

31st March 2020

Committee Secretary
Joint Standing Committee on Migration
PO Box 6021
Parliament House
Canberra ACT 2600

Online submission

Joint Standing Committee on Migration – Inquiry into Australia's skilled migration program

Dear Committee Members

I write in relation to the Joint Standing Committee Inquiry into Australia's skilled migration program, and item 7 of the Committee's Terms of Reference being "*any other related matters.*"

The Urban Taskforce welcomes the work of the Committee in "*examining the broad settings behind Australia's skilled migration program*". While the settings of the migration program are important, given the significant economic benefits of migration and in particular skilled migration, the Urban Taskforce strongly suggests the Committee recommends to Government that Australia's migration program not only be re-instated to pre-pandemic levels, but further expanded to the highs of 2007/2008 (the last year of the Howard Government and first of the Rudd government) as soon as it is safe and practicable to do so.

As Australia faces the post COVID-19 recovery, our economy is in need of growth for two reasons:

- Firstly, the Australian Government (and the States) have incurred record levels of debt to get us through the impacts of COVID-19 in 2020
- Secondly, the principal contributor towards economic growth since the early 1990s has been population growth and without migration (skilled and business migration in particular), we would be going backwards.

Independent analysis commissioned by the Urban Taskforce - and drawing on research undertaken for the Commonwealth's Intergenerational Report 2015, the Commonwealth Productivity Commission as well as the Shaping the Nation Report undertaken by the Lowy Institute - finds that migration has played a pivotal role in Australia's economic development.

The analysis finds that migrants positively contribute to all three components of economic growth: they increase the population; they improve productivity; and

they increase participation. Thus, increasing the migrant intake (and particularly the skilled migrant component – but also international students and other temporary migrants) significantly and positively contribute to the productive capacity of the economy, thus increasing per capita income and average household incomes.

As alluded to above, net overseas migration is made up of a combination of: temporary migrants (overseas students; temporary skilled workers and seasonal workers); and permanent migrants (skilled migrants, business migrants, family reunion and refugees). Those that depart our shores represent a negative contribution for Net Overseas Migration.

Skilled migrants make up the vast majority of permanent migrants to Australia. Overseas students also contribute significantly to the economy. They not only bolster the education sector, but they pay rent and are high consumers of goods and services.

Overseas immigration contributes positively and substantially to each of the “three Ps” that make up economic growth. Population growth; the Participation rate and Productivity Growth.

- Increased **Population** – with declining rates of natural births, migration has been the key source of population growth. Our analysis finds that 57% of annual population growth between 2000 and 2020 was due to migration.
- Increased **Participation Rate**: we need more migrants to improve the ratio of tax-payers to non tax-payers (which is in long term decline across Australia). Skilled migrants have a participation rate in the workforce of 92% (compared to only 66% of the entire Australian population of working age).
- Increased **Productivity** - Migrants create jobs – they don't take them - migrants generate more tax revenue because of their high levels of tertiary education, income, skills and relatively low age. Our analysis finds that migrants positively contribute to the productive capacity of the economy, thus increasing per capita income and average household incomes.

COVID-19 saw Net Overseas Migration turn negative with a near complete drop off in all forms of permanent migration, the return to home of many temporary migrants (students, skilled workers on 457 visas and seasonal workers), only partially offset by Australia citizens working overseas (ex-patriots) returning to Australia.

The cut in Net Overseas Migration with the associated gradual forecast return to pre-covid levels will result in a reduction in the working age population of a massive 822,000 by financial year 2024, relative to the pre-COVID-19 predictions. The loss of economic potential from the drop in immigration is substantial. The clear policy imperative is for Governments, at State and Federal level, to pro-actively return to pre-COVID levels of Net Overseas Migration as soon as safely possible, to increase those numbers to help make up for the lost economic potential.

When the details are considered, it is clear that while lower immigration numbers might be attractive for proponents of the “Australia’s cities are full” theory, the consequences for the economy and for our capacity to fund the fiscal gap created by our ageing population are profound. **We have to adjust the way we think about our cities and our suburbs to cater for the economic imperative of population growth. Put simply: the economy needs immigration.**

In the property sector, the impact of COVID-19 has been most severely felt among the providers of student accommodation, the rental property sector (particularly apartments located close to universities) and in the demand for serviced apartments (often the first point of landing for temporary and permanent migrants as well as business visitors).

Price rises for new homes have been driven by low planning approval numbers (particularly in NSW) and the resultant low levels of supply evident today. This is not a reason to curb immigration – that would be to punish the entire economy because of the failure of the planning system to deal swiftly with changing circumstances. Instead, consistent with the findings of Glenn Stevens who undertook a review of Housing Affordability for the then new Premier Berejiklian in 2017 (see Attachment 1); the RBAⁱⁱⁱ the Commonwealth Productivity Commissionⁱⁱⁱ and the NSW Productivity Commission (refer to Chapter 7)^{iv}; we must increase the speed and flexibility of the planning systems.

Some local councils in Greater Sydney, with an eye on the upcoming local government elections in September 2021, have used the reduced immigration during the COVID-19 period to reduce planning targets for more housing. This has come back to bite as housing prices are on the rise as a result of build up demand, lack of approvals, lack of supply, the relaxation of APRA controls and record low interest rates. It is this politically expedient myopia from many Councils which has contributed to the dangerous price bubble we see today. A reduction in the future pipeline for housing is a ‘double whammy’ for both the NSW and Australian economies. Lower housing supply will mean reduced affordability while simultaneously reducing the economic growth potential for the nation.

The policy imperative must be reversed.

Change the planning system to build in flexibility to cater for a rapid return of migrants to our economy, thus giving us some chance to raise the revenue needed to pay off the COVID related government debt and fund the full range of services to ensure the baby boomer generation is properly cared for as they approach their senior years.

Migration doesn't just play an important role; it plays a critical role in the performance of the Australian economy.

We know our birth rate is declining and our population is aging. This year will see more people turning 65 than turn 18 for the first time in decades. That means there are more people exiting the workforce than entering it. Without at least a return to pre COVID-19 migration levels, the Australian population will soon decrease and the workforce certainly will, leading us to a fiscal cliff where there will be insufficient tax revenue to cover the costs of our aging population.

The Urban Taskforce is available for additional engagement to assist the Committee in finalising its report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', written in a cursive style.

Tom Forrest
Chief Executive Officer

ⁱ Keaton Jenner and Peter Tulip, Research Discussion Paper August 2020, The Apartment Shortage, Economic Research Department Reserve Bank of Australia
<https://www.rba.gov.au/publications/rdp/2020/pdf/rdp2020-04.pdf>

ⁱⁱ Ross Kendall and Peter Tulip, Research Discussion Paper March 2018, The Effect of Zoning on Housing Prices Economic Research Department Reserve Bank of Australia
<https://www.rba.gov.au/publications/rdp/2018/pdf/rdp2018-03.pdf>

ⁱⁱⁱ Productivity Commission, 2021, Plan to identify planning and zoning reforms, Information Paper, Canberra.
<https://www.pc.gov.au/research/completed/planning-zoning-reforms>

^{iv} NSW Productivity Commission, August 2020, Productivity Commission Green Paper - Continuing the productivity conversation, NSW Treasury
https://www.productivity.nsw.gov.au/sites/default/files/2020-11/Productivity%20Green%20Paper_Consolidated.pdf