

Economic Impacts of Migration and Population Growth

SUBMISSION IN RESPONSE TO POSITION PAPER

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- **According to the key points in the position paper a 50% increase in migration is predicted to lead to only a .6% increase in average income, it would also lead to a 1.3% increase in average hours worked. The clear effect of this is that on average people will end up working longer for very little reward, or in other words their effective pay rate will decline.**

Thus, there are two negative consequences, firstly that wages will decline. This is likely to be felt largely, and in some cases disproportionately by low to middle income-earners. It ties in with the economic argument that an increased supply of labour leads to lower wages. It is balanced out to some extent by wealthy owners of capital who will make higher profits. That is demonstrated by the fact that the big business lobby in Australia and also many high-profile businessmen support a high level of immigration.

The second consequence is that people will work longer hours. Australians already work the longest hours in the OECD (or near the top). Immigration and population growth means people have to work more to build more houses for more people, more roads, more sewerage and water pipes and other infrastructure, etc. Because productivity is lower (as the position paper points out) more work has to be done to produce the same level of output.

Given all this, it is apparent that the overall effect on at least the majority of Australians from migration and population growth is negative. If most people were asked if they would like to work 1.3% more hours each week and receive in return only a .6% increase in pay, the answer would be No!

- **A major problem with the findings of the position paper is that many of the costs of migration and population growth are either not taken into account in the modelling or if they are taken account of are not considered as costs.**

In particular the Position Paper specifically states (page 112), “information necessary to quantify the impact of environmental limitations of productivity and economic growth... was not available... for this reason, environmental impacts were not included in the economic modelling. Given that Australia’s economy is in very large part dependant on our resource base, this is a pretty major flaw in the report! One of the main arguments against immigration and population growth is that they result in a decline in natural resources per capita. Perhaps the Productivity Commission take a further look at this.

The other aspect is that when governments are required to build more roads, bridges, sewerage systems, etc to cater for a larger population then this results in an increases in the calculated level of GNP, but does not mean people are better off. If the population did not increase then those same roads, bridges and sewerage systems would not *need* to be built, and resources could instead be put into health, education or leisure services, or alternatively people could just sit around and enjoy themselves. The latter activity would probably not show up in the GNP total at all, but it would still be a positive outcome.

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If the average person were asked (theoretically) if they would rather go out and build a road or whether they would rather spend their day lounging around on a not too overcrowded beach, they would in most cases choose the latter.

The Productivity Commission really needs to choose a measure of economic well-being other than the traditional one (Of GNP).

- **Regional migration has largely been a failure. A large proportion of migrants who go to regional areas cannot get employment and end up moving to the (already overcrowded) cities.**

Two press reports provide evidence of this. Firstly, an article in *The Age* from 8 November 2005 entitled "Flaws in bid to bring migrants to bush" (<http://www.theage.com.au/news/national/flaws-in-bid-to-bring-migrants-to-bush/2005/11/07/1131212008065.html>) which states:

MIGRANTS who are lured to Australia under regional migration programs designed to tackle skills shortages in country areas are more likely to be unemployed after six months than other skilled migrants.

... Professor Sue Richardson from the National Institute of Labor Studies at Flinders University has found regional-sponsored migrants are less likely to be employed, less likely to be happy with their jobs and less likely to use their qualifications than those on other skilled-migrant visas.

Professor Richardson analysed data from a survey this year of 20,000 skilled migrants and their families six months after they arrived, as part of an evaluation of the Government's skilled migration scheme.

She found 23 per cent of regional-sponsored migrants were unemployed after six months, compared with 11 per cent of business-sponsored migrants and 12 per cent of former overseas students who had studied in Australia.

Only 33 per cent of regional-sponsored migrants often used their qualifications in their jobs, compared with 63 per cent of independent skilled migrants, 54 per cent of business-sponsored migrants and 46 per cent of overseas students.

"The regional (migrants) are finding it hard to find jobs using their qualifications even though they have been selected for their qualifications," Professor Richardson said.

She also found only 41 per cent of regional migrants liked their jobs, compared with 71 per cent of business-sponsored migrants and 57 per cent of independent skilled migrants...

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The other article from the *Herald Sun* of 24 June 2005 entitled "Migrants ignore rural visa rules" states:

An Immigration Department report released yesterday has found an exodus of visa holders from country areas to cities. About 7500 visas were issued under the so-called Skilled Designated Area Sponsored program in 2003-04, with most going to Victoria.

Applicants must have a family sponsor in designated areas throughout Australia, but they face less stringent entry requirements than normal skilled arrivals...

But a survey of SDAS migrants revealed that:

64 PER CENT with sponsors in regional Victoria were not living there.

16 PER CENT who had been in Australia for three years or more were living in non-designated areas.

10 PER CENT had never lived in a designated area.

"It is of some concern that most SDAS migrants who initially settle in a regional . . . area had moved by the time of the survey, the great majority to metropolitan centres," the report said.

The study was commissioned after Parliament's Joint Standing Committee on Migration said in a report that "SDAS lacked any formal mechanism to ensure settlement occurred in designated areas"...

It is not surprising that many of the migrants who move to regional areas cannot find jobs, given that most regional areas already have high levels of unemployment. It is a misguided economic policy that says that just by moving more people into an area that suddenly a whole more jobs and industries are going to be created.

Technological development that has taken place over time has meant that farming and other regional economic industry is now much more capital-intensive than in the past, meaning that overall less labour is required to produce a given level of output and to supply a given area of land.

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