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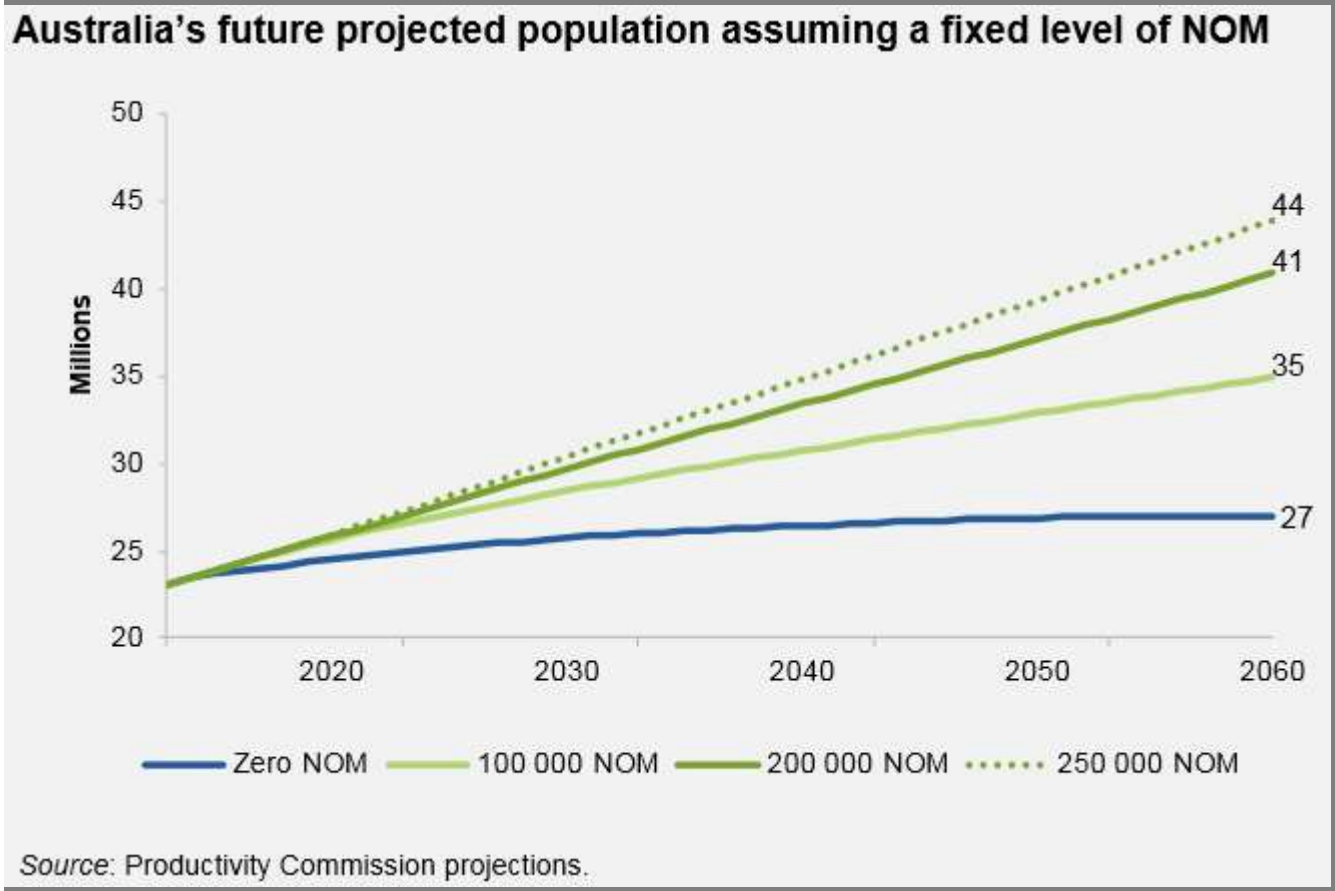
# The Economic impacts of Immigration

Leith van Onselen

# Overview of Australia's population




*Source*: Productivity Commission projections.

- Over the last 70 years immigration has added 7 million people to Australia's population.
- Immigration is the key driver of Australia's population growth, therefore immigration policy is a defacto population policy.

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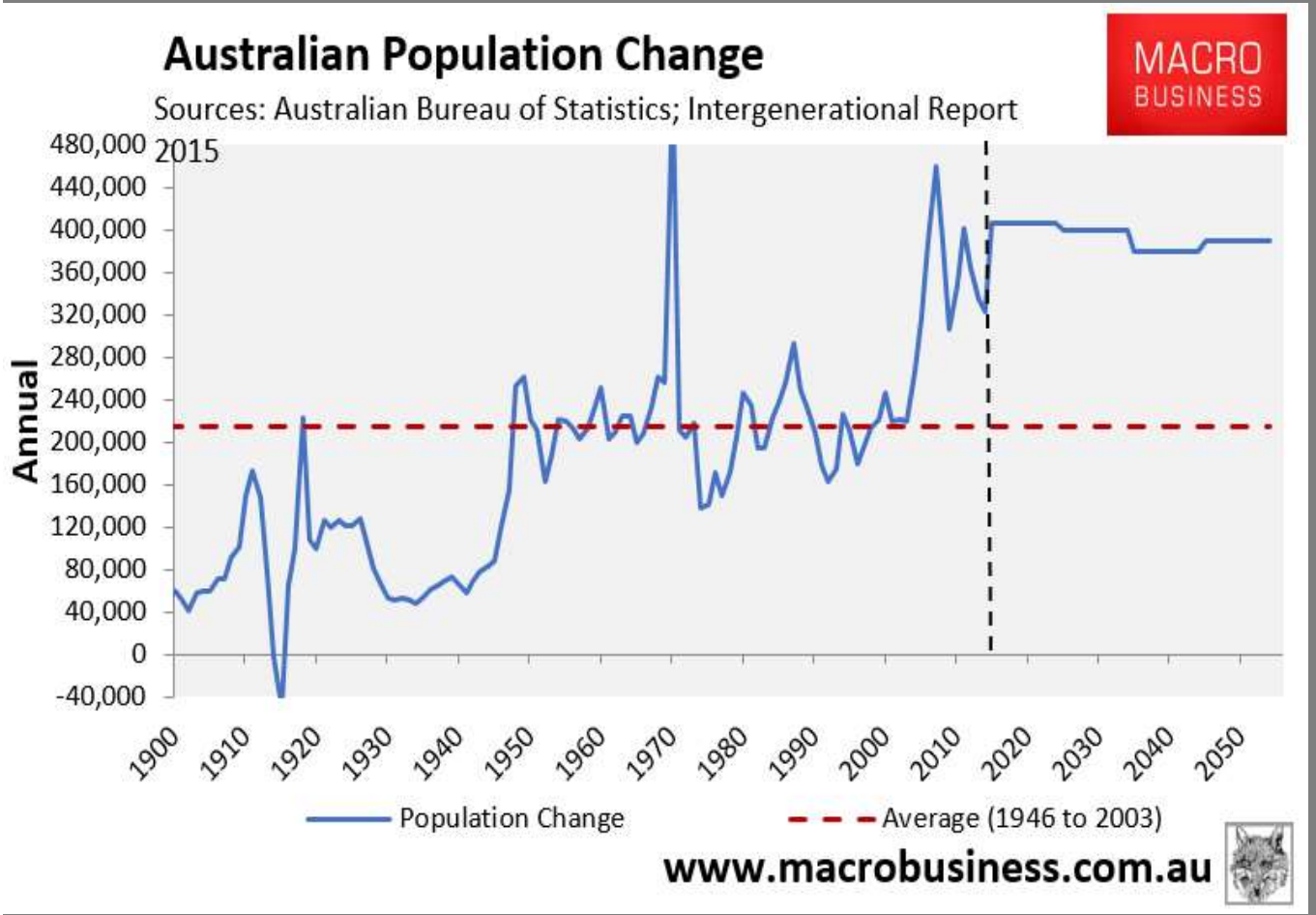


- Australia's population growth has surged recently and this is projected to continue.
- 1946 to 2003: 214,000 pa.
- 2004 to 2015: 343,000 p.a.
- 2016 to 2055: 394,000 p.a.

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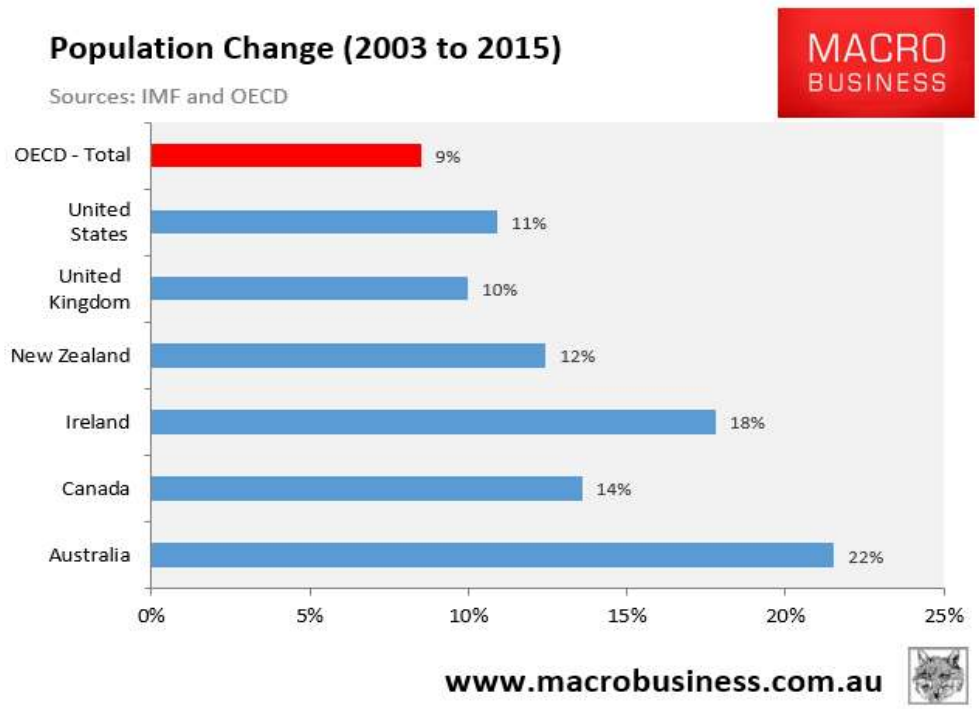


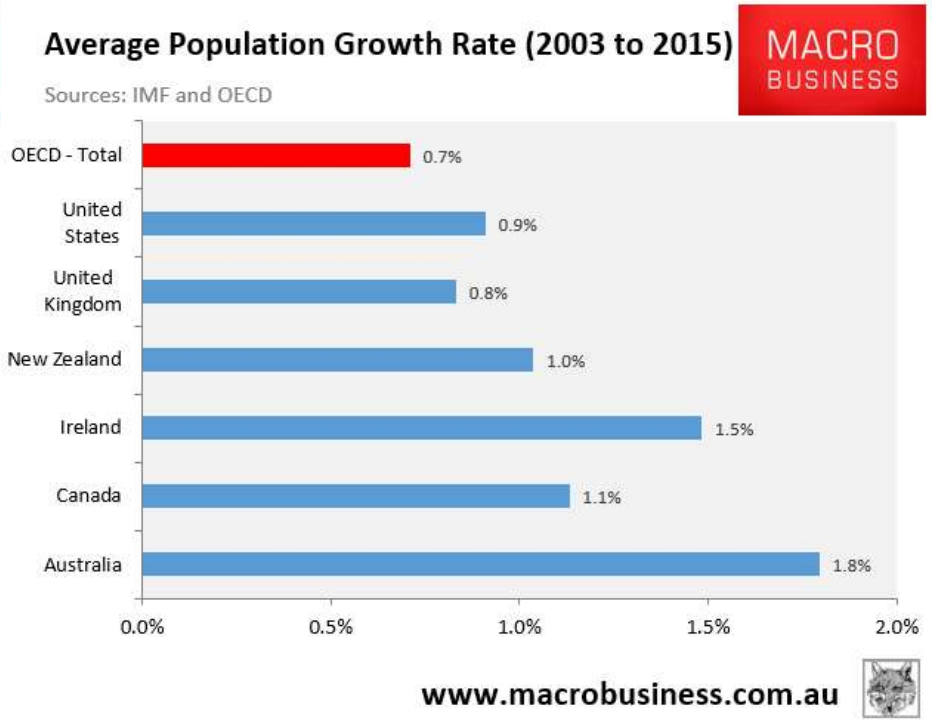


- Since 2003, Australia's population has grown at 2.5 times the OECD average.
- Fastest growth in the Anglosphere.

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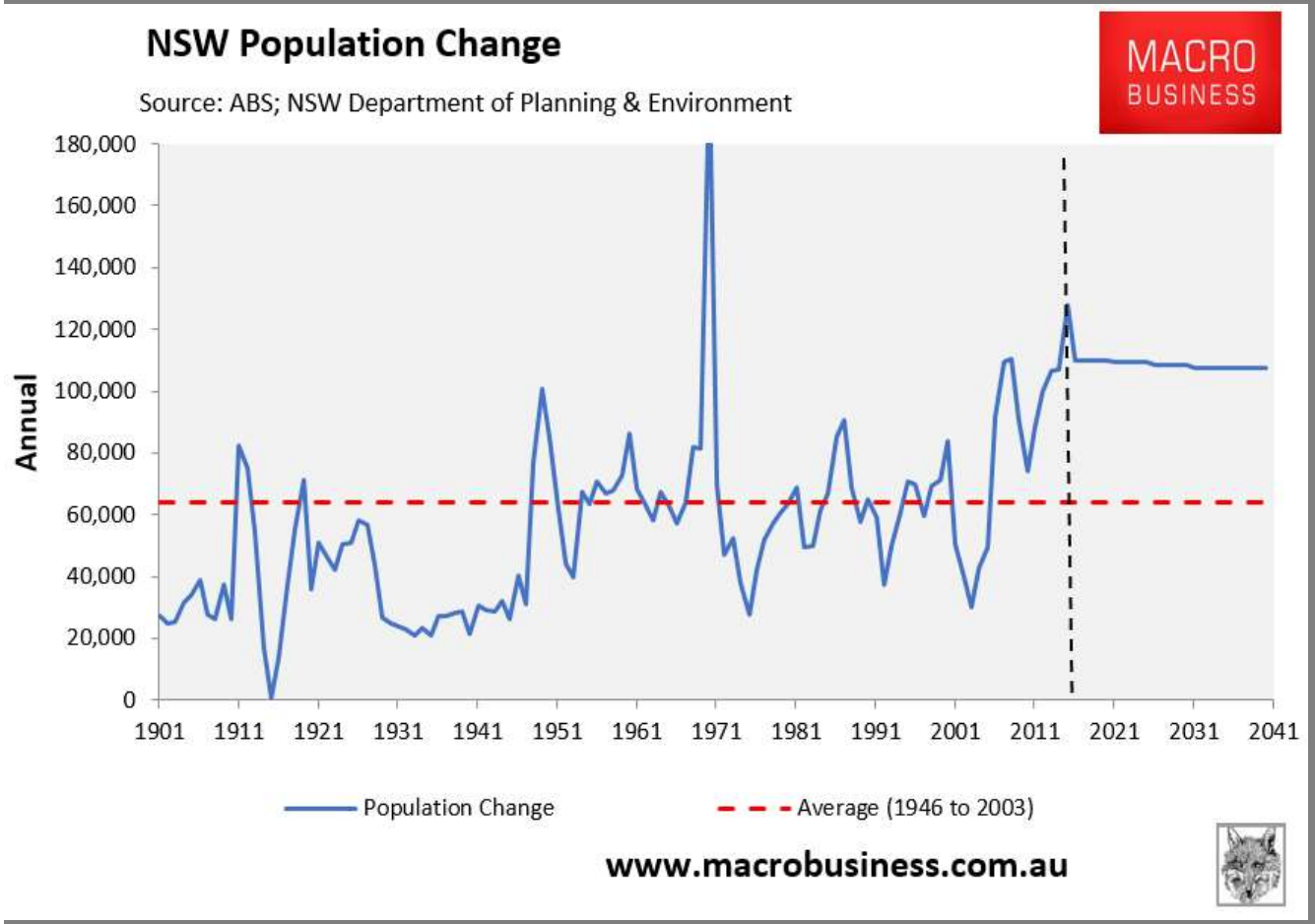


- States' population growth has also surged and is projected to continue.
- NSW:
  - 1946 to 2003: 64,800 pa.
  - 2004 to 2015: 83,300 p.a.
  - 2016 to 2041: 109,400 p.a.

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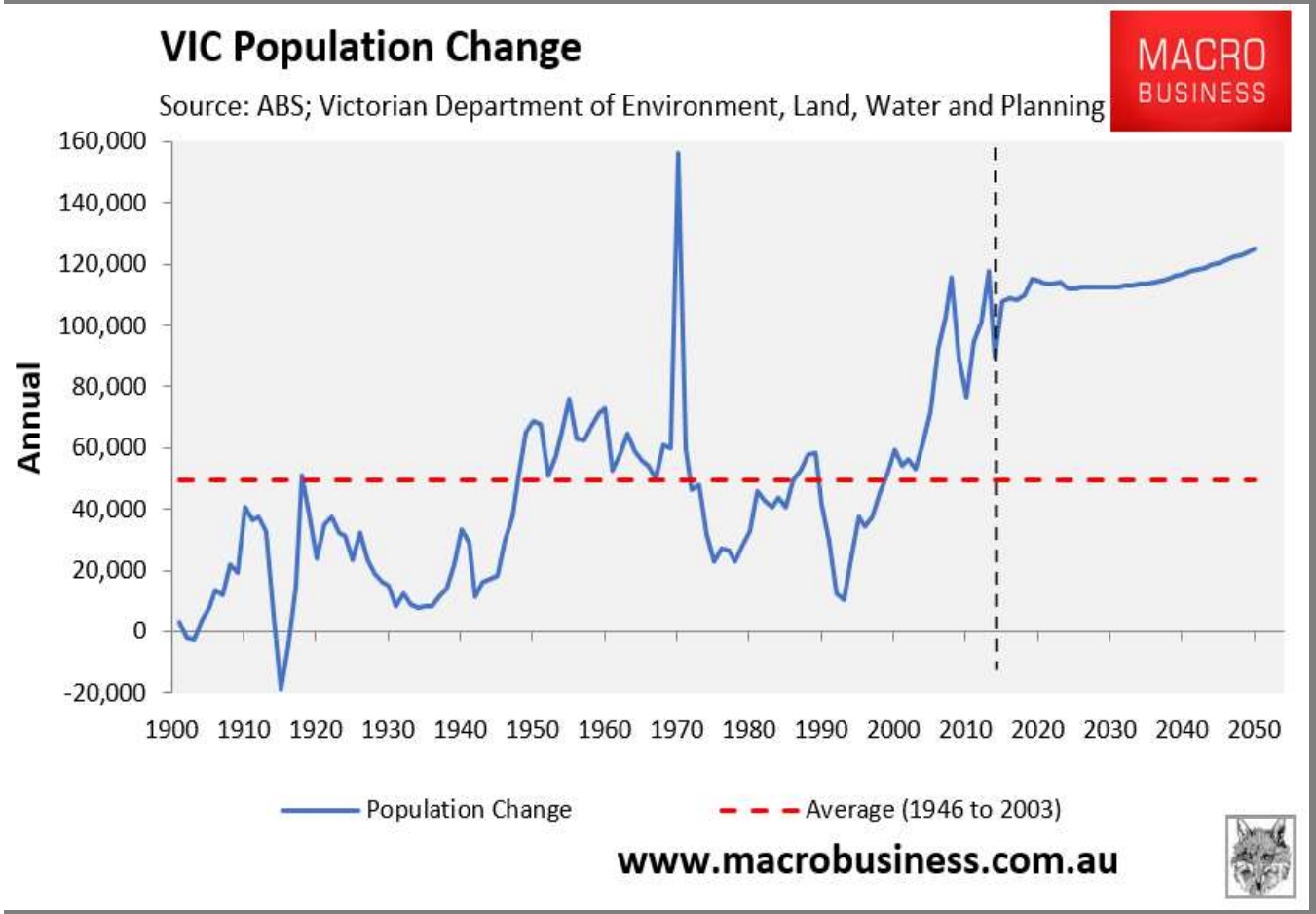


- Victoria is, and is projected to be, the population growth leader.
- VIC:
  - 1946 to 2003: 49,400 pa.
  - 2004 to 2015: 88,900 p.a.
  - 2016 to 2051: 115,100 p.a.

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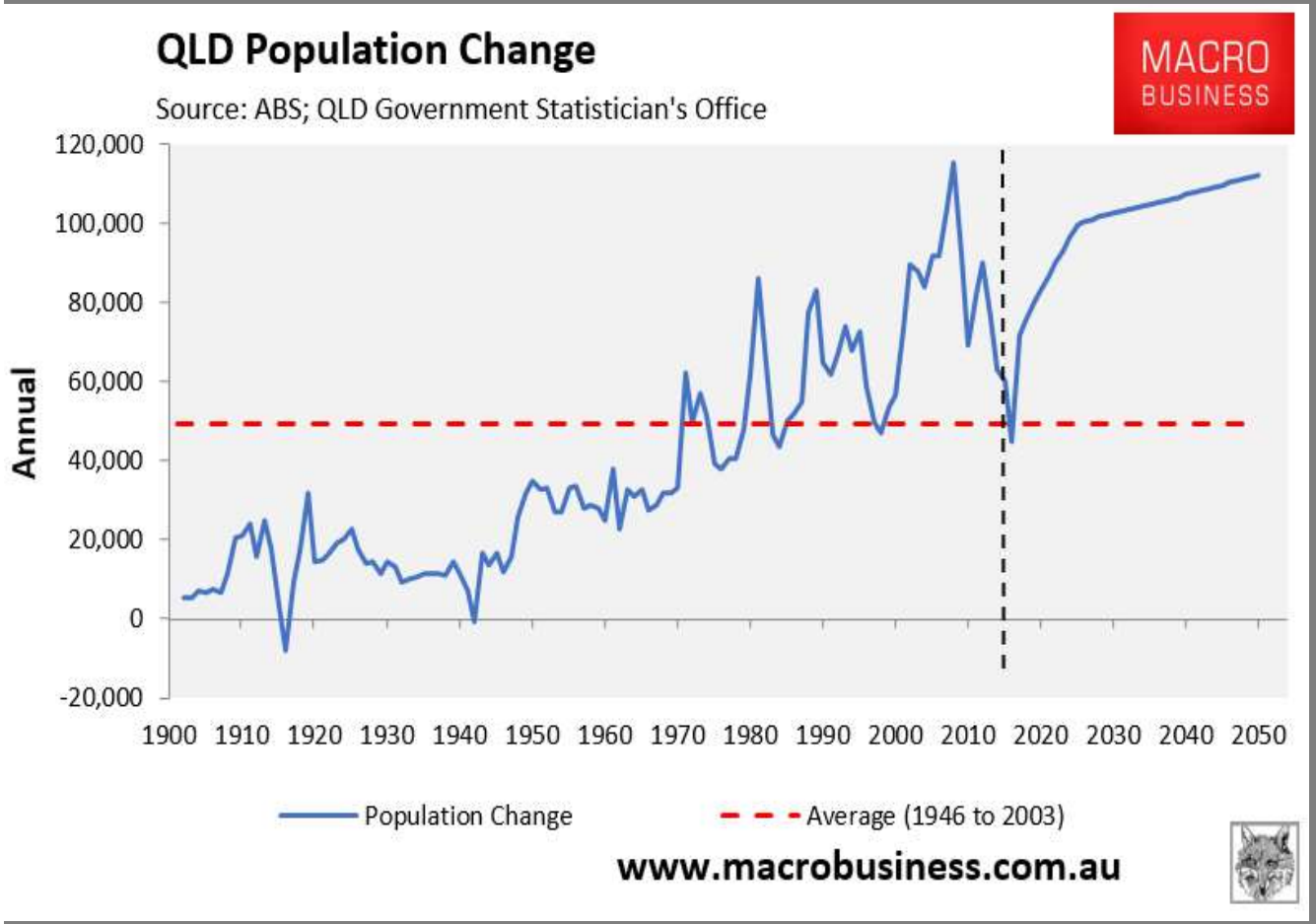
# Overview of Australia's population




- Queensland's population growth is projected to rebound.
- QLD:
  - 1946 to 2003: 46,600 pa.
  - 2004 to 2015: 84,900 p.a.
  - 2016 to 2061: 103,300 p.a.

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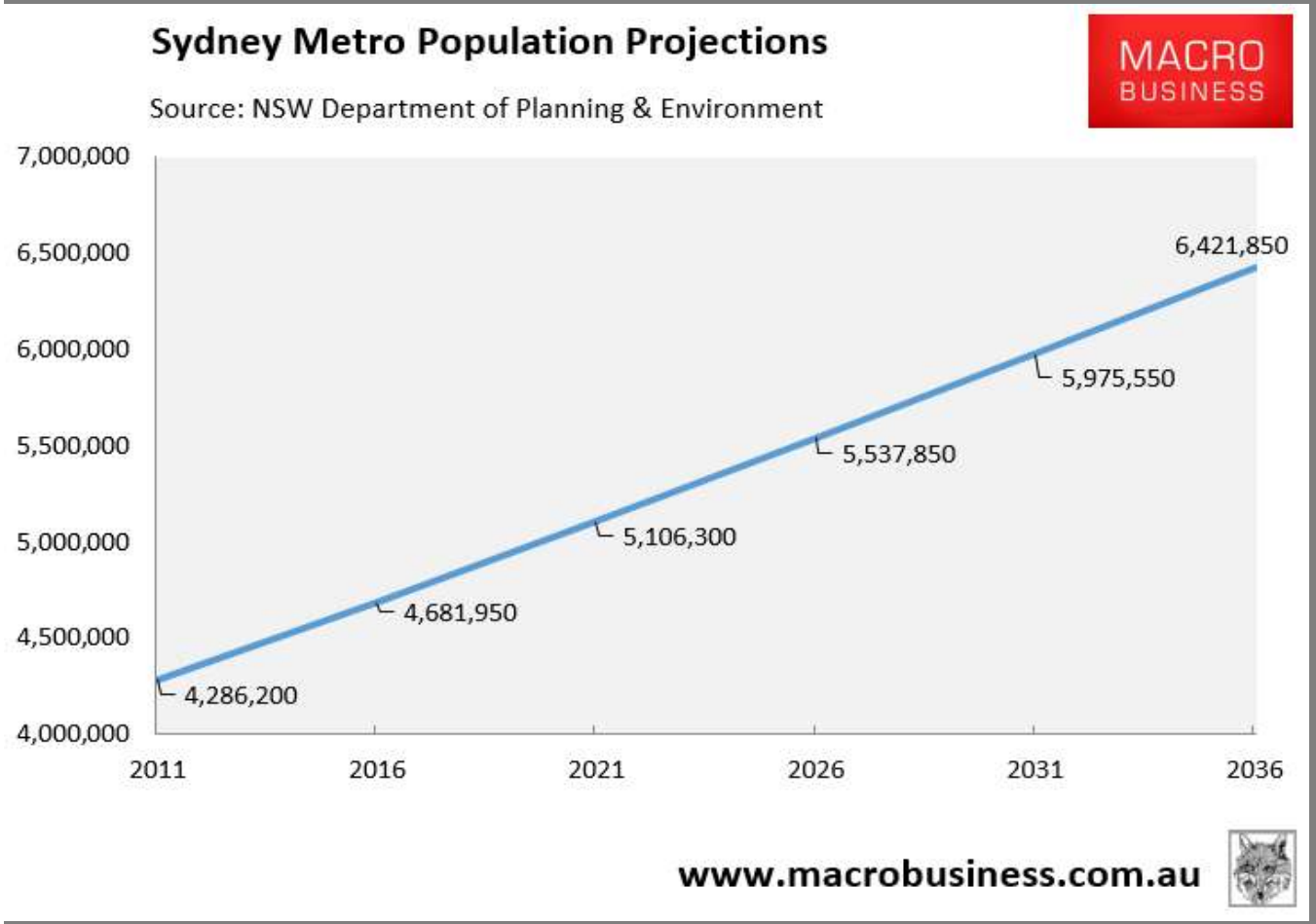
# The Blind March Toward Mega-Cities




- Sydney's population is projected to grow by 1,740,000 in 20 years to 2036.
- Growth of 87,000 people per year.
- Equivalent to 4.5 Canberra's.

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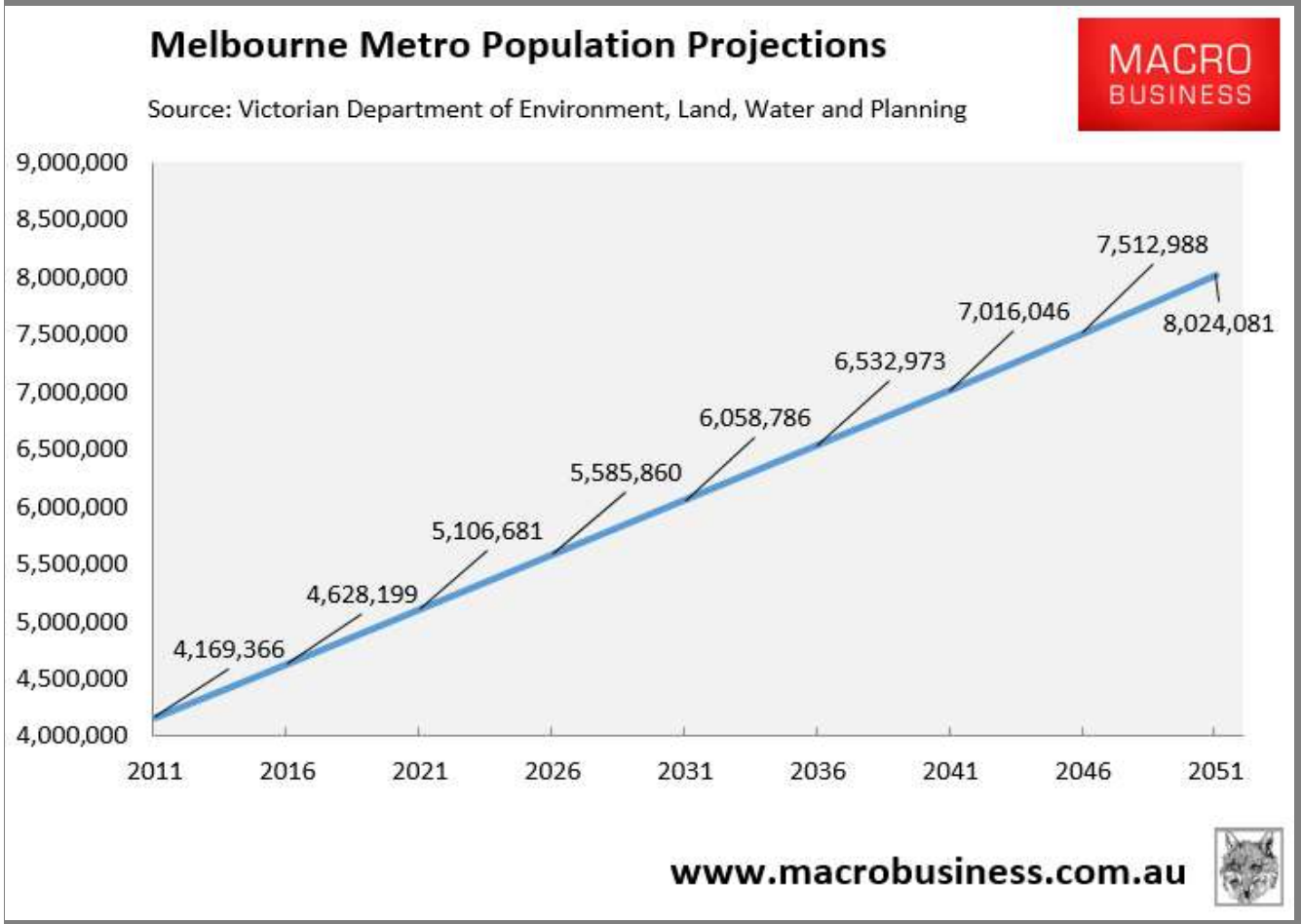
# The Blind March Towards Mega-Cities




- Melbourne's population is projected to grow by 3,396,000 in 35 years to 2051.
- Growth of 97,000 people per year.
- Equivalent to 9 Canberra's or 2.5 Adelaide's.

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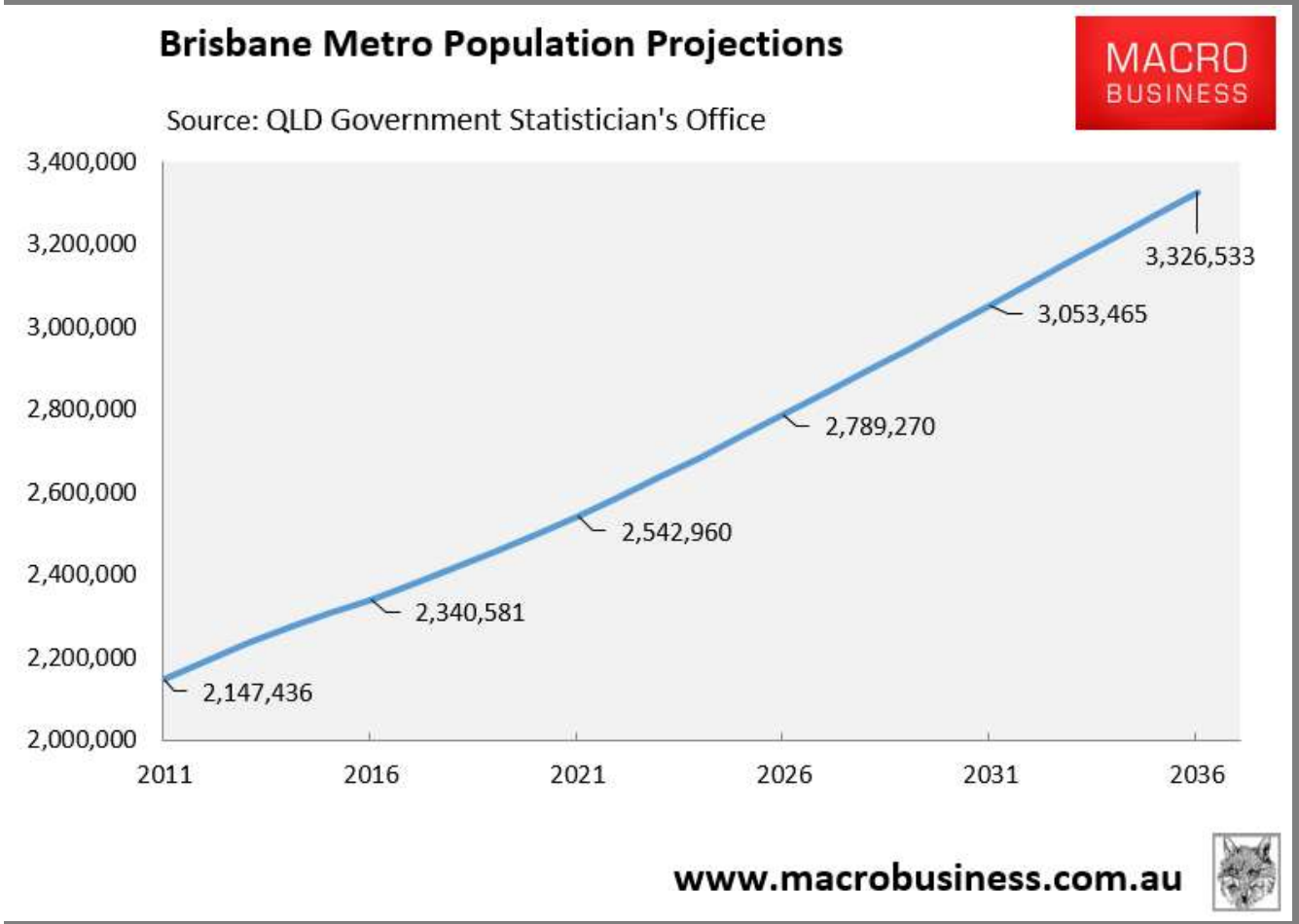
# The Blind March Towards Mega-Cities




- Brisbane's population is projected to grow by 986,000 in 20 years to 2036.
- Growth of 49,298 people per year.
- Equivalent to 2.5 Canberra's.

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# How will our cities cope?


- Australia's population is projected to grow by around 400,000 per year to 2055.
- That's an extra Canberra every year!
- Where's the infrastructure to cope?

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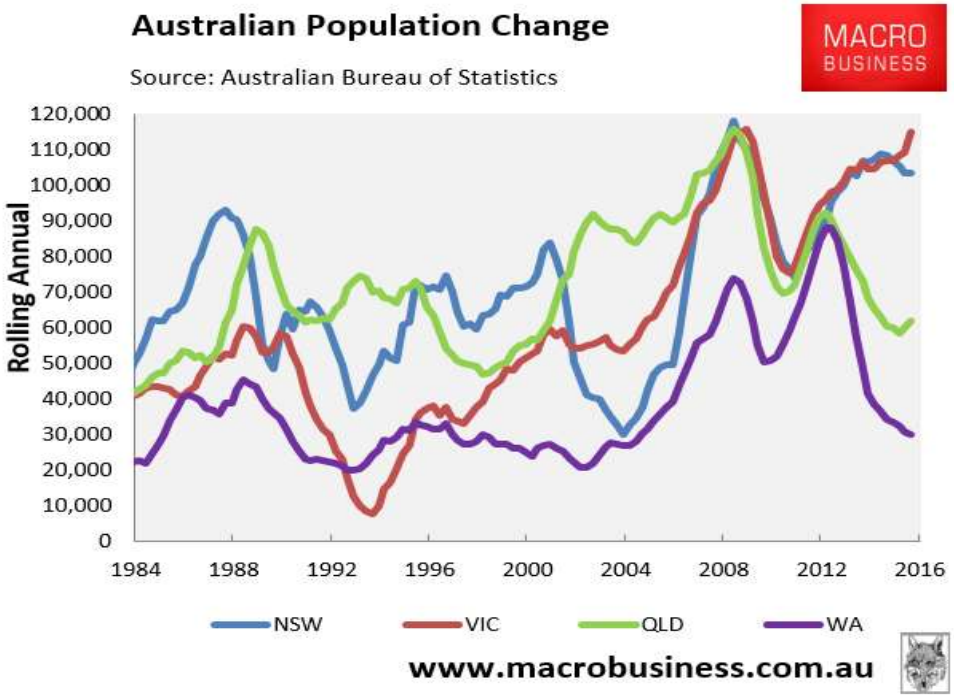
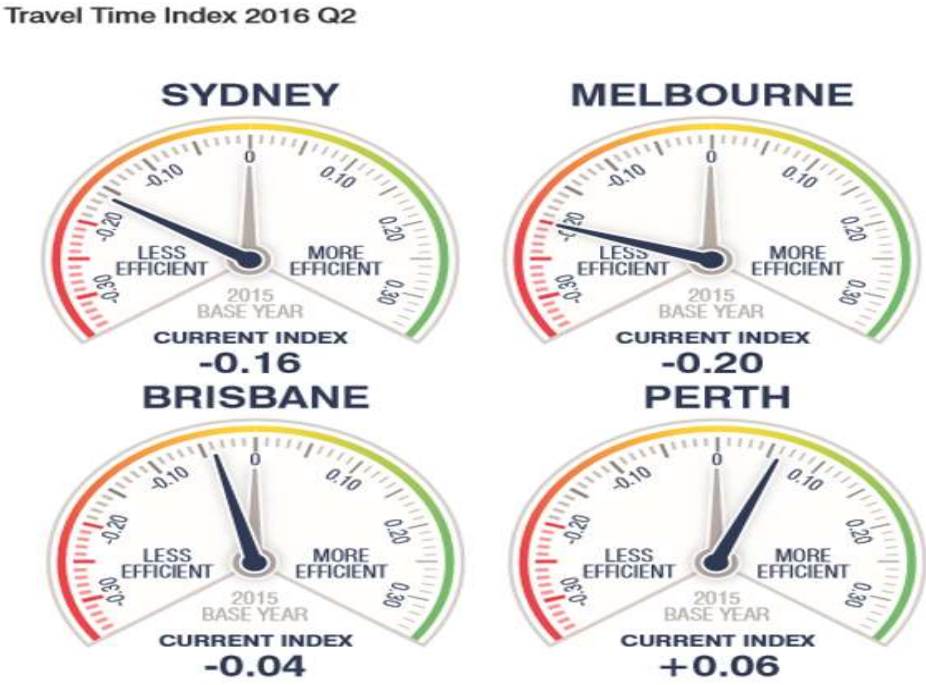
# How will our cities cope?




- Infrastructure Partnerships Australia report found that road network "efficiency" has followed the level of population growth.
- Melbourne, the population growth leader, has suffered the greatest efficiency loss, followed by Sydney.

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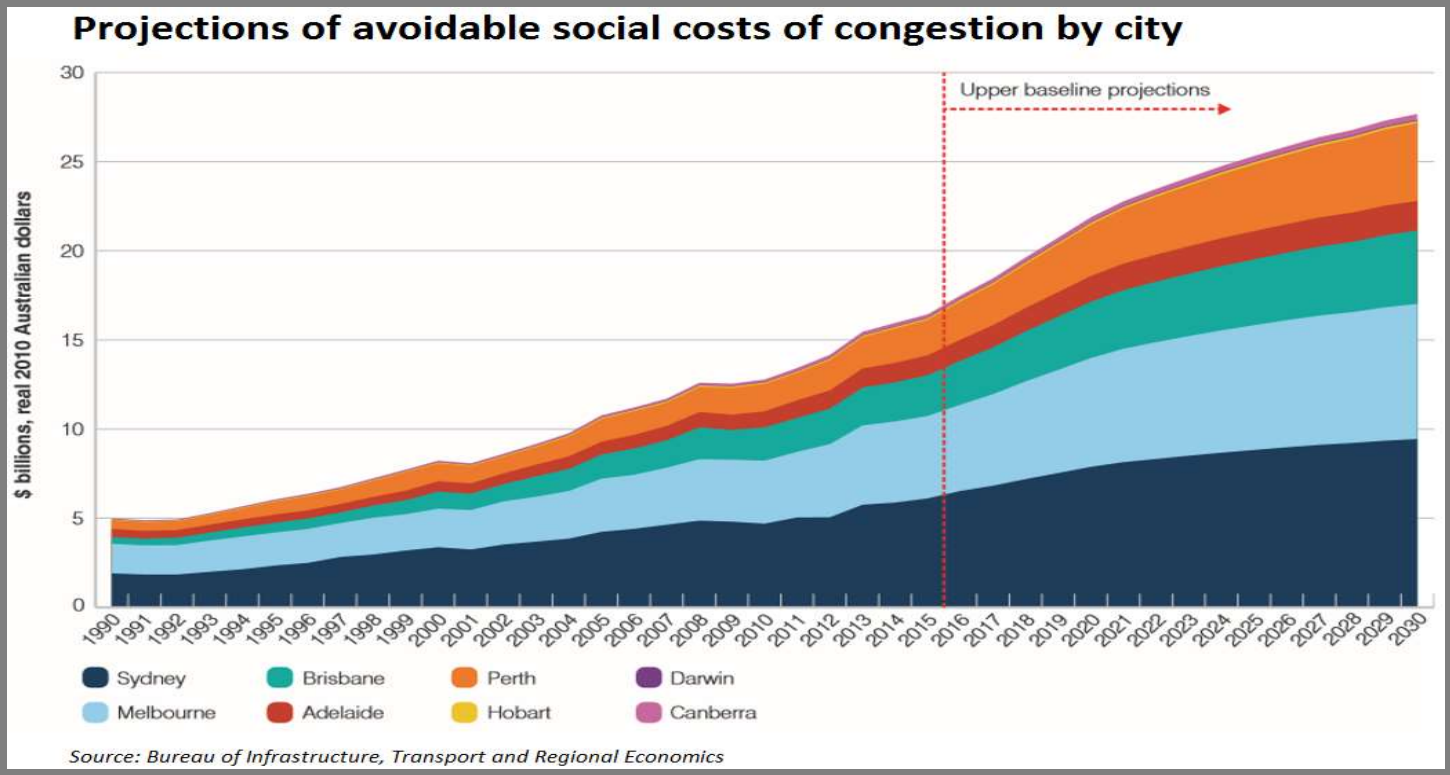
# How will our cities cope?




- The *Bureau of Infrastructure and Regional Economics* forecasts soaring costs of congestion, particularly in Sydney and Melbourne, over the next 15 years as their populations boom.

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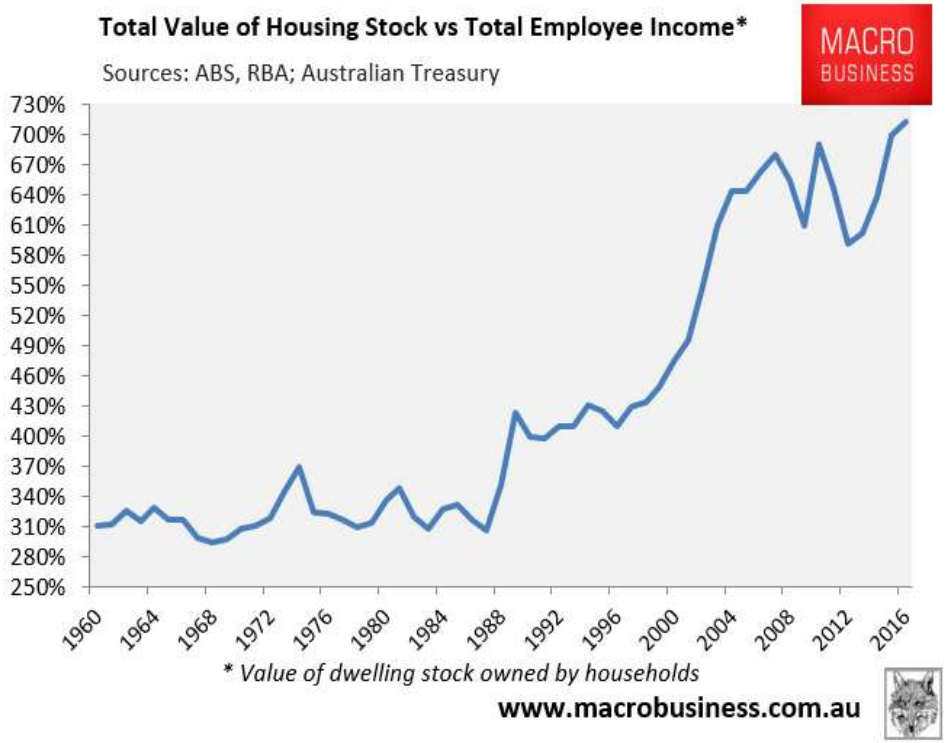
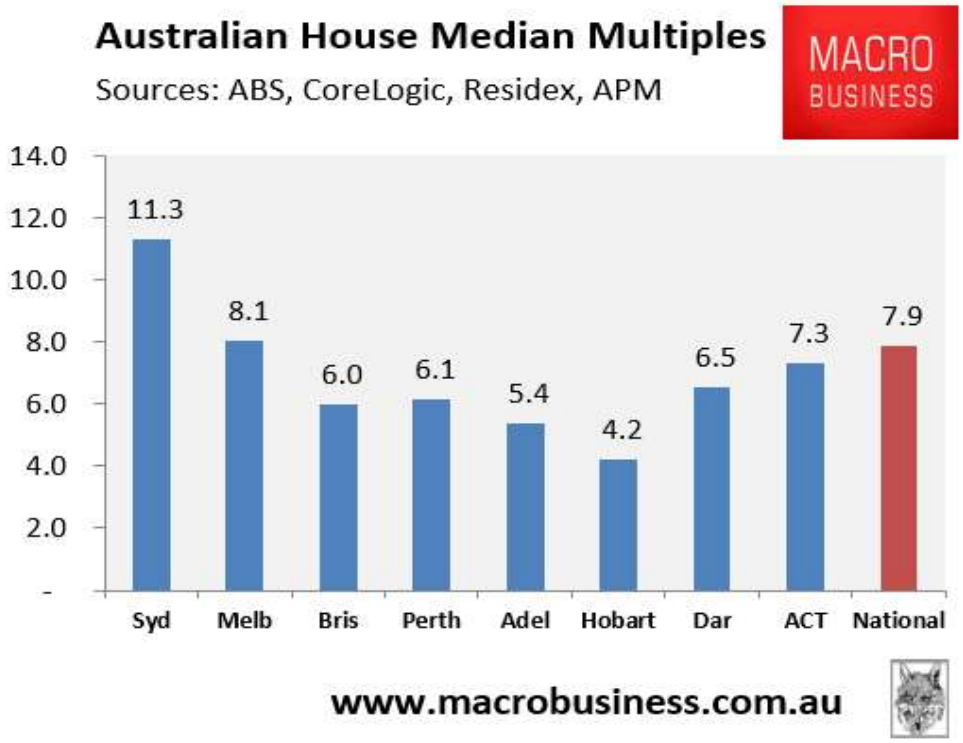
# How will our cities cope?




- Australia's housing is already among the most expensive in the world, with our two biggest cities leading the way.
- Pressure will remain as long as the throttle is kept on population growth.

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# We can't just 'build our way out of it'

Table 4.4 **Capital investment**
1959-60 to 2059-60

| | *Investment ($ trillion)* |
|---|---|
| 1959-60 to 2012-13 | 8.2 |
| 2013-14 to 2019-20 | 3.3 |
| 2020-21 to 2029-30 | 5.7 |
| 2030-31 to 2039-40 | 7.4 |
| 2039-40 to 2049-50 | 9.4 |
| 2049-50 to 2059-60 | 11.9 |
| 2013-14 to 2059-60 | 37.7 |

[a] A rough estimate of the value of the net capital stock (K) is $K_t = K_{t-1}(1-d_t) + I_t$, where I is investment and d is the depreciation rate. While the ABS uses a more sophisticated 'vintage' model to calculate depreciation, this approximation works reasonably well on past data. Accordingly, with known capital stocks and an assumed depreciation rate, it is possible to derive investment for the projection period. The ratio of fixed consumption of capital (the ABS term for depreciation) to the lagged net capital stock was 0.0536 in 2011-12, higher than the historical average. The shift to shorter-lived information and communications technologies assets may mean that the rate will stay around this level. This study has used a depreciation rate of 0.055.

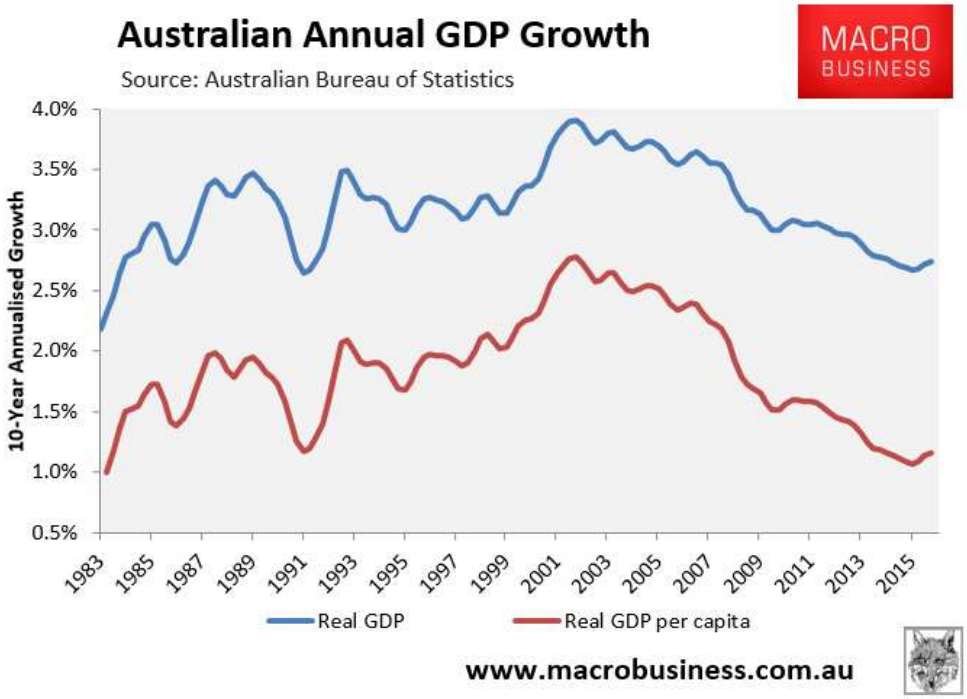
*Source*: ABS 2012, *Australian System of National Accounts*, Cat. No. 5204.0 and Commission estimates.

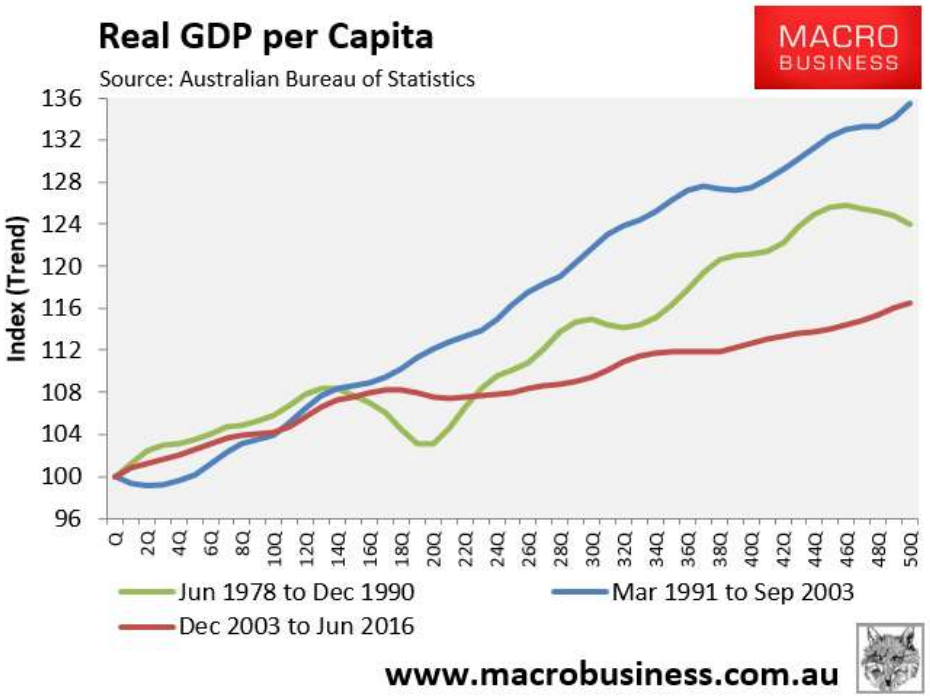
- PC (2013): Total investment required over next 50 years estimated to be more than 5 times the cumulative investment made over the last 50 years.
- PC (2016): "Governments have not demonstrated a high degree of competence in infrastructure planning and investment. Funding will inevitably be borne by the Australian community either through user-pays fees or general taxation".

# Common economic arguments for immigration

1. Without immigration, the economy would collapse:
    - "Anyone who thinks it's smart to cut immigration is sentencing Australia to poverty".
        - *Malcom Turnbull, November 2011*
2. Migrants lift productivity and raise residents' living standards.
3. Migrants are required to alleviate skills shortages.
4. Australia has an ageing population. Migrants are required to keep Australia young.

# No link between immigration and prosperity




- Since hyper-immigration began in 2003, Australia's real GDP per capita growth has collapsed.
- High population growth has given the illusion of growth.

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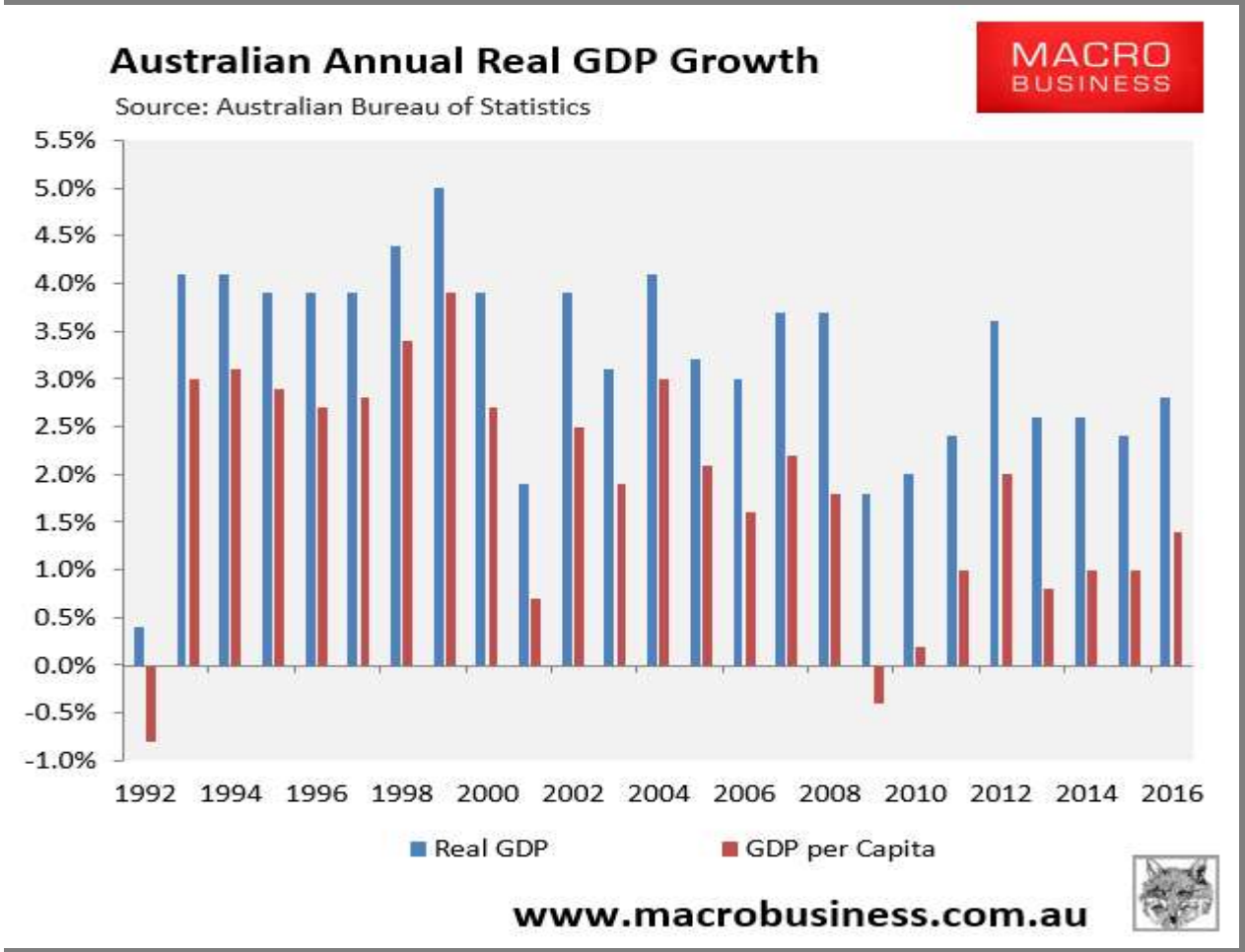


- Claim Australia hasn't had a recession in 25 years is false when measured on a per capita basis.
  - 1992 and 2009 per capita GDP declined.
- GDP is a poor measure of living standards as doesn't account for negative externalities like traffic congestion, smaller/more expensive housing, environmental impacts, etc.

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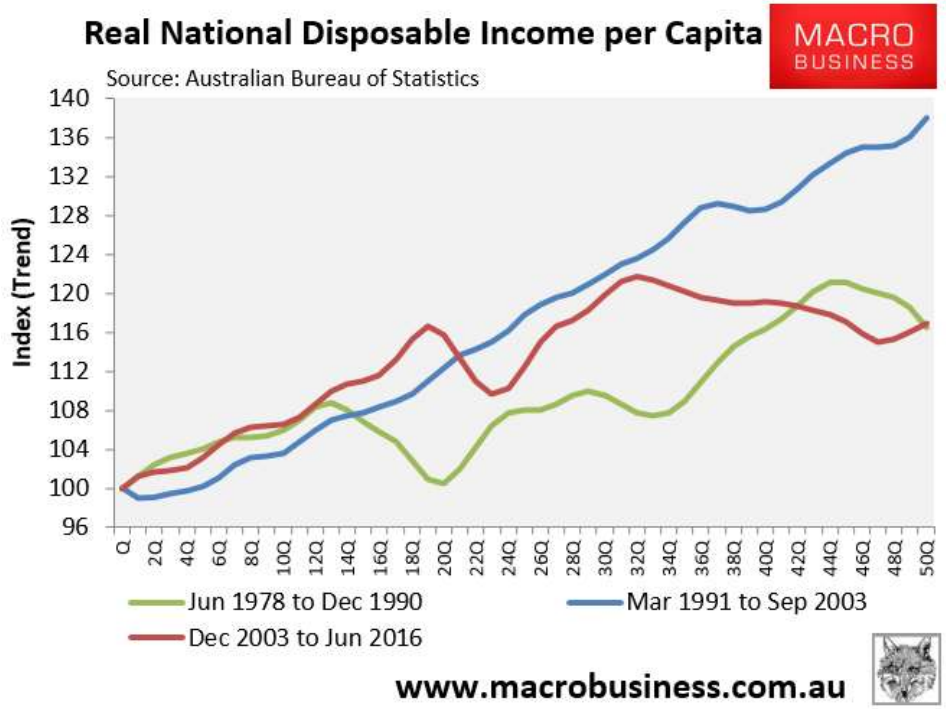


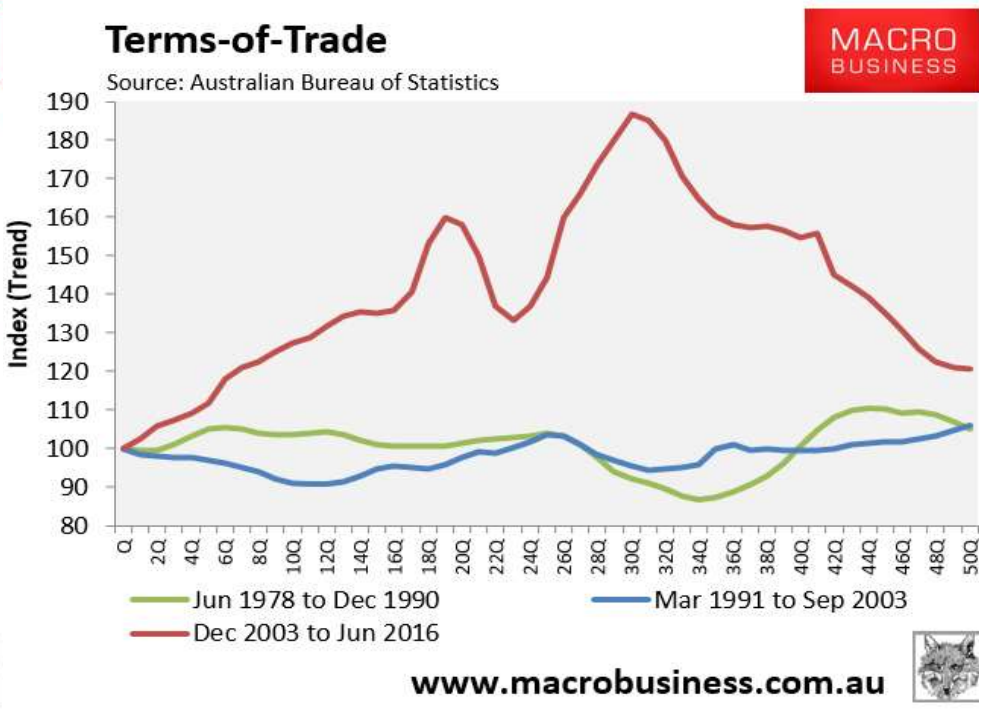


- Per capita national disposable income growth has also been poor despite very favourable terms-of-trade.
- Suggests individual economic well-being is not being boosted through high immigration.

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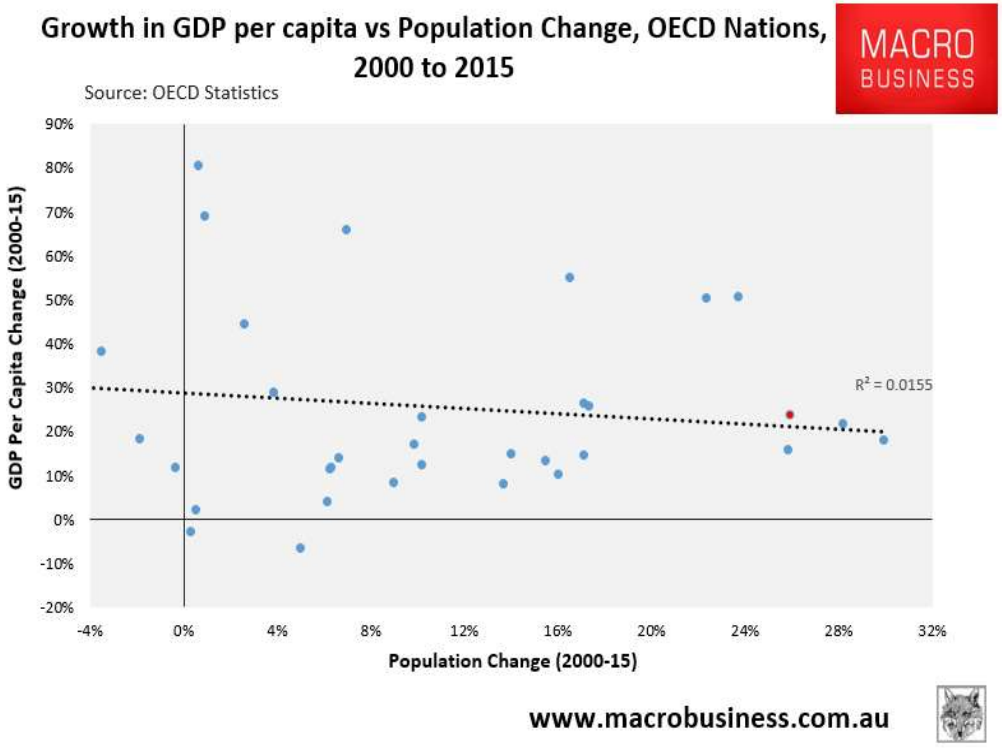


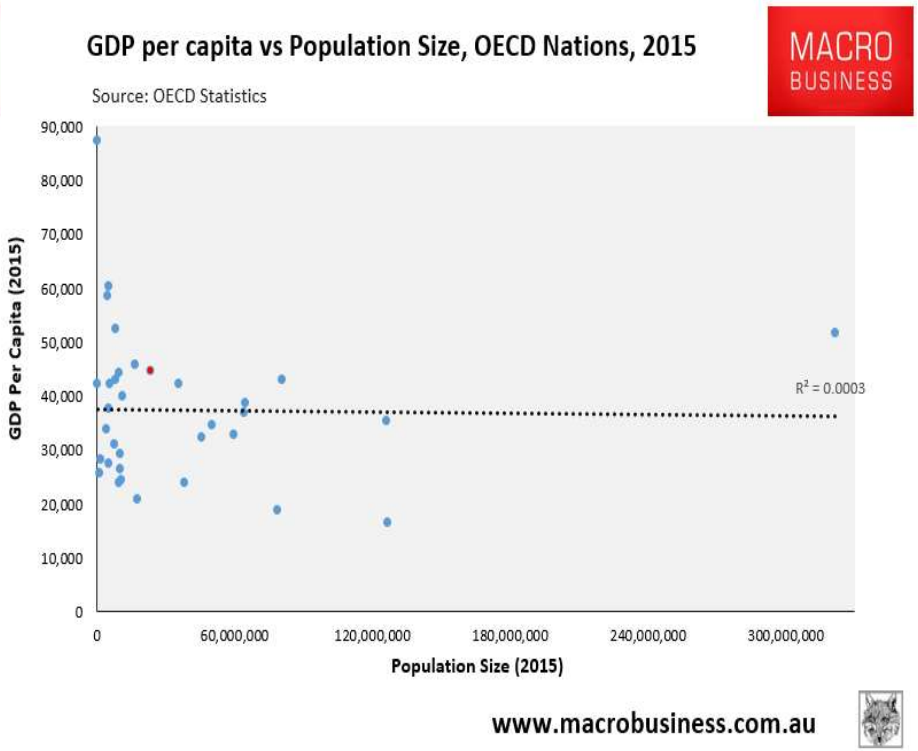


- No statistically significant relationship between population and GDP per capita across OECD nations.

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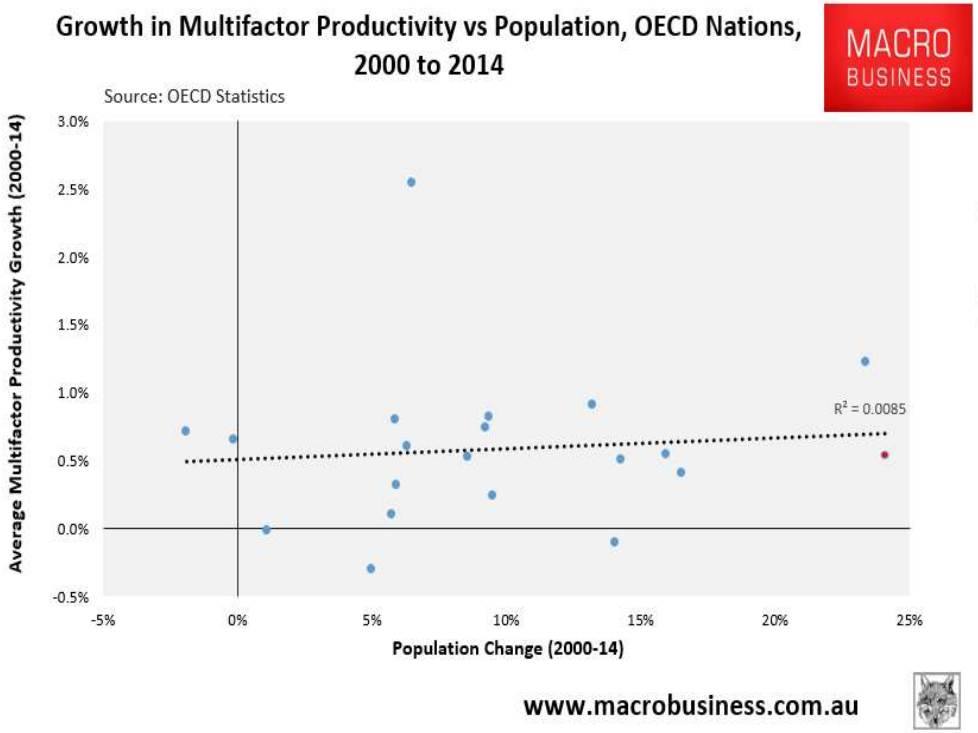


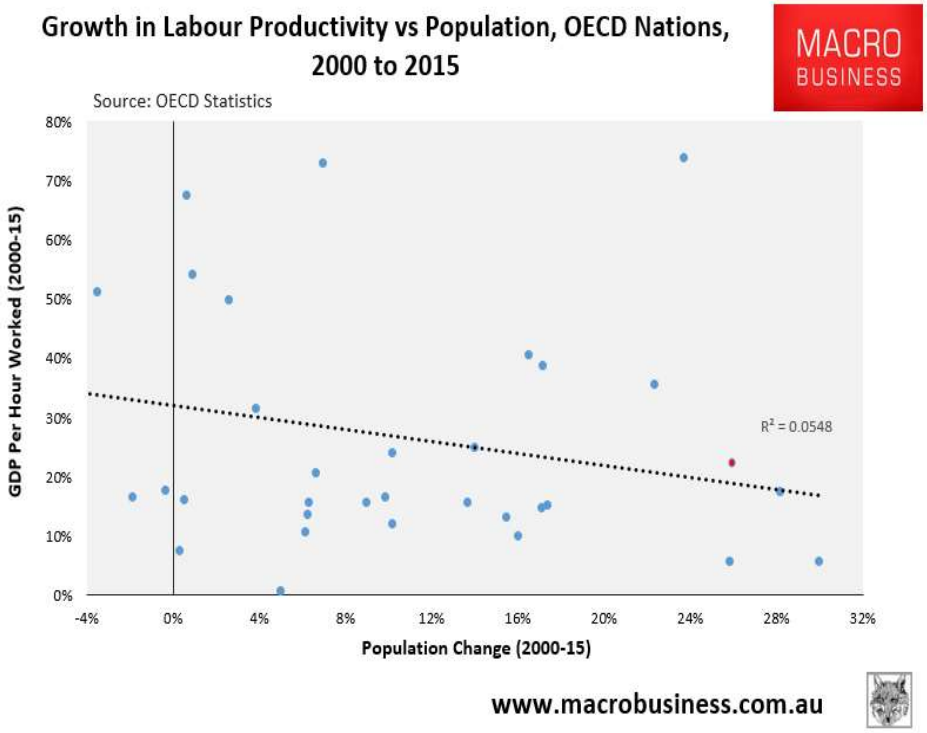


- No statistically significant relationship between population growth and productivity growth across OECD nations.
- Importantly, PC's 30-page "*Increasing Australia's future prosperity*" report, release in October, did not mention immigration.

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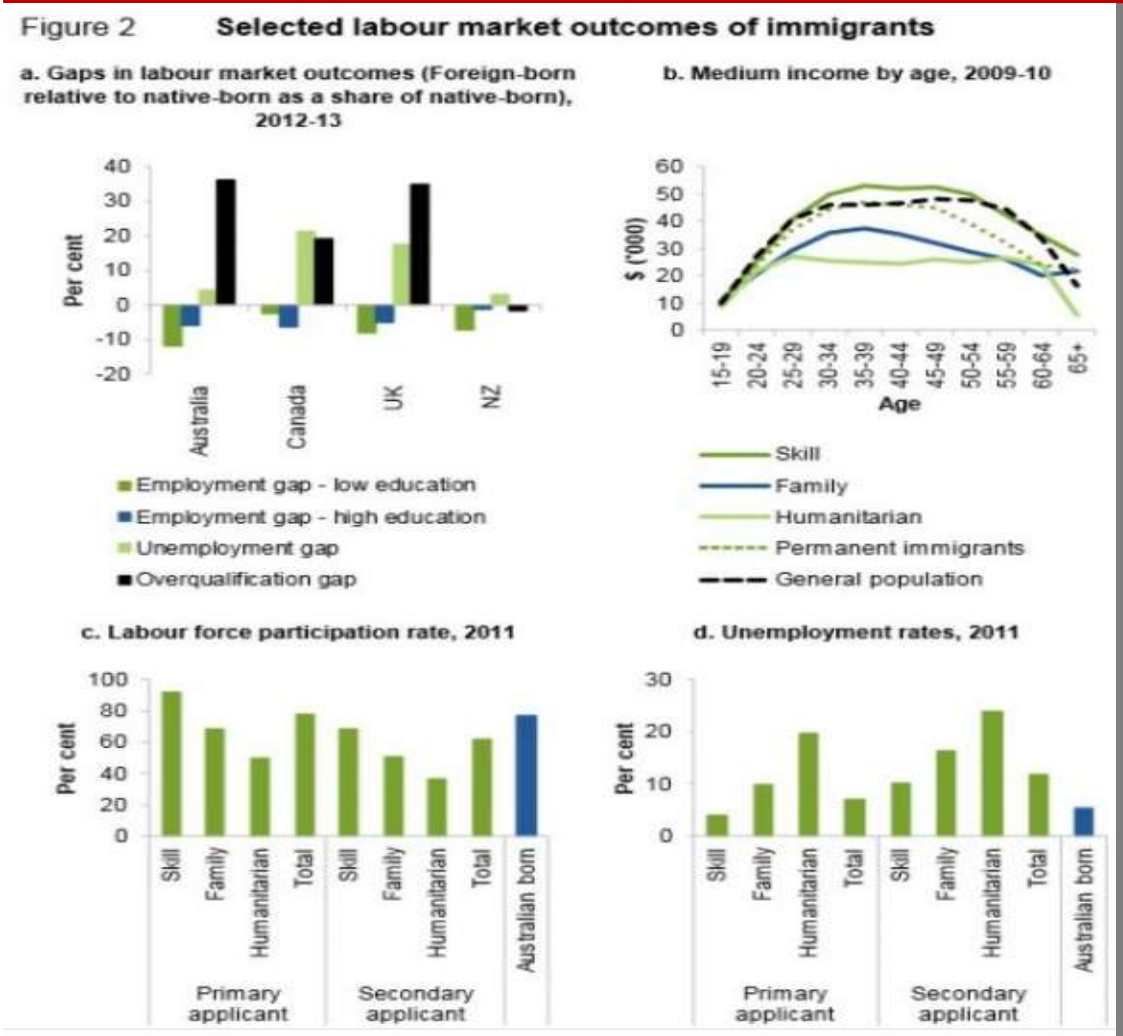
# Are migrants more productive?




- PC's latest analysis shows that immigrants overall have experienced *lower* median income, *lower* labour force participation, and *higher* unemployment than the Australian born population.

# Are migrants more productive?

**Table 6: Persons aged 25-34 with a bachelor degree or higher qualification by birthplace and year of arrival by percentage in employment by occupation and percentage not employed, 2011**

| Country of birth and field of highest qualification | Total persons | Per cent of each birthplace group qualified in field | Per cent of persons: Occupation of employed persons: Managers | Professionals | Technicians and Trades Workers | Community and Personal Service Workers | Clerical and Administrative Workers | Sales Workers | Machinery Operators and Drivers | Labourers | Inadequately described | Not stated | Not employed | Total persons |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Australia-born (incl.Ext.Terr)* | | | | | | | | | | | | | | |
| Natural and Physical Sciences | 32,829 | 6.4 | 9.0 | 60.0 | 7.3 | 4.7 | 8.4 | 3.1 | 0.7 | 1.6 | 0.3 | 0.2 | 14.1 | 100.0 |
| Information Technology | 21,120 | 4.1 | 13.0 | 61.0 | 8.8 | 1.4 | 5.2 | 1.7 | 0.5 | 0.6 | 1.6 | 0.1 | 6.1 | 100.0 |
| Engineering and Related Technologies | 29,523 | 5.7 | 13.8 | 69.4 | 5.1 | 0.8 | 3.3 | 0.9 | 0.6 | 0.6 | 0.6 | 0.2 | 4.7 | 100.0 |
| Architecture and Building | 10,529 | 2.1 | 15.9 | 54.6 | 9.3 | 1.5 | 8.0 | 2.0 | 0.3 | 0.9 | 0.4 | 0.2 | 7.0 | 100.0 |
| Agriculture, Environmental and Related Studies | 12,139 | 2.4 | 16.9 | 42.5 | 7.9 | 3.7 | 10.2 | 3.1 | 1.2 | 3.6 | 1.1 | 0.1 | 9.6 | 100.0 |
| Health | 77,532 | 15.0 | 3.3 | 77.9 | 0.8 | 5.0 | 3.1 | 1.0 | 0.2 | 0.3 | 0.3 | 0.1 | 8.0 | 100.0 |
| Education | 86,488 | 16.8 | 4.0 | 78.6 | 0.5 | 3.8 | 3.3 | 1.1 | 0.2 | 0.3 | 0.2 | 0.1 | 10.9 | 100.0 |
| Management and Commerce | 108,738 | 20.8 | 21.8 | 44.8 | 1.3 | 2.3 | 14.8 | 3.5 | 0.4 | 0.6 | 1.1 | 0.2 | 7.3 | 100.0 |
| Society and Culture | 85,411 | 16.6 | 9.0 | 51.2 | 1.3 | 9.7 | 13.6 | 2.7 | 0.4 | 0.6 | 1.2 | 0.2 | 11.2 | 100.0 |
| Creative Arts | 41,798 | 8.1 | 10.5 | 47.4 | 4.6 | 5.2 | 11.1 | 6.1 | 0.8 | 1.2 | 0.7 | 0.2 | 12.1 | 100.0 |
| Food, Hospitality and Personal Services | 1,065 | 0.2 | 24.7 | 10.0 | 3.3 | 14.5 | 23.1 | 6.1 | 0.9 | 1.3 | 0.8 | 0.0 | 13.3 | 100.0 |
| Mixed Field Programmes | 12 | 0.0 | 33.3 | 0.0 | 0.0 | 0.0 | 0.0 | 41.7 | 0.0 | 0.0 | 0.0 | 0.0 | 25.0 | 100.0 |
| Field of study inadequately described | 8,867 | 1.7 | 13.0 | 31.9 | 3.9 | 8.0 | 18.8 | 6.4 | 0.7 | 1.3 | 1.9 | 0.4 | 14.1 | 100.0 |
| Field of study not stated | 1,789 | 0.3 | 12.2 | 37.6 | 2.9 | 6.1 | 11.1 | 4.1 | 1.0 | 1.7 | 2.6 | 0.9 | 19.8 | 100.0 |
| Total | 514,803 | 100.0 | 10.9 | 58.4 | 2.6 | 4.9 | 8.9 | 3.0 | 0.4 | 0.7 | 0.8 | 0.2 | 9.5 | 100.0 |
| *Main English-speaking-born persons who arrived 2006-2011* | | | | | | | | | | | | | | |
| Natural and Physical Sciences | 4,019 | 5.6 | 8.6 | 55.3 | 4.7 | 2.9 | 8.3 | 2.5 | 0.5 | 1.4 | 0.7 | 0.2 | 17.0 | 100.0 |
| Information Technology | 1,761 | 4.2 | 13.1 | 61.8 | 8.0 | 0.8 | 4.7 | 1.4 | 0.5 | 1.0 | 1.8 | 0.2 | 7.0 | 100.0 |
| Engineering and Related Technologies | 3,794 | 9.1 | 11.8 | 70.6 | 6.9 | 0.6 | 2.9 | 1.2 | 0.7 | 1.0 | 0.5 | 0.1 | 4.7 | 100.0 |
| Architecture and Building | 1,467 | 3.5 | 9.5 | 52.6 | 12.1 | 1.0 | 11.4 | 1.6 | 0.7 | 2.3 | 0.5 | 0.0 | 8.6 | 100.0 |
| Agriculture, Environmental and Related Studies | 671 | 1.6 | 11.0 | 44.3 | 6.6 | 4.3 | 9.1 | 3.7 | 0.9 | 5.2 | 1.3 | 0.0 | 13.6 | 100.0 |
| Health | 5,506 | 13.2 | 2.3 | 78.5 | 1.0 | 3.7 | 2.6 | 0.9 | 0.2 | 0.6 | 0.2 | 0.1 | 10.0 | 100.0 |
| Education | 3,016 | 7.2 | 9.3 | 69.1 | 0.3 | 7.3 | 8.2 | 2.1 | 0.3 | 1.2 | 0.1 | 0.2 | 10.3 | 100.0 |
| Management and Commerce | 9,119 | 21.8 | 20.3 | 48.2 | 1.5 | 2.6 | 13.5 | 3.6 | 0.3 | 1.2 | 0.7 | 0.1 | 8.9 | 100.0 |
| Society and Culture | 8,072 | 19.3 | 12.2 | 40.6 | 1.9 | 7.1 | 15.8 | 4.3 | 0.5 | 1.6 | 0.9 | 0.1 | 15.4 | 100.0 |
| Creative Arts | 3,589 | 8.6 | 10.2 | 41.6 | 5.6 | 6.7 | 12.0 | 7.2 | 0.5 | 2.2 | 0.5 | 0.2 | 13.0 | 100.0 |
| Food, Hospitality and Personal Services | 93 | 0.2 | 23.7 | 8.6 | 9.7 | 14.0 | 19.4 | 5.4 | 0.0 | 4.3 | 0.0 | 0.0 | 15.1 | 100.0 |
| Mixed Field Programmes | 3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | 100.0 |
| Field of study inadequately described | 480 | 1.1 | 12.3 | 32.2 | 4.2 | 4.7 | 15.2 | 9.1 | 0.0 | 3.6 | 2.0 | 0.0 | 16.2 | 100.0 |
| Field of study not stated | 176 | 0.4 | 13.1 | 38.2 | 2.8 | 4.0 | 12.8 | 6.3 | 0.0 | 2.3 | 2.8 | 8.1 | 18.9 | 100.0 |
| Total | 41,739 | 100.0 | 11.9 | 53.3 | 3.3 | 4.1 | 9.6 | 3.6 | 0.5 | 1.4 | 0.7 | 0.1 | 11.5 | 100.0 |
| *Non-English-speaking-born* persons who arrived 2006-2011* | | | | | | | | | | | | | | |
| Natural and Physical Sciences | 10,818 | 6.9 | 3.1 | 23.8 | 6.7 | 5.8 | 4.4 | 4.3 | 1.9 | 6.8 | 0.4 | 0.3 | 42.6 | 100.0 |
| Information Technology | 20,399 | 12.7 | 4.8 | 36.9 | 7.6 | 4.0 | 8.1 | 6.9 | 3.3 | 6.1 | 1.3 | 0.6 | 24.8 | 100.0 |
| Engineering and Related Technologies | 20,612 | 12.8 | 5.3 | 39.5 | 8.6 | 2.9 | 4.6 | 3.6 | 3.0 | 6.4 | 0.8 | 0.3 | 25.2 | 100.0 |
| Architecture and Building | 2,342 | 1.5 | 3.4 | 30.5 | 11.8 | 4.1 | 9.0 | 3.1 | 1.5 | 4.9 | 0.3 | 0.1 | 35.1 | 100.0 |
| Agriculture, Environmental and Related Studies | 1,839 | 1.1 | 5.7 | 12.9 | 9.9 | 6.1 | 4.2 | 4.0 | 3.3 | 12.0 | 0.9 | 0.7 | 40.4 | 100.0 |
| Health | 17,457 | 10.9 | 0.9 | 51.0 | 1.8 | 11.9 | 1.8 | 2.2 | 0.9 | 3.1 | 0.3 | 0.3 | 26.0 | 100.0 |
| Education | 6,764 | 4.2 | 2.2 | 16.8 | 3.8 | 13.3 | 4.8 | 4.3 | 2.7 | 8.6 | 0.4 | 0.4 | 43.2 | 100.0 |
| Management and Commerce | 50,483 | 31.6 | 6.2 | 18.4 | 3.2 | 7.3 | 15.5 | 8.6 | 2.8 | 8.3 | 0.8 | 0.8 | 28.4 | 100.0 |
| Society and Culture | 17,816 | 11.1 | 3.6 | 13.9 | 3.7 | 11.1 | 9.8 | 8.2 | 2.6 | 8.3 | 0.8 | 0.4 | 40.8 | 100.0 |
| Creative Arts | 5,309 | 3.3 | 4.5 | 19.7 | 4.7 | 9.9 | 7.0 | 6.8 | 1.8 | 7.6 | 0.6 | 0.3 | 37.5 | 100.0 |
| Food, Hospitality and Personal Services | 1,353 | 0.8 | 9.6 | 1.8 | 21.4 | 17.3 | 8.4 | 5.2 | 4.7 | 10.5 | 0.9 | 1.0 | 19.2 | 100.0 |
| Mixed Field Programmes | 4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | 100.0 |
| Field of study inadequately described | 3,820 | 2.3 | 2.2 | 7.0 | 5.5 | 9.0 | 8.0 | 5.5 | 9.6 | 14.3 | 0.4 | 0.7 | 39.7 | 100.0 |
| Field of study not stated | 1,444 | 0.9 | 3.3 | 9.8 | 6.9 | 8.2 | 4.2 | 5.6 | 4.6 | 9.8 | 1.2 | 4.0 | 43.8 | 100.0 |
| Total | 160,187 | 100.0 | 4.4 | 26.6 | 6.1 | 7.6 | 8.8 | 5.7 | 2.7 | 7.2 | 0.7 | 0.8 | 31.1 | 100.0 |

*Non-English-speaking persons includes a few persons coded under supplementary codes.

Source: Australian Bureau of Statistics, Census 2011, Table Builder

- Bob Birrell and Ernest Healy (2013):
  - 69.3% of Australian graduates aged 25-34 had managerial or professional work in 2011 and only 9.5% were not employed.
  - 30.9% of NESB migrants who were graduates of the same age, who had arrived between 2006 and 2011, had managerial or professional work. And 31.1% were not employed.
  - 79% of graduate arrivals between 2006 and 2011 were of NESB background.

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# Mass immigration cannot alleviate skills shortages

- Department of employment (2016):
  - Australia's skills shortage "remains low by historical standards".
    - Solution in search of problem.
- Growing concern rise of artificial intelligence and robotics will make many future jobs redundant.
  - CEDA (2015): 40% of Aussie jobs could be replaced by technology by 2025.
  - CEDA (2016): Called for an increase in immigration [spot the contradiction?]
- Importing workers to fill shortages in one area (e.g. construction) inevitably leads to greater demands in other areas (e.g. various services), thus creating shortages there.
- The sustainable solution is to better utilise Australia's existing workforce, where spare capacity is at high levels.
  - Australia's labour underutilisation rate is 14.3%!

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# Immigration cannot solve population ageing

- Immigration can provide some temporary relief from population ageing, but migrants themselves grow old.
  - PC (2010): *"Realistic changes in migration levels also make little difference to the age structure of the population in the future, with any effect being temporary"*
  - PC (2011): *"…substantial increases in the level of net overseas migration would have only modest effects on population ageing and the impacts would be temporary, since immigrants themselves age… It follows that, rather than seeking to mitigate the ageing of the population, policy should seek to influence the potential economic and other impacts.*
  - PC (2016): *"[Immigration] delays rather than eliminates population ageing. In the long term, underlying trends in life expectancy mean that permanent immigrants (as they age) will themselves add to the proportion of the population aged 65 and over".*

# Immigration cannot solve population ageing

- Temporary parental visas will worsen population ageing:
  - Rolling 5-year visas to come into effect on 1 July 2017.
  - Add an estimated 10,000 to 30,000 to annual population growth.
  - Migrants won't work or pay taxes.
  - Added strain on existing public services, infrastructure and housing.
  - Worsen Australia's population pyramid and dependency ratio.
    - More elderly residents to support.

# Economic Modelling does not support mass immigration

- PC's latest modelling compared impact on real GDP per capita from:
  - Historical rates of immigration, whereby population hits 40 million by 2060; and
  - Zero NOM, whereby population stabilises at 27 million by 2060.
- Found GDP per capita 7% ($7,000 higher in 2014 dollars) by 2060 under historical immigration.
- But, all gains are transitory and come from a higher employment to population ratio.
- Labour productivity and real wages are forecast to *decrease* under current immigration settings:
  - *"Compared to the business-as-usual case, labour productivity is projected to be higher under the hypothetical zero NOM case — by around 2 per cent by 2060… The higher labour productivity is reflected in higher real wage receipts by the workforce in the zero NOM case".*

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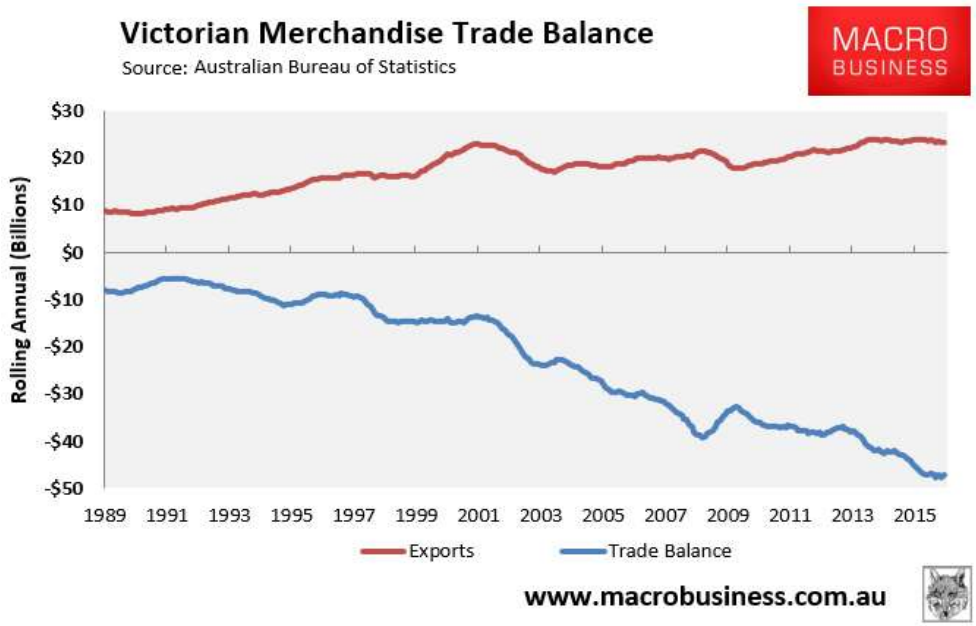
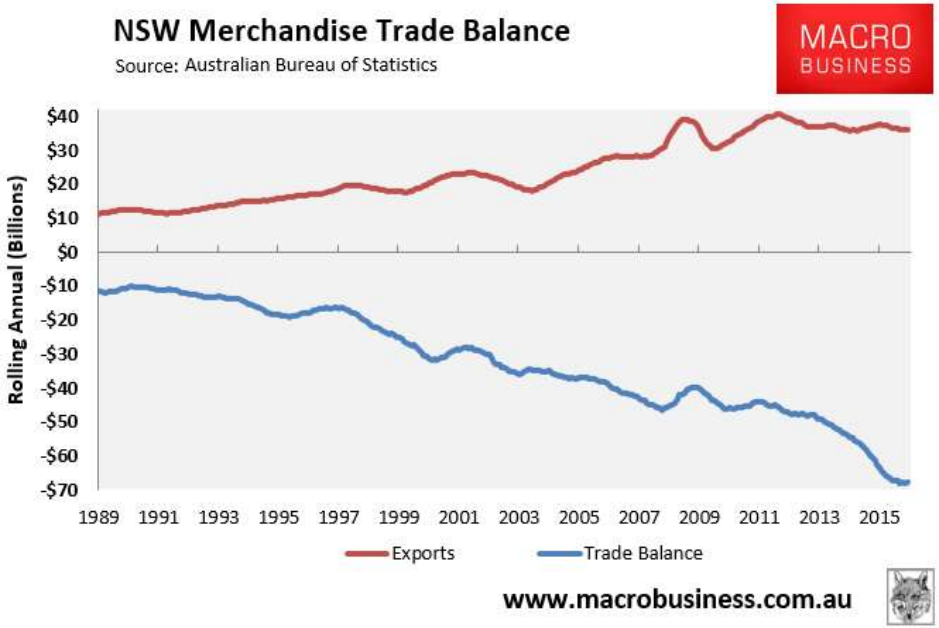
# Economic Modelling does not support mass immigration

- Therefore, high immigration improves per capita GDP by 2060 by boosting the proportion of workers in the economy, but this comes at the expense of lower labour productivity and lower real wages.
- Moreover, beyond the forecast period (2060), the migrants will age and retire, thus dragging down future growth - classic 'ponzi demography'.
- Distributional impacts also matter: there is no point running a high immigration policy if it makes incumbent residents worse-off.
- The PC's 2006 modelling found that boosting skilled migration by 50% over the 2005 to 2025 would actually ***lower*** the incomes of incumbent workers, while wealthy capital owners (and the migrants themselves) reap the gains.
    - Making incumbent workers worse-off does not sound like an argument for ongoing mass immigration, does it?

# Other economic considerations




- Immigration dilutes Australia's fixed mineral endowment, meaning we must sell-off our resources quicker to maintain a constant standard of living (other things equal).
- Massive blow-out in trade deficits in our two biggest immigrant destinations: Melbourne & Sydney.
  - Migrants increasing spending on imported cars, TVs, etc, without boosting exports.

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# Why does government persist with high immigration?

- Juices demand and gives the illusion of growth and good economic management, even if outcomes are worse on a per person basis.
- Has the support of an 'unholy alliance':
  1. The 'growth lobby': various groups that press governments for higher immigration and expanded domestic markets.
     - Includes property developers; big banks; big retail; the media.
     - Key players are rich and powerful, and have privileged access to government.
     - Represented by lobby groups and think tanks (e.g. BCA, Lowy Institute, CEDA).
     - Aim is to privatise profits and socialise costs from population growth.
  2. Globalists: believe in open borders, free movement of people, and abrogation of the 'nation state'.
     - Supporters on the both the left and right.
     - Believe in top down regulation of the environment (e.g. climate change).
- Both groups label opponents "racist" or "xenophobic" for wanting lower immigration in order to shut down debate.

# How to win the debate

- Continuously challenge the flawed economic arguments.
  - Priority should be placed on using existing resources better.
  - Focus on boosting productivity and participation.
- Focus on the ‘lived experiences’ of mass immigration:
  - Increasing congestion
  - Reduced amenity
  - Lower quality and more expensive housing
  - Environmental degradation
- Avoid arguments about race and stick to the numbers.
  - Congestion and the environment doesn’t care what colour your skin is.

# Sustainable Australia's Population Policy is Sound

- Australia should slow its population growth, aiming for a population target of around 26-30 million through to 2050
  - Lower its annual permanent immigration program from the current record of around 200,000 back to around 70,000, being its average annual permanent intake level during the twentieth century.
  - Introduce a sliding scale for all government benefits and payments for third and subsequent children, at 50 per cent of the previous child's payment amount.
- Most of all, Australia needs a national debate and strategy on population policy:
  - Develop explicit population targets, based on community consultation and support, and set immigration policy accordingly.
  - Prioritise increasing welfare of incumbent residents.
  - Provide funding to the states to cope with growth.
    - Feds set policy and collect most revenue from growth whereas the states wear the costs.
    - Competition-style payments for freeing-up land supply/planning, as well as investing in infrastructure.
- Plebiscite on Australia's future population size?

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- Questions?

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