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ARK Public Comment: Australian Migration Plan 2019-20

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Public Comment on Australian 2019-2020 Migration Plan

This comment is submitted in response to the Australian Government's proposed 2019-2020 Migration plan. ARK Group is a stabilisation and development consultancy that has previously worked with the Australian Government and has significant expertise in the field of migration research. This comment is submitted in response to concerns about the potential effects of the proposed migration plan and draws in part on material developed in support of two recent ARK reports on migration trends.¹

In Australia, as with many other post-demographic transition societies, migrants make crucial social and economic contributions that help ensure long-term stability. However, the proposed plan indicates a high likelihood that permanent migration would be reduced significantly. Appendix B lists the number of visas allocated to permanent migrants on an annual basis since 2013-2014. Notably, this table indicates that 162,417 permanent migrants entered Australia in 2017-2018, a decrease of nearly 20,000 from the 183,608 that entered in 2016-2017. The proposed plan notes that 'since 2015, the planning level has been treated as a ceiling rather than a target [ensuring] that standards are not lowered to meet an overall number.' Recent indications suggest that there may be a further reduction in permanent migration during the 2019-2020 period.

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For the past four decades, the Australian immigration system has focused on selecting migrants according to required skills and family reunification. This system has been unquestionably successful in increasing the national stock of human capital and contributed significantly to economic growth and development.² Analysis of the labour market performance of skilled migrants from 2009 to 2011 by Graeme Hugo notes that migrants sponsored by their employer had a 0.5% unemployment rate and 99% participation rate, while only 3.2% of skilled independent migrants were unemployed and 96% participated in the labour force.³ By comparison, 5.2% of the general population was unemployed and only 66.5% participated in the labour

¹ See ARK Group. 2018. *A World in Motion: An Overview of Migration Research and Policy*. Online: <https://indd.adobe.com/view/fdb33052-8f2b-4fce-ad51-6db5a92f105b> and ARK Group. 2018. *Grey Noise: Migration and Strategic Communications*. Online: https://static1.squarespace.com/static/5ae73030297114427dc5d4de/t/5c1839b36d2a7387ec1066ea/1545091568551/ARK-Grey_Noise-Migration_and_StratComms.pdf.

² Inglis, Christine. 2018. 'Australia: A Welcoming Destination for Some.' *Migration Policy Institute*. Online: <https://www.migrationpolicy.org/article/australia-welcoming-destination-some>

³ Hugo, Graeme. 2014. 'Skilled Migration in Australia: Policy and Practice.' *Asian and Pacific Migration Journal*. 23: 4.

force. Efforts to attract skilled migrants have also reduced regional shortages in key industries such as medical care, information technology, and agriculture.

The reduction of permanent migration has largely been motivated by concerns about Australia's rapidly growing population. From 1945 to 2018, Australia's population grew from roughly 5 million to more than 25 million.⁴ Migration has contributed significantly to this population growth: from 2010 to 2016 net overseas migration accounted for an average of 56% of national population growth.⁵ This has led to concerns about the effects of migration on overpopulation, insufficient infrastructure, and limited economic resources. Some critics have proposed that reducing migration will reduce pressure on the housing market, improve the quality of life for current residents and improve the economic prospects for native workers. Although concerns associated with Australia's rapidly growing population are legitimate and require careful attention and prudent management, ascribing the blame for these issues to permanent migration is misplaced. Reducing permanent migration, particularly through cuts in the availability of visas for high-skilled workers and family reunification, however, is not the best way to achieve these goals.

Drawing together empirical evidence from a range of different cases, this comment directly addresses issues of concern, and briefly examines how they may be affected by existing levels of permanent migration.

Jobs and Economic Prospects

The economic 'costs' of migration, particularly in terms of competition with native workers for jobs and resources, are a primary concern for some policymakers who seek to reduce permanent migration. The vast majority of evidence, however, indicates that migration does not hurt the economic prospects of native workers. A recent review of 27 empirical studies of the economic effects of migration demonstrates that increases in migrant workers have small, if noticeable, effects on the earnings and employment of native workers in the short term, and significantly increase wages and productivity in the long run.⁶ A similar study demonstrates that the positive economic consequences of immigration heavily outweigh potential negative consequences.⁷ Migrants complement rather than substitute native workers, create jobs through increased employment, and ease upward job mobility for native workers. High-skilled migrants help the labour force adapt rapidly to technological change, and often create jobs

⁴ Phillips, Janet and Joanne Simon-Davies. 2017. 'Migration to Australia: a quick guide to the statistics.' *Parliament of Australia*. Online: https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/MigrationStatistics#_Table_4:_Components.

⁵ *Ibid.*

⁶ Peri, Giovanni. 2014. 'Do immigrant workers depress the wages of native workers?' *IZA World of Labor*. 42. Online: <https://wol.iza.org/uploads/articles/42/pdfs/do-immigrant-workers-depress-the-wages-of-native-workers.pdf>.

⁷ Constant, Amelie. 2014. 'Do migrants take the jobs of native workers?' *IZA World of Labor*. 10. Online: <https://wol.iza.org/uploads/articles/10/pdfs/do-migrants-take-the-jobs-of-native-workers.pdf>

for native workers with complementary skills. By virtue of the fact that high-skilled migrants are specialists, they are less substitutable and complement capital and technology.

Infrastructure and Transit

Similarly, the effects of migration on infrastructure and public transportation have been a frequent concern throughout debates on the level of permanent migration. Migrant communities are more likely to be located in urban areas with strong transit links, and evidence suggests that they are significantly less likely to own and drive cars than the Australian-born.⁸ A recent study of car ownership in Sydney found that the foreign-born were significantly less likely to own or drive cars, and therefore estimated that their contributions to road congestion were minimal.⁹ A similar study of the UK found that migrants were significantly more likely to use non-driving modes of transport, dampening their contribution to road congestion, environmental degradation, and other quality of life factors.¹⁰ Overall, the study found that migrants had a significantly lower marginal impact on transit than UK-born individuals. Notably, a recent report published by Infrastructure Australia cites the inefficient delivery and poor coordination of infrastructure projects, as well as a lack of funding for new projects, as the primary causes of infrastructure problem.¹¹ Given this evidence, it seems extremely unlikely that cuts to permanent migration would significantly reduce the strain on transit infrastructure, particularly in urban areas. This suggests that policymakers who seek to address infrastructure challenges should focus on improving planning and funding for infrastructure, as well as the efficiency of infrastructure governance, rather than focusing on reducing permanent migration.

Housing Availability and Affordability

Although there is no doubt that migrants contribute to growing demand for housing, precisely establishing how migration contributes to the costs of housing is extremely difficult. Evidence from the United Kingdom suggests that housing costs affect different groups in different ways and are likely to depend on factors such as income growth and the availability of mortgage credit.¹² Counter-intuitively, studies of the UK that have compared house prices in areas with lower and higher levels of migration have found that migration to a local area led to a decrease in house prices. Analysis of data from 2003 to 2010 for England and Wales found that a 1% increase in the foreign-born population led to a decrease of 1.7% in house prices.¹³ This may be explained by a process in which foreign-born in-migration leads to the out-migration of UK-born, but it is not clear how this affects house prices at the national level. Moreover, research conducted in neighbourhoods in Sydney and Melbourne with high concentrations of recently arrived migrants has highlighted how these neighbourhoods serve as 'gateways'

⁸ Tsang, F., Daly, A., Milithorpe, F. 2011. 'Forecasting Car Ownership in the Sydney Area.' *Australasian Transport Research Forum*.

⁹ *Ibid.*

¹⁰ Tsang, Flavia and Rohr, Charlene. 2011. *The Impact of migration on transport and congestion*. RAND Europe, prepared for the UK Government's Migration Advisory Committee. Online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/270603/transport-congestion.pdf

¹¹ Infrastructure Australia. 2018. *Planning Liveable Cities: A place-based approach to sequencing infrastructure and growth*. Online: <https://infrastructureaustralia.gov.au/policy-publications/publications/planning-liveable-cities.aspx>.

¹² Belfield, C., D. Chandler and R. Joyce. 2015. 'Housing: trends in prices, costs and tenure.' *Institute for Fiscal Studies Briefing Note BN161*.

¹³ Sa, P. 2015. 'Immigration and House Prices in the UK.' *The Economic Journal*. 125: 587.

for social and economic mobility.¹⁴ This evidence suggests that house prices increase as these neighbourhoods become upwardly mobile, which is likely to have a significantly higher negative impact on newly arrived migrants than Australian residents.

Demographic Stability

Although the evidence base is inconclusive with regards to migration's effect on overpopulation in urban areas, research demonstrates clearly that international migration is crucial to the demographic stability of Australia's peripheral regions. In Australia, as with other post-demographic transition societies, the impacts of low fertility and aging are particularly acute in rural regions that also experience high levels of youth outmigration to urban areas.¹⁵ This frequently causes skill shortages that are worsened in turn by high levels of turnover. In the Northern Territory, for example, studies have found that turnover is roughly 26% annually among nurses and 35% annually for public sector workers.¹⁶ Since 1996-1997 the Department of Immigration and Border Protection has focused on settling skilled migrants in regional Australia through the Regional Sponsored Migration Scheme (RSMS) and State Specific Regional Migration (SSRM) scheme. One study of the RSMS and SSRM schemes in the Northern Territory found that migrants have a significantly higher labour force participation rate, migrants were roughly as likely to remain in the region as the Australian-born, and provided demographic stability by significantly lowering the age of the workforce.¹⁷ Although these programs have brought significant benefits to regions struggling with demographic imbalances, reforms to the program criteria and processing delays have meant that visas for region-specific workers were at a ten year low during 2017-2018.¹⁸

Conclusion and Policy Recommendations

The significant social, economic, and cultural contributions made by migrants far outweigh their potential contributions to the issues exacerbated by overpopulation. In economic terms, evidence suggests that migration is not a zero-sum game, highlighting how migrants contribute to and improve the economic prospects of the Australian-born. Although there is no doubt that migration contributes to population growth, there is not conclusive evidence to suggest that current rates of permanent migration significantly exacerbate access to infrastructure, transit, and housing. In the latter case, the available evidence from the UK suggests that in-migration actually reduces housing prices at the local level. Moreover, migration plays a critical role in ensuring the demographic stability of Australian society, particularly in rural regions. Altogether, this suggests that reducing permanent migration to alleviate overpopulation

¹⁴ Easthope, H. Stone, W. and Cheshire, L. (2017). 'The decline of 'advantageous disadvantage' in gateway suburbs in Australia: The challenge of private housing market settlement for newly arrived migrants.' *Urban Studies*. Online: <https://doi.org/10.1177/0042098017700791>.

¹⁵ Hugo, Graeme. 2008. 'Australia's State-Specific and Regional Migration Scheme: An Assessment of its Impacts in South Australia.' *International Migration and Integration*. 9: 125-145.

¹⁶ Hugo and Harris (2011) and Garnett, et al (2008)

¹⁷ Taylor, Andrew J.; Bell, Lauren Ms; and Gerritsen, Rolf. 2014. "Benefits of Skilled Migration Programs for Regional Australia: Perspectives from the Northern Territory," *Journal of Economic and Social Policy*. 16:1. Online: <http://epubs.scu.edu.au/jesp/vol16/iss1/3>.

¹⁸ Gothe-Shape, Jackson. 2018. 'Regional migration approvals stalling ahead of new five-year bush visa.' *Australian Broadcasting Corporation*. Online: <https://www.abc.net.au/news/2018-11-13/regional-migration-approvals-stalling-five-year-bush-visa/10488204>.

would have marginal effects on perceptions of overpopulation and tangible negative effects on national social and economic life.

Based on this evidence, we therefore urge the Department of Immigration and Border Protection to maintain permanent migration at pre-2018 levels, roughly 190,000 annually. This echoes the recommendations made by a number of academics and research institutions, most prominently Professor Peter McDonald to the Council of Australian Governments in December 2018. The record of Australian policy towards permanent migration over the past two decades demonstrates how migration can play a crucial role in guaranteeing national prosperity. Closing the door to permanent migration now is therefore not a prudent choice.

Kind regards,

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