

# 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 Programme compared with no programme 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.

In May 2006, the Productivity Commission released a research report *Economic Impacts of Migration and Population Growth*. The report found that migration has been an important influence on Australian society and the economy. It also found it unlikely that migration will have a substantial impact on income per capita and productivity because the annual flow of migrants is small relative to the stock of existing workers and population and because migrants are not very different from existing residents. Some effects of migration are more amenable to measurement and estimation than others; for those effects able to be measured and modelled, the report suggested that the overall effect of (skilled) migration is positive but small. For example, the estimated effect by 2024–25 of a 50 per cent increase in skilled migration is a 4.6 per cent larger economy with income per head being higher by 0.71 per cent or \$383 per person. (By comparison, Econtech has found an increase in consumption per head of 1.1 per cent and \$515 from a 50 per cent increase in skilled migration.)

The report noted that most of the increase in income is captured by the migrants themselves. The Commission noted in the report that its modelling consultant, the Centre of Policy Studies, estimated that in 2024–25 the base case population (existing residents plus migration around current levels) would have \$77 per person less than it would otherwise have received as a result of a 50 per cent increase in skilled migration. The report notes the estimate should be interpreted with considerable caution. The outcome largely reflects a slightly lower increase over 20 years in real wages (for skilled workers). The modelling does not allow for any positive impact on the employment of the existing population or for any redistribution of the significant fiscal surplus from skilled migrants to the base case population. Other studies find small positive gains per person for the existing population. Econtech, for example, found in an earlier study a gain of \$658 in consumption per head to the resident population (which is most of the base population) and \$2000 per head to migrants over 20 years from migration around current levels.

## Impact on Commonwealth and 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 impact on the Commonwealth, on the other hand, is estimated to grow to around \$7 million per year per 1,000 migrants over ten years.

Based on modelling by Access Economics, the continuation of the 2005–06 Migration Programme is expected to deliver a net benefit of around \$5 billion over four years to the Commonwealth.

## Brain Gain

Immigration has also led to an increasing brain gain for Australia. Studies including those conducted by Dr Bob Birrell, Virginia Rapson and T Fred Smith of Monash University show that there are more people in major occupations coming to Australia than are leaving.

The net gain to Australia's skilled workforce from long term and permanent movement, including Australians and New Zealanders, increased from 45,857 in 2004–05 to 57,224 in 2005–06. This is considerably higher than five years ago when the net gain was around 30,000. For the past few years the most rapid growth of skilled persons has occurred amongst tradespersons (net gain of 12,398 for 2005–06) and professionals (net gain of 31,592 for 2005–06). The net gain has doubled for tradespersons since 2004–05 and for professionals since 2001–02. Over the past year there is notable increase in the net gain for nurses, doctors, civil engineers, other business and information professionals, structural steel and welding tradespersons, meat tradespersons, motor mechanics and electricians.

## Economic Benefits of Temporary Migration

Access Economics have modelled the input of Sponsored Temporary Business entrants on Australia's living standards as well as the 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 Programme at the 2000–01 (40,493) level of intake. Recent increases in temporary resident business numbers can be expected to have improved this result.

Students and Working Holiday Makers also generate significant economic benefits. Students contribute more than \$10.1 billion in export earnings annually. Education is Australia's third largest service export industry after tourism and transportation. Students directly and indirectly contribute about 51,000 jobs for Australians. Research suggest that 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.