

THE RISKS OF HIGH MIGRATION

A growing population threatens our quality of life, warns **Bob Birrell**

The current debate about population in Australia is focused around the Commonwealth government's recent pronouncement that our population could grow from its current 22 million to 36 million by 2050. The 36 million figure is a product of Treasury projections, should recent levels of fertility and migration prevail over the next 40 years. If Australia does reach 36 million by 2050, it will be a direct consequence of migration policy. Some 80% of the increase from 22 million to 36 million will come from net overseas migration.

The shifting foundation for Australian migration policy

There was a well-founded and publicly articulated rationale for a high rate of population growth after World War II. With Japanese aggression still in people's minds, the need for a larger population base for defensive purposes seemed obvious. It followed that the Australian economy had to diversify if it was to provide the employment opportunities needed for a growing population. Manufacturing, promoted in the context of Australia's long-standing protectionist traditions seemed to offer the greatest potential for economic and employment growth. At least until the end of the 1960s, there was bipartisan agreement that a strong migration program and a manufacturing-led program of economic growth were necessary companions. Migration contributed to growth in the domestic market and to the workforce needed to do routine manufacturing and construction work.

This economic strategy came under decisive attack towards the end of the 1960s when critics argued that Australia's resources could be used more productively in new industries, particularly

in the minerals and energy sector. Australia would be better off, it was argued, if open markets without protectionist barriers determined the allocation of resources. Since the range of Australian industries that could survive in the global marketplace was limited, this critique undermined the rationale for the existing protectionist strategy and high immigration.

It was only in the mid-1980s that advocates of high migration found a new rationale. Australia, by virtue of its location on the Pacific Rim, was well placed to sell high value added goods and services into the booming Asian region. Australia was said to have a comparative advantage because of its skill base—which advocates wanted to boost by bringing in more skilled migrants from Asia. The Hawke Labor government's increased migration intake in the late 1980s was justified in these terms. This rationale, too, has been undermined because our Asian neighbours have proved to be competitive in new economy industries. Indeed, Australia has not only lost many IT jobs to offshore locations but Indian firms such as Infosys have established branches here, with several thousand employees from India on temporary resident visas.

In any case, migrant Asian professionals have struggled to obtain professional positions. Professional workers from Great Britain and New Zealand do just as well in the Australian labour market as do domestic professionals.¹ But

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Asian professionals, whether trained overseas or in Australia, often lack the communication skills employers require.

By the early 1990s, the migration program was also tainted by its association with the Labor government's advocacy of multiculturalism. Immigration and multiculturalism became entangled in the public mind and largely served the interests of migrants themselves. John Howard exploited this perception successfully at the 1996 election. For the next five to six years, up to the 2001 federal election, the Coalition government's focus was on reforming the migration program, during which time the government abolished many of the family reunion concessions accumulated during the Labor years. The Coalition, in effect, successfully confronted the liaison between the Labor Party and its ethnic supporters.

The 21st century surge in migration

It was not until the early part of this century that migration revived. The initial rationale was to meet growing skill shortages, particularly those associated with the boom in the resources industries in Western Australia and Queensland. But a new factor came into play at the end of the 1990s. This was a concerted campaign on the part of business interests who wanted a long-term boost to migration because of the stimulus it would give to aggregate economic growth. The leaders of this campaign (including banks, builders and property magnates) wanted more customers and more dynamic urban growth—which would give an impetus to 'city building.' This term encompasses the full range of development: housing, shopping malls, offices, and associated infrastructure. State governments (with the exception of the NSW Carr government) supported this advocacy. They knew that the presence of cranes on every horizon was usually a recipe for re-election.

The Howard government opened up avenues for permanent and temporary migration after 2000. As evidence of skill shortages mounted, the government facilitated employer and state government sponsorship of skilled migrants. The total skilled permanent entry program was expanded from 44,730 visas (principals and dependants) in 2000–01 to 108,540 in 2007–08. At no stage, however, did the Coalition government

embrace the population-for-growth agenda pressed by business interests. True, with the first Intergenerational Report in 2003, the Treasury began talking about the role that immigration and increased fertility could play in alleviating the long-term problems of population ageing. But in this first report, the Treasury assumed that net migration would remain at just 90,000 per annum over the forecast period (to 2042). In the second Intergenerational Report, released in 2007, the migration intake assumption was increased marginally to 110,000 per annum.

It was only with the advent of the Rudd government in November 2007 that the business growth agenda has come to dominate Australian population policy. Population was not an issue during the 2007 election campaign. The first clear sign of the Rudd government's intentions came with its May 2008 budget statement that it would increase the program for 2008–09 by 37,000 to a record high of around 200,000 (including the Humanitarian program). The stated rationale was labour shortages. Yet, when the global financial crisis hit in late 2008, the Rudd government made only a minor downward adjustment to its 2009–10 program target to around 180,000.

Readers will recall that, early in 2009, the Rudd government initiated a huge stimulus package that was ostensibly about saving Australian jobs. The Treasury at this time was projecting that employment levels in Australia would decline in 2008–09 and that there would be no net employment growth in 2009–10. Yet, the government was aware that the total net migration flow into Australia was well over 200,000 (including net permanent and net temporary flows—mainly overseas students). This influx was adding at least net 100,000 to the Australian labour force, at a time when the official expectation was that there would be no net growth in employment in Australia.²

Clearly, immigration was not to be tampered with. The Rudd government had another, more fundamental agenda, which has only gradually been revealed. This is its desire to sustain high overall economic growth. Aggregate growth is the Rudd government's holy grail.

The economics of this is simple. Aggregate economic growth can be analytically decomposed

into two parts, the annual rate of growth in real GDP per person and the annual rate of population growth. The former is influenced by capital investment, education, and other factors thought to influence productivity. The latter is about number of workers and consumers and is what business interests have in mind when they advocate for a population-induced growth stimulus. In practice, the two factors may intertwine—as when a population ages, thus, reducing labour force participation, and as a consequence growth in GDP per person. Population growth in Australia will slow down because of an impending decline in the rate of natural increase. The 2010 Intergenerational Report projects that the rate of growth in real GDP per capita will be 1.5% per annum up to 2050.³ In the absence of population growth, aggregate economic growth would be the same. This would imply a sharp slowdown in the Australian economy relative to the 3.3% aggregate annual growth rate of the past few decades.

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The Rudd government is determined to avoid this outcome. In particular, it wants to avoid an impending slowdown in the rate of labour force growth when the baby boomers retire.⁴ The government's long-term policies to forestall this decline are embodied in the 2010 Intergenerational Report. This projects that population growth will average 1.2% per annum, with the result that aggregate economic growth will be 2.7% per annum. The population growth factor is to be achieved by a quantum leap in Australia's annual net immigration intake, which the Intergenerational Report assumes will add 0.6% to Australia's population each year, or an average of 180,000 per year throughout the forecast period. By contrast, net migration added an average of 98,361 per year over the period 1977 to 2007.⁵ The net 180,000 migration assumption, combined with expectations of significant improvements in life expectancy and high fertility

of 1.9, produces a base projection of around 35.9 million by 2050.

These aggregate growth priorities do not accord with the interests of Australian residents. What matters most to them is per capita economic growth. As the Productivity Commission has established,⁶ existing residents have little if anything to gain from high migration. In an economy increasingly dependent on the export of non-renewable resources, rapid population expansion dilutes the benefit from the eroding bounty that can accrue to existing residents. A slowdown in the rate of workforce growth is also a net benefit for existing residents. It means that governments and employers will have to pay more attention to the training, wages and conditions they offer workers to attract and keep them in the workforce. Nor will a slowdown in labour force growth be a serious problem if labour can be focused on internationally competitive industries rather than city building.

Proponents of high migration, for example Professor Peter McDonald, like to scare Australians, and baby boomers in particular, that there will not be enough Australian workers to care for them. His solution is to bring in service workers from overseas.⁷ This is akin to bringing in a second class of foreigners to do the dirty work (like Mexicans in Los Angeles). This is contrary to one of Australia's finest traditions—there will no social division between menial workers and other citizens in Australia. Rather, the priority should be to ensure that the wages and conditions of work in areas such as caring for the aged will attract Australian workers.

It is true that a net migration intake averaging around 180,000 per year will mean that the proportion of persons aged 65 plus to the total population will be a few percentage points lower in 2050 than it would be with a low migration intake. But this 'gain' would be bought at the expense of having to accommodate a much larger population. These people too, will age, thus requiring an even larger migration intake in subsequent years to look after them. The 2010 Intergenerational Report projects that by 2050, Australian residents will (on average) be enjoying per capita real incomes 80% higher than in 2010.⁸ This means there will be plenty of scope to deal

with the financial costs of providing services to older people.

But by far the most serious costs for Australians of the Labor elite's growth mantra will be to their social and environmental quality of life.

Social and environmental consequences of a 'big Australia'

Few would be surprised that some business interests favour continued high migration. The puzzle is why would a Labor government led by elites professing concerns about the state of the environment and the quality of life and welfare of Australian citizens embrace this cause.

There is no doubt that population growth to 36 million by 2050 will bring a host of serious environmental and social consequences. There is no possibility of achieving the stated greenhouse emission target of 5% reduction on 2000 levels by 2020 and a 60% reduction by 2050 in the face of these population numbers.⁹ The assault on the environment needed to provide for another 14 million people by 2050, all enjoying much higher real incomes than at present, will be massive. Any tentative steps that Australian residents take to protect the environment will be swamped by the resource demands of a growing population. One would have to wander deaf, dumb and blind through Australian capital cities to not notice how urban congestion has already reduced the quality of life of residents and, thus, glimpse the impact of the mooted urban expansion.

Why are Labor elites apparently unmoved by these concerns? Surely, they must be aware of ecological limits, given that all of them would have been exposed to environmental literature during their high school and university education. The answers should frighten conservatives. The Labor elites believe they can centrally plan their way out of environmental dilemmas. This means giving professionals the task of planning and implementing the required planning regulations and the social manipulation needed to secure public compliance.

It also means that the Labor elites are not aware of, or do not care about, what their transformation of our society by their proposed migration intake might mean for social order.

The fact that Australia already has one of

the highest rates of foreign-born persons in any developed society and that most of our migrants come from non-English-speaking-background (NESB) countries with little cultural affinity to that of Australia does not seem to have been considered.

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Conservatives ought to be concerned about the likely results. To illustrate the point, I use the example of urban settlement patterns and their implications for social differentiation.

Rapid population growth in Australia's major cities is leading to increased competition for housing located in established suburbs near high-income employment, inner-city civic amenities, and good schools. The few remaining low-cost housing areas in the inner suburbs are being gentrified by domestic professional and managerial classes. Meanwhile, competition for access to detached housing in established affluent suburban areas, such as in the eastern suburbs of Melbourne and areas north of the harbour in Sydney, is now so fierce that the entry price is well over \$1 million. The result is a growing social divide between those living in the affluent, inner-city, or high-amenity middle ring areas and other residents.

Outer suburbia increasingly comprises Australian-born workers, some of whom are struggling to manage in areas poorly served by social amenities and schools. In between, in each of Australia's metropolises, there is a ring of low amenity middle suburbs built in the 1960s and 1970s in which the housing stock is small, dated and usually offers the lowest cost housing. These areas, including much of southwest Sydney and the suburbs of Dandenong, Sunshine and Broadmeadows in Melbourne, are now dominated by low-income NESB migrant communities.

This is not a pretty picture. Social divisions are becoming more obvious and geographically concentrated. NESB areas are being overlain by an

ethnic identification. These trends will intensify if the population grows because competition for amenities will intensify. If the planners have their way and place restrictions on the spread of our major cities, it is likely that the losers amongst both the domestic and NESB populations will have to live in congested neighbourhoods, cheek by jowl with their neighbours in units and apartments.

Conclusions

Australia is being transformed. We are losing core elements of what was once shared. Almost all could once aspire to a house and land—living in garden-city settings different only in scale from their better-off counterparts, and sharing a common language, sporting culture, and heritage.

Once we go down the high-migration pathway, there may be no going back. Ethnic minorities are proving to be important determinants of electoral contests in the settler societies of North America. It is strong in the United States, where blue states (along the East and West Coasts), which are dominated by the Democratic Party, depend heavily on minority voters for their supremacy.

All of Canada's national political parties are keen to attract the vote of ethnic minorities and, since the 1990s, all have supported continued high migration, regardless of the economic circumstances.¹⁰ As in Australia, Canadian elites posture about a clean/green Canada despite the commitment to high migration. The hollowness of this posturing is shown by the Canadian record on greenhouse emissions. Despite being a signatory to the Kyoto Convention, by 2005, Canada's emissions were already some 33% above the Kyoto commitment.

This de facto alliance between left elites and ethnic communities is also flowering in Australia, where electorates with significant minorities of NESB communities, particularly those in low-income areas like southwestern Sydney, already constitute the core of Labor's national constituency.¹¹ This is likely to increase if Labor's migration policy is implemented. For example, an increase in the share of the NESB population in the federal electorates of Parramatta and Bennelong in Sydney were followed by Coalition losses in the 2004 election and the 2007 election, respectively.

It is time for a new reform era in immigration policy, much like that of the early years of the Coalition government after 1996. The recent Rudd government reforms, which decoupled the overseas education industry from migration selection and the introduction of tougher standards for temporary entry work visas, are a start. A return to a tightly targeted net annual migration of about 90,000 per year is feasible. The labour force would continue to grow—by about one million between 2008 and 2018, but Australia's population by 2050 would be about 28 million, rather than the 36 million currently contemplated by the Rudd government.¹²

Endnotes

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- 2 Bob Birrell, Ernest Healy, and Bob Kinnaird, *Immigration and Nation Building and Jobs Plan*, CPUR Bulletin (2009).
- 3 Intergenerational Report 2010, Chapter One, 3.
- 4 Senator Chris Evans, Minister for immigration and Citizenship, 'Announcement of changes to the skilled migration program' (8 February 2010), 3.
- 5 Australian government, Department of Immigration and Citizenship, *Population Flows 2006–07*, 146.
- 6 Australian government, *Economic Impacts of Migration and population Growth*, Productivity Commission Research Report (April 2006), xxxii–xxxiii.
- 7 Andrew Markus, James Jupp, and Peter McDonald, *Australia's Immigration Revolution* (Allen & Unwin, 2009), 66.
- 8 This is the calculation of The Treasury, in the *2010 Intergenerational Report*, Chapter One, 17.
- 9 Bob Birrell and Ernest Healy, 'Population growth and Australia's 2020 greenhouse gas emission commitments,' *People and Place* 17:4 (December 2009).
- 10 James Bissett, 'The current state of Canadian immigration policy,' in Herbert Grubel (ed), *The Effects of Mass immigration on Canadian Living Standards and Society* (Fraser Institute, 2009), 4.
- 11 Bob Birrell, Ernest Healy, and Lyle Allan, 'Labor's shrinking constituency,' *People and Place* 13:2 (June 2005).
- 12 Ernest Healy, 'Population ageing and the employment surge among older Australians,' *People and Place* 17:2 (2008), 13.