

7 February 2006

Our Ref: 06/GOV/230-1

Mr John Salerian  
Migration and Population Study  
Productivity Commission  
LB2 Collins Street East  
MELBOURNE VIC 8003

Dear Mr Salerian

**Re: Inquiry into the effects of Population Growth and Migration on productivity**

I was pleased to hear that the Productivity Commission has been tasked with undertaking research into the impacts of migration and population growth on productivity in Australia, and to read the recently published position paper on this matter. I understand that the Productivity Commission is seeking comments on this paper by 24 February 2006.

The terms of reference of the research study give primacy to the labour market and its effects on productivity. Clearly, the labour market is of key importance in understanding how migration affects productivity, however we were concerned that within the draft position paper, the housing market and housing policy do not receive much attention. So far as we can tell, the only reference to housing is in relation to the impact of migration on house prices (page 107).

The inquiry appears to focus mainly on international migration into Australia. Immigration decisions both affect, and are affected by, the workings of the housing market. For example, access to adequate housing is important in the settlement process – social integration, including participation in the labour market, will be undermined unless new migrants are adequately housed. This is particularly the case for immigrants arriving under the humanitarian program, who are typically high users of government housing services such as Commonwealth Rent Assistance or public housing.<sup>1</sup> A recent study by AHURI found that many refugees granted temporary protection visas (who are not eligible for housing services) exhibited high rates of residential mobility (consistent with conventional

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<sup>1</sup> See Beer, A. and Morphett, S. (2002) 'The role of housing and other services in successful settlement of new arrivals to Australia' AHURI Research and Policy Bulletin.  
<http://www.ahuri.edu.au/global/docs/doc559.pdf?CFID=60196&CFTOKEN=95562037>

definitions of homelessness).<sup>2</sup> This may also contribute to high rates of unemployment amongst this group – and thus is relevant to the overall productivity of the labour force.

There is also some evidence that immigrants to some regional locations experience problems in obtaining access to suitable housing.<sup>3</sup> This may in part reflect perennial problems of mismatch in housing markets in regional areas, but in particular the lack of incentives to invest in private rental housing in locations with unpredictable demand.<sup>4</sup> This is of relevance to the productivity of many regional industries affected by skill shortages.

Concerns about skills shortages and labour market turnover may also stem from poor housing affordability. In this respect, an impediment for new migrants taking up (especially low paid) jobs in certain locations may be housing related. Recent research by AHURI indicates that low-income households whose main income earner lives and works in the inner city (especially Sydney or Melbourne) endure significantly more unaffordable housing compared to outer city residents. This is the case for lower income earners in general and not particular classes of occupations (though some occupations - such as hospitality workers – are more likely to work near high cost areas such as the inner city). The result is that some households working in these occupations are more likely to be confined to the rental market – rather than buy - in order to afford to locate near to their work or face longer commutes in order to buy a house and maintain the same job. For those wishing to own their own home at some stage in life, some may exit their occupation to do so. This has implications for labour turnover and labour productivity in particular industries.<sup>5</sup>

While it is not clearly within the terms of reference of the Productivity Commission study, patterns of internal migration within the country also have the potential to affect productivity, through the way they affect matching in the labour market. Housing tenure can have an impact on the propensity to migrate. For example, an AHURI study found that unemployed people in public housing or home ownership were less willing to move compared to those in private rental.<sup>6</sup> Although this study showed that unemployed people did tend to move away from poor labour markets towards larger labour markets on average, it also shows the regional rent levels in their new location were most commonly no different than the level they faced before the move. This is somewhat surprising given that higher housing costs often prevail in more buoyant labour markets. Another AHURI study of unemployed people migrating from city areas to regional areas indicated that lower housing costs are commonly perceived by such migrants to be a key issue in driving these moves.<sup>7</sup> Government policies may play a role in guiding migration decisions.

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<sup>2</sup> See Beer A. and Foley, P. (2005) 'Housing Need and Provision for Recently Arrived Refugees in Australia' Research and Policy Bulletin <http://www.ahuri.edu.au/global/docs/doc881.pdf?CFID=60196&CFTOKEN=95562037>

<sup>3</sup> See for example Janet Taylor (2005) 'Refugees and regional settlement: win-win?' Brotherhood of St Laurence Australian Social Policy Conference, <http://www.sprc.unsw.edu.au/ASPC2005/papers/Paper43.pdf>

<sup>4</sup> See for example, Wulff, Legg, Healy, Reynolds, Hooper and Baum (2004) 'Trends in Australian non-metropolitan housing markets, 1991-2001', AHURI positioning paper. <http://www.ahuri.edu.au/global/docs/doc772.pdf?CFID=60196&CFTOKEN=95562037>

<sup>5</sup> See Yates J., Randolph, W. Holloway D. and Murray. D 'Housing Affordability, Occupation and Location in Australian Cities and Regions', AHURI Final Report, Project Code 60279 <http://www.ahuri.edu.au/global/docs/doc789.pdf?CFID=60196&CFTOKEN=95562037>

<sup>6</sup> Bradbury and Chalmers (2004) 'Do unemployed people move to job opportunities?' Research and Policy Bulletin <http://www.ahuri.edu.au/global/docs/doc595.pdf?CFID=60196&CFTOKEN=95562037> (Project code 70065)

<sup>7</sup> Marshall et al, (2004) 'Welfare outcomes of migration of low income earners from metropolitan to non-metropolitan Australia', AHURI Final Report (Project code 70066) [http://www.ahuri.edu.au/global/docs/70066\\_final\\_welfareoutcomes.pdf?CFID=60196&CFTOKEN=95562037](http://www.ahuri.edu.au/global/docs/70066_final_welfareoutcomes.pdf?CFID=60196&CFTOKEN=95562037)

The expansion of policies such as Commonwealth Rent Assistance (CRA) might arguably help to reduce Australian governments' emphasis upon other forms of subsidised housing (such as social housing) that impede mobility. However the differing levels of rent charged in different parts of Australia mean that CRA may not be as effective in addressing housing costs in locations which have the best economic opportunities for the unemployed.<sup>8</sup>

We hope that the research undertaken by AHURI referred to in this letter may be of assistance in your study.

We look forward to reading the finalised research report with interest.

Yours sincerely

**Dr Ian Winter**  
**Executive Director**

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<sup>8</sup> Melhuish, A. King A. and Taylor, E. (2004) 'The Regional Impact of Rent Assistance' AHURI Final Report <http://www.ahuri.edu.au/global/docs/doc736.pdf?CFID=60196&CFTOKEN=95562037>