

Economic Benefits of Migration

Impact on Living Standards

There have been significant changes to migration policy since 1995–96. The main thrust of the changes has been to increase both the proportion and absolute level of migration through the Skill Stream and to strengthen the employability of migrants within the Stream. Such a shift has clear benefits to Australia.

A study conducted by Econtech estimated that continuation of the 2002-03 Migration Program compared with no Program will deliver an increase in living standards of \$852 per person (in 2000-01 prices) by 2021-22. This gain is due to the Skill Stream. The study suggests that the gain is equivalent to the effect of a \$21 billion tax cut, and dwarfs projected gains of under \$200 per person from the important policy reform of eliminating existing import tariffs on motor vehicles and textiles, clothing and footwear. The expected gain is likely to have increased because of the increases in the Skill Stream that have occurred since 2002-03 and the continuing strength of the Australian economy.

Impact on Commonwealth & State Budgets

Studies conducted by Access Economics demonstrate that migration benefits both Commonwealth and State Budgets. Put simply, the fiscal benefits of migration are derived from the tax revenue they generate. State governments generally do not benefit as much as the Commonwealth government, in part because their sources of revenue are less directly related to growth in income. The benefit to State budgets remains fairly constant at around \$1 million per year per 1,000 migrants over a ten year period. The Commonwealth impact on the other hand is estimated to grow to around \$7 million per year per 1,000 migrants by year 2010.

Analysis by Access Economics estimates that the continuation of the 2004-05 Migration Program is expected to deliver a net benefit in excess of \$4 billion over four years to the Commonwealth.

Impact on Incomes

A Study by Professor Ross Garnaut from the Australian National University compares the benefits of migration to Australia with migration to the USA. Australia has a managed migration program which is primarily focused on attracting skilled migrants to address skill shortages. Migration, in particular skilled migration, is placing downward pressure on the gap between rich and poor. The reason for this is that skilled migrants create work for lower-skilled Australians and cause a redistribution of income towards these workers. This contrasts with the USA where migration is relatively unskilled and, as a result, migration tends to depress the relative incomes of poor Americans.

Brain Gain

Immigration has also led to a brain gain for Australia. Some commentators thought that Australia was losing more of its skilled workers than it was gaining. This however has been challenged. A study conducted by Dr Bob Birrell of Monash University focused on the extent of the loss of skilled workers from Australia. The study showed that there are more people in major occupations that are coming to Australia than are leaving. Over the 3 year period from 1997–98 to 1999–2000, the brain gain for professionals was around 2 per cent of the stock of employed professional workers and 3.6 per cent for managers and administrators relative to the managerial and administrative workforce in employment. Other occupations that experienced a gain were computing professionals at 2.1 per cent, accountants at 2.9 per cent and 0.6 per cent for nursing professionals. Where demand for the skill in question in Australia was strong there was a relatively limited outflow of residents. One implication is that employment in Australia offers attractions other than high salaries.

Economic Benefits of Temporary Migration

Access Economics have also modelled the benefits derived from sponsored temporary business entrants on Australia's living standards as well as their impact on State and Commonwealth Budgets. Based on their model, the living standards of existing residents would ultimately rise by 5.4 per cent as a result of 20 years of the sponsored temporary business resident program at the 2000–01 (40,493) level of intake. Recent increases in temporary resident business numbers can be expected to have improved this result.

The impact of temporary business entrants on State and Commonwealth budgets is largely positive. State budgets derive a large positive impact as temporary business entrants provide more in own-source revenue than they consume in services. Similarly the Commonwealth derives a net positive impact as temporary business entrants pay both income and indirect taxes, but due to their limited use of Government services and programs, do not give rise to significant increases in spending by the Commonwealth. For every 1,000 long-term temporary business entrants, Access Economics estimates the Commonwealth budget nets around \$55.9 million over 4 years.

Students and working holiday makers also generate significant economic benefits. Students contribute more than \$5 billion in export earnings annually. Education is Australia's third largest service export industry after tourism and transportation. Students directly and indirectly contribute about 43,000 jobs for Australians. Working holiday makers create more jobs than they take. Based on 80,000 arrivals of working holiday makers, a net gain of about 8,000 full-year jobs is achieved, and an estimated \$1.3 billion is created in export earnings.