economic activity across all sectors in the economy. Labour intensive sectors (such as services, construction) are the highest beneficiaries compared to others. Outputs is estimated to increase by 0.57% and 0.33% on average for construction and trade over the period 2022 to 2031.

Chart 4.7 Impacts on industry output on average, Australia



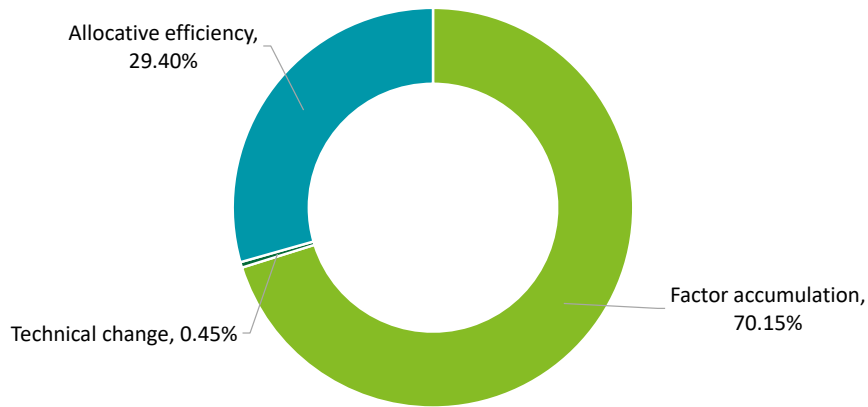
Source: DAE-RGEM.

Some industries, however, experience crowding out. That is, activity in growing sectors leads to reduced activity in some parts of the economy as it draws productive resources away from these industries (such as agriculture and some mining sectors). The sectoral outputs are estimated to increase by 0.23% from the baseline for agriculture and a negligible change in other mining. Higher demand for labour and other resources by growing industries leads to competition among other factors, creating resource constraints for other sectors. However, the reduced activities in some industries does not necessarily imply that the industry is projected to contract. Rather, it indicates that, relative to the base case, it is not growing as fast.

This positive growth in GDP can be decomposed into three key components, factor accumulation (labour, capital and natural resources), technical change, and allocative efficiency (tax and tariff revenue) (refer to Chart 4.8). Within the \$7 billion increase in average GDP, over 70% is contributed by factor accumulation, which one would expect given the simulation involves an

increase in labour force participation. This isn't the whole story, however, as revenues which are collected from tax and tariffs as part of allocative efficiency contribute 29.4% (\$2.01 billion) towards GDP demonstrating the importance of spill over effects. As expected, the greater tax revenue is directly associated with greater employment and related flow of taxable income in the economy.

Chart 4.8 Breakdown of Gross Domestic Product (GDP), Australia

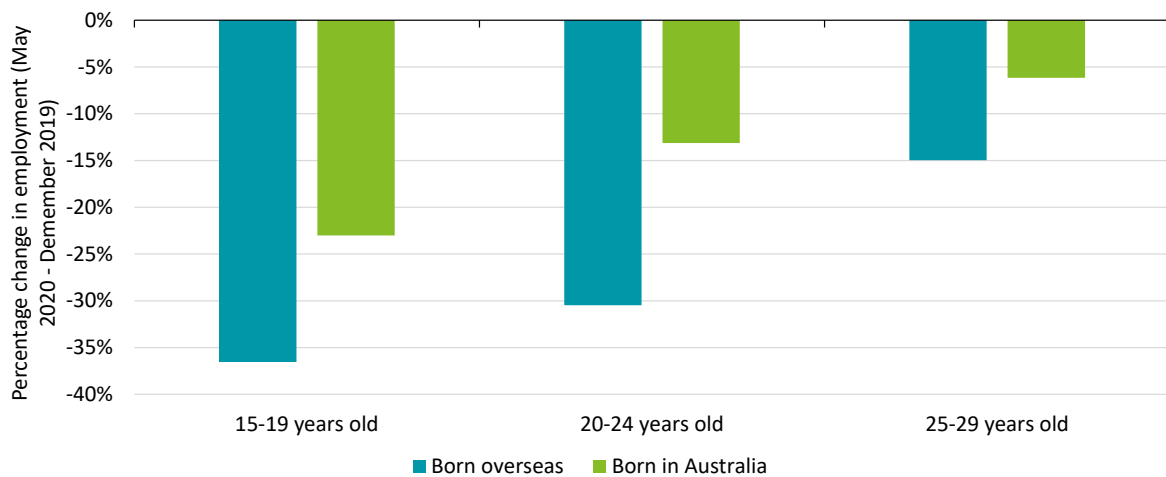


Source: DAE-RGEM.

5 Conclusion

Australia’s migrant youth population is an integral and important contributor to the social and economic fabric of the Australian nation. Supporting young migrants in their education and employment goals delivers broader economic benefits for the Australian population as a whole. As shown in this report, young migrants felt a more severe initial impact from COVID-19, evidenced by reduced employment (Chart 5.1), fewer hours of work and lower participation rates than Australian born young people.

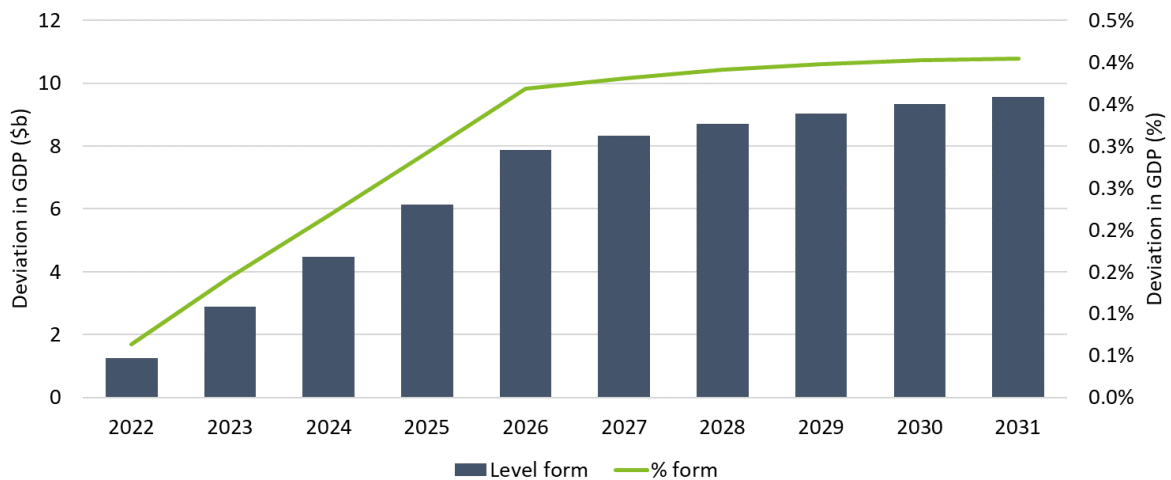
Chart 5.1: Change in employment by age group (difference between May 2020 and December 2019)



Source: ABS (2020), Detailed Labour Force.

Section 4 of this report highlights that closing the participation rate gap between young migrants and people born in Australia (over a period of 5 years to 2026) may result in an increase to GDP by \$44 billion over the time period. This represents an average annual increase in GDP of around \$7 billion (Chart 5.2).

Chart 5.2 Projected increase in GDP, 2022 to 2031



Source: DAE-RGEM

At present this is a hypothetical economic benefit.

But policies and programs that aim to address some of the disparities between young people born in Australia and those born overseas can help to turn this hypothetical benefit into a reality.

Specifically, policies that address skill recognition, English proficiency and in-work programs such as traineeships and formal mentoring are likely to better support young migrant employment outcomes.

Further, evidence suggests assistance for young migrants in education that targets school leadership and culture, teaching, mental health, after-school programs, and school-parent-community partnerships supports the integration of young migrants in the broader community. Targeting teaching involves providing greater resources for teachers to bridge the gap in understanding specific barriers faced by young migrants.^{xv} Targeted assistance for young migrants in formal education is likely to have positive flow on effects in the labour market as they begin to look for employment.

Beyond formal education, support through coaching, mentoring and building greater understanding of the Australian business environment can also play a role in improving labour market success. Community consultation may provide an opportunity to better understand the needs of both migrant youths and potential employers. Targeted surveys could help address questions regarding barriers to employing young migrants, specific support programs young migrants would like to access and the drivers to achieving better entry to the labour market by young migrants. Such research could help to better understand the specific interventions which may enable young migrants to achieve their labour market aspirations.

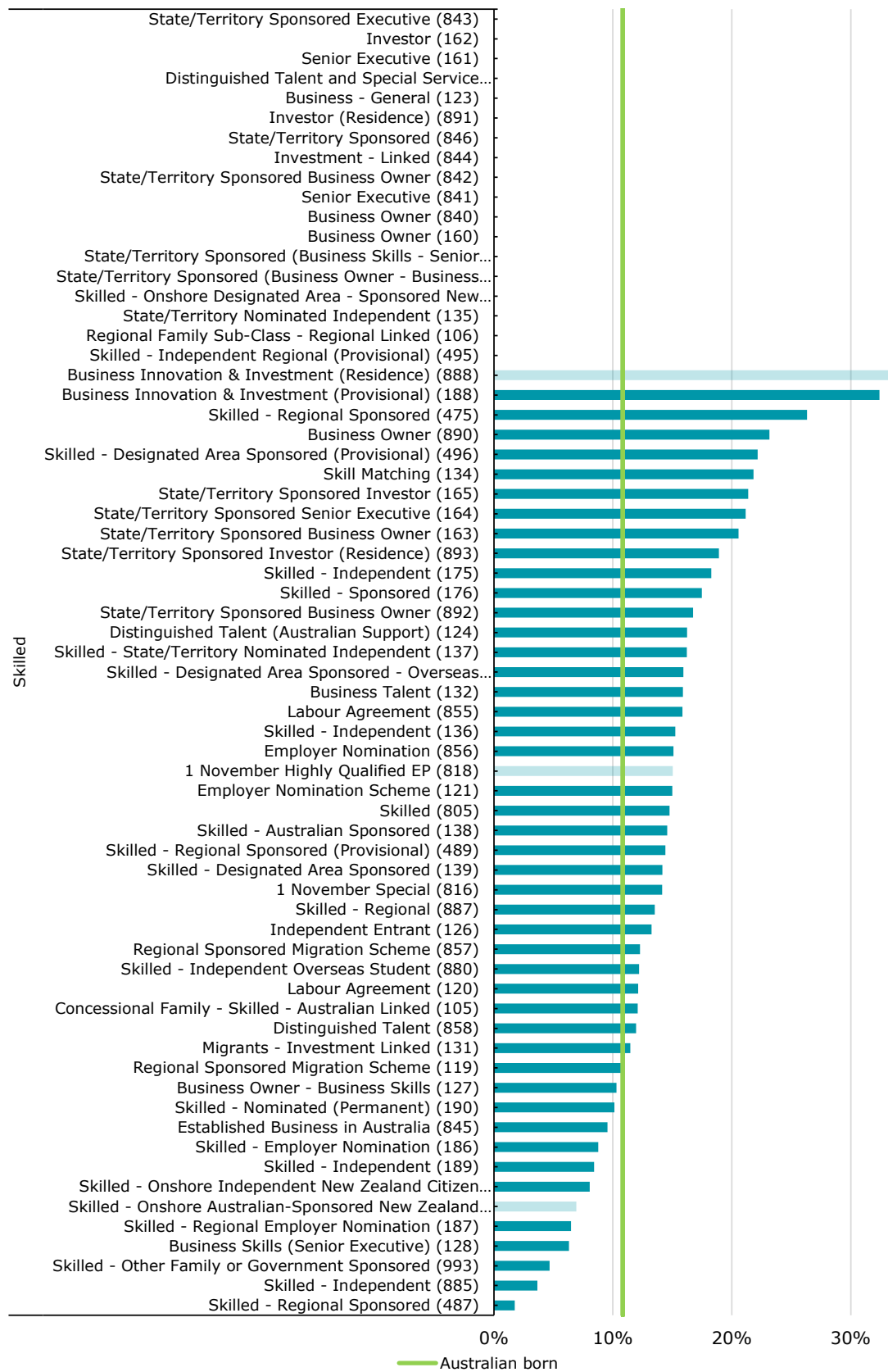
Endnotes

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Appendix A Visa class categories

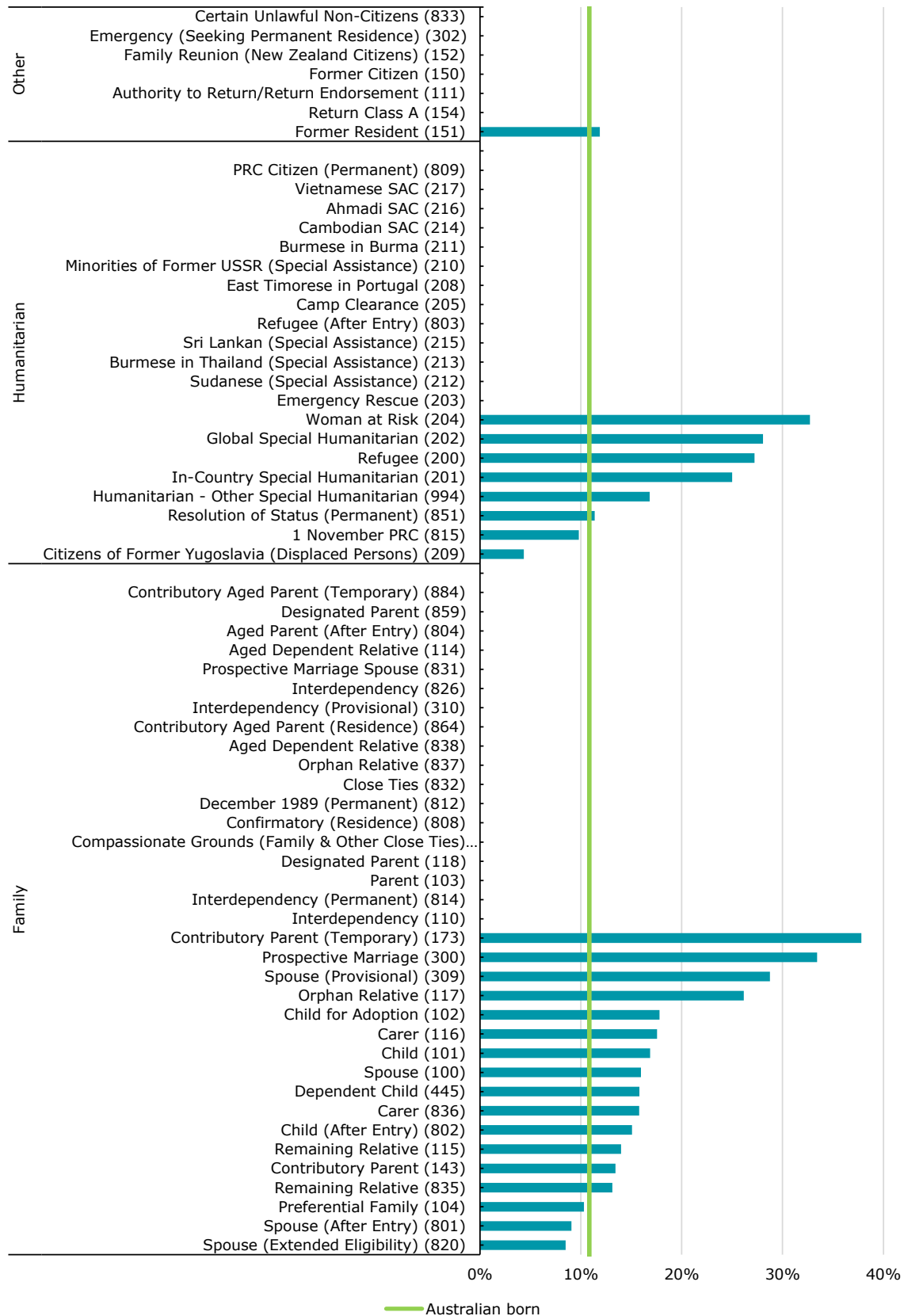
The following charts show the unemployment and participation rates for migrants based on visa class, in comparison with the Australian born population. Light blue lines indicate a small sample size, whereas dark blue lines represent a larger sample size. It is important to note that using data from small sample sizes may result in incomplete or inconclusive interpretations.

Chart A.1 Skilled visa categories – unemployment rate



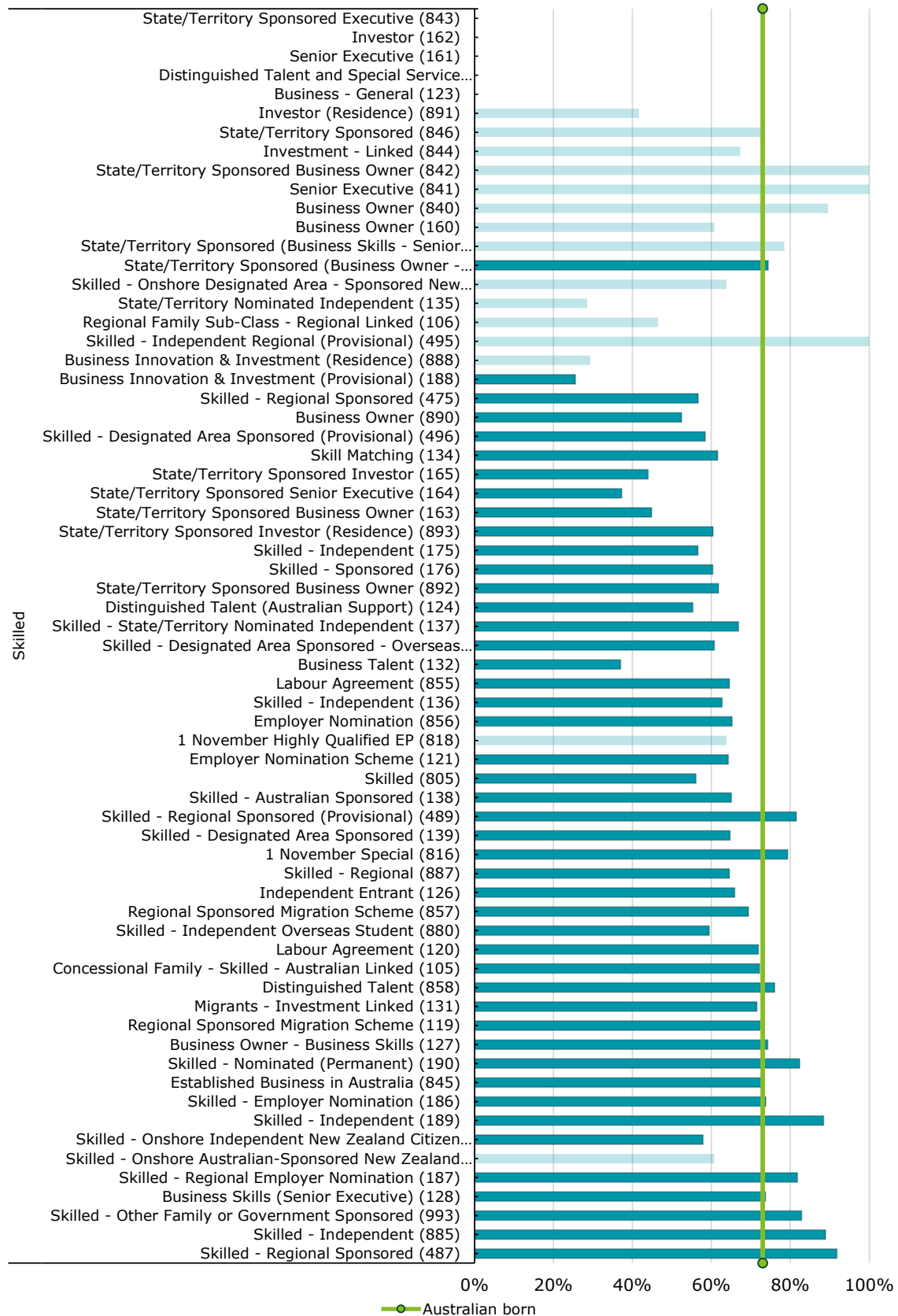
Source: ABS (2020), ACMID.

Chart A.2 Humanitarian, family, and other visa categories – unemployment rate



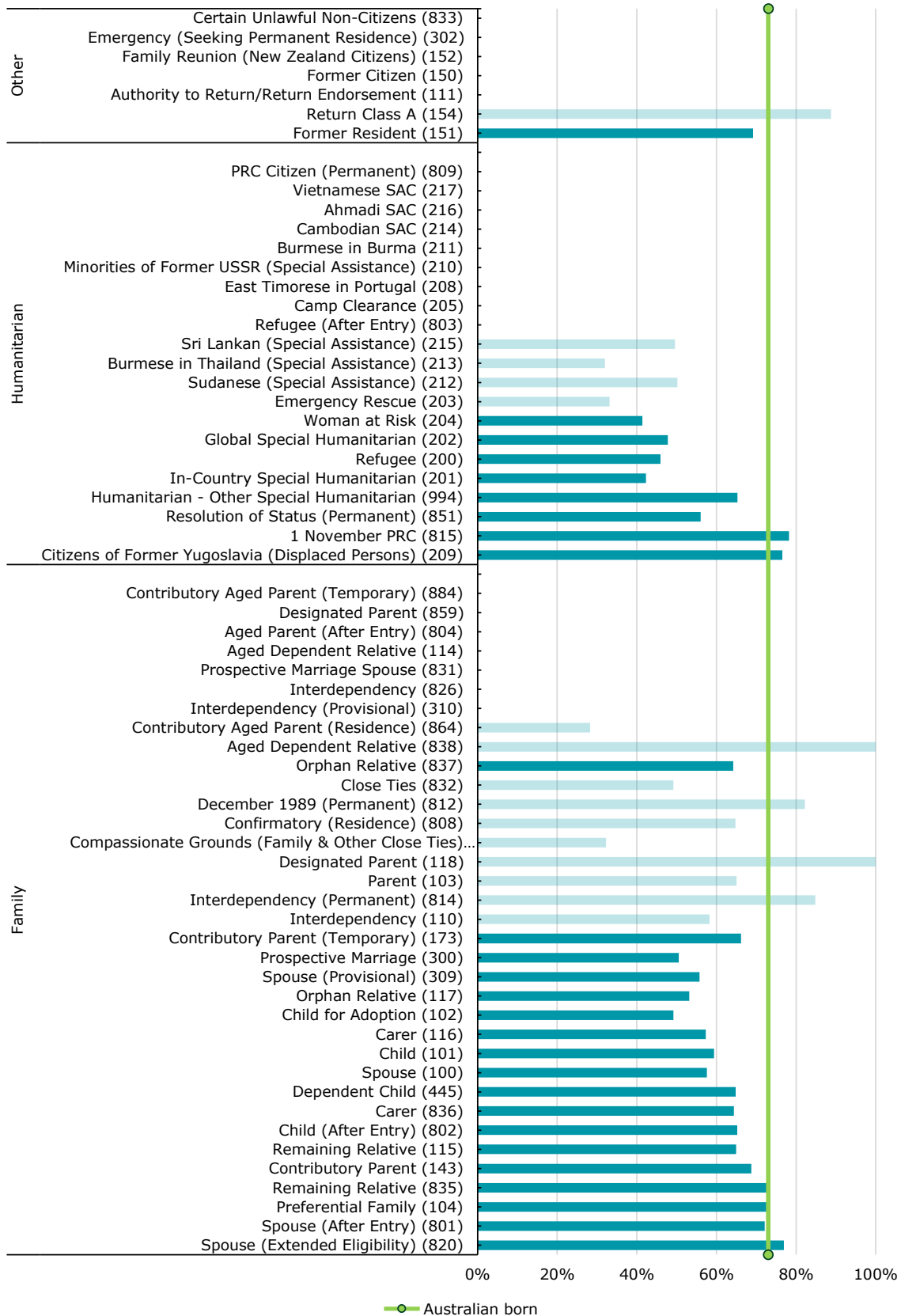
Source: ABS (2020), ACMID.

Chart A.3 Skilled visa category – participation rate



Source: ABS (2020), ACMID.

Chart A.4 Humanitarian, family, and other visa categories – participation rate



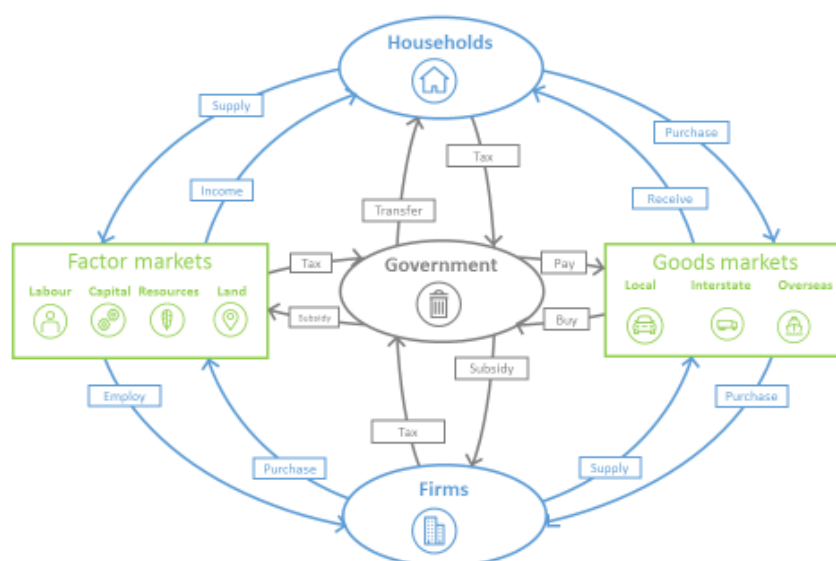
Source: ABS (2020), ACMID.

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 captured the broader economic impacts of an increase in effective labour supply in Australia. At the sectoral level, detailed results such as economic activity employment, sectoral output by industry are also produced.

Figure B.1 gives a stylised representation of DAE-RGEM, specifically a system of interconnected markets with appropriate specifications of demand, supply and the market clearing conditions 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.

The model rests on the following key assumptions:

- All markets are competitive, and all agents are price takers
- All markets clear, regardless of the size of the shock, within the year.
- It takes one year to build the capital stock from investment and investors take future prices to be the same as present ones as they cannot see the future perfectly
- Supply of land and skills are exogenous. In the business as usual case, supply of natural resource adjusts to keep its price unchanged; productivity of land adjusts to keep the land rental constant at the base year level.

- All factors sluggishly move across sectors. Land moves within agricultural sectors; natural resource is specific to the resource using sector. Labour and capital move imperfectly across sectors in response to the differences in factor returns. Inter-sectoral factor movement is controlled by overall return maximizing behaviour subject to a CET function. By raising the size of the elasticity of transformation to a large number we can mimic the perfect mobility of a factor across sectors and by setting the number close to zero we can make the factor sector specific. This formulation allows the model to acknowledge the sector specificity of part of the capital stock used by each sector and also the sector specific skills acquired by labour while remaining in the industry for a long time. Any movement of such labour to another sector will mean a reduction in the efficiency of labour as a part of the skills embodied will not be used in the new industry of employment.

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

- The model contains a 'regional household' that receives all income from factor ownerships (labour, capital, land and natural resources), tax revenues and net income from foreign asset holdings. In other words, the regional household receives the gross national income (GNI) as its income.
- The regional household allocates its income across private consumption, government consumption and savings so as to maximise a Cobb-Douglas utility function. This optimisation process determines national savings, private and government consumption expenditure levels.
- Given the budget levels, household demand for a source-generic composite goods are determined by minimising a CDE (Constant Differences of Elasticities) expenditure function. For most regions, households can source consumption goods only from domestic and foreign sources. In the Australian regions, however, households can also source goods from interstate. In all cases, the choice of sources of each commodity is determined by minimising the cost using a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function defined over the sources of the commodity (using the Armington assumption).
- Government demand for source-generic composite goods, and goods from different sources (domestic, imported and interstate), is determined by maximising utility via Cobb-Douglas utility functions in two stages.
- All savings generated in each region are used to purchase bonds from the global market whose price movements reflect movements in the price of creating capital across all regions.
- Financial investments across the world follow higher rates of return with some allowance for country specific risk differences, captured by the differences in rates of return in the base year data. A conceptual global financial market (or a global bank) facilitates the sale of the bond and finance investments in all countries/regions. The global saving-investment market is cleared by a flexible interest rate.
- Once aggregate investment level is determined in each region, the demand for the capital good is met by a dedicated regional capital goods sector that constructs capital goods by combining intermediate inputs in fixed proportions, and minimises costs by choosing between domestic, imported and interstate sources for these intermediate inputs subject to a CRESH aggregation function.
- Producers supply goods by combining aggregate intermediate inputs and primary factors in fixed proportions (the Leontief assumption). Source-generic composite intermediate inputs are also combined in fixed proportions (or with a very small elasticity of substitution under a CES function), whereas individual primary factors are chosen to minimise the total primary factor input costs subject to a CES (production) aggregating function.

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