

NEGATIVE ECONOMIC IMPACTS OF IMMIGRATION AND POPULATION GROWTH

By Tomas Nilsson, President of the Tasmanian Branch of Sustainable Population Australia

SUMMARY

Immigration and population growth cause:

1. A relative increase in the scarcity of resources and natural assets such as water, arable land, forests, mineral deposits and fish stocks;
2. Infrastructure such as roads, schools and hospitals, telecommunications networks, electricity and water supply systems and sewerage networks to become overburdened, and requires expensive new infrastructure to be built;
3. Wages of workers to fall;
4. Unemployment;
5. A shortage of affordable housing;
6. Environmental degradation.

DETAIL

1. Resource Scarcity

The standard definition of economics is “the allocation of scarce resources among competing ends”. Immigration and population growth of necessity makes that task more difficult because it creates more competing ends; thus by definition is a bad economic outcome. In other words, if there are more people living on the same amount of land, with the same amount of natural resources then there will be fewer resources and land available per person, and thus less wealth per person.

Another factor is that the per-unit cost of a natural resource-based good is likely to increase as more is produced. An example is electricity generation. Tasmania is currently experiencing a minor shortage in electricity and has been forced to install a gas-fired turbine in Bell Bay – at a substantial cost. The State Government is also building wind turbines in parts of the state, and has built an electricity cable across Bass Strait for several hundred millions of dollars. However half a century ago when Tasmania’s population was substantially lower than it is now these measures were not necessary, and very cheap power could be obtained from hydro-electric schemes. But now virtually all the available rivers in Tasmania have been dammed and more expensive forms of power need to be harnessed to serve the needs of the larger population.

Another example is water. There are currently debates about how both farmers across Australia can get the water they need. The possibility of damming rivers in northern Australia to divert them inland has been raised. Another possibility discussed is to pipe all irrigation water instead of letting it run in open channels. The point is that these options come at a much greater economic (and possibly environmental) cost than methods of obtaining water in the past. In other words, there is an increasing marginal cost – as the population increases the cost of servicing the needs of that population increase, at least where natural resources are required.

A third example to look at is land for housing. Land in general becomes relatively scarcer as the population increases, and thus people find it harder to afford land for agricultural or domestic use. In relation to cities, the effect of population growth has at least two negative cost-related effects. Firstly, builders tend to build houses on relatively flat land, but as the flat land is used up builders (and property developers) need to build on increasingly more steep land. This is much more expensive. Secondly, as inner-city land is used up people have to build their house increasingly further away from the city centre. This involves a greater cost for people living further away to travel to and from their place of work (commonly in the city centre) each day.

2. Overburdened Infrastructure

State and federal governments often support population growth but ignore the costs of such growth. For example there is a nationwide shortage of public hospital beds, yet population growth adds to the demand on hospitals. Many of the nation's roads cannot cope with the existing amount of traffic, let alone more. Many capital cities are experiencing water supply problems. Even if people supported population growth, the logical course of action would be to solve the nation's infrastructure problems *before* bringing in large numbers of overseas migrants. However, in reality proponents of population growth probably have not even taken the increased burden on infrastructure into consideration.

3. Wage decline

An increase in the supply of labour (through population growth and immigration) relative to the supply of capital (which in the short-term is fixed, and in the long-term is costly to increase) and supply of natural resources (which is fixed in the short and long-term) will in a free labour market cause wages to fall. Where there is workplace bargaining working conditions such as holidays and sick leave are also likely to suffer. When the Howard Government's new industrial relations laws come into place there will be a higher degree of flexibility in the labour market, and this combined with high immigration is almost certain to lead to downward pressure on wages and conditions for workers. It is simply a matter of supply and demand. If the supply of labour increases, wages will fall.

The following *LaborNet* report is a case in point:

http://labor.net.au/news/1122871084_20333.html

Foreign Labour Used to Lower Wages

Attempts by Karrabin (near Ipswich) fabricator, Bradken Engineering, to justify its decision to hire up to 10 Philippine welders lack credibility and are designed to mask its real agenda of reducing the wages of skilled Australians, the Australian Manufacturing Workers Union (AMWU) said today.

AMWU assistant secretary, Peter Lees, said Bradken has distributed a two-page leaflet to its employees in the last few days trying to justify its decision to go to the Philippines in search of welders.

This has inflamed the Bradken workforce and it is likely the workers will refuse to work with any foreign workers imported in this way and in these circumstances" Mr Lees said.

"The reality is Bradken's shortage of skilled-workers is self-inflicted by its failure to pay market rates for tradespeople. Bradken is as much as \$70.00 per week below the market rate for tradespeople and it is now trying to import foreign labour, from low wage countries, to maintain those low wage rates.

"The AMWU and various labour hire companies have regularly warned Bradken about this, but the company has arrogantly pushed ahead with its wage cutting agenda. It is paying tradespeople, many of whom have to drive long distances to get to Karrabin, a miserable \$19.20 per hour while many other companies, in more convenient locations, are paying between \$20.50 and \$22.00 per hour.

"Bradken has admitted to the AMWU during wage negotiations it is seeking a competitive advantage over other companies through these reduced wage rates. So it has only itself to blame for any skills shortage and should not be allowed to misuse the immigration system in this way. It should not be allowed to bring in foreign workers who it can push around and pay sub-standard pay rates.

"There are plenty of Australian tradespeople who would work for Bradken if it paid market rates. Only this week the AMWU learnt of a young Ipswich welder who applied for a job at Bradken about a month ago, but has not even received a response from the company.

"So here we have another glimpse of the future under John Howard's industrial relations changes. Big business holding down wage rates and importing workers from low wage countries to meet their workforce needs.

"If anyone had any doubt that the industrial relations changes, being pushed by the Howard Government and the business community, are about cutting Australian wages and making us compete with low-wage countries then they only have to look at what Bradken is doing out at Ipswich," Mr Lees said.

For further information contact John Moran, AMWU, 0410603278.

4. Unemployment

Immigration causes native Australians to miss out on jobs that are taken up by immigrants. This is particularly so in relation to IT workers. The following article from the *Australian Financial Review* explains this:

7 July 2004 Australian Financial Review

Immigrants taking local IT jobs: report

By David Crowe

Thousands of low-cost workers are entering the country and undermining the job prospects of new computer science graduates, according to a report commissioned for the federal government that calls for drastic changes to skilled migration. Visa requirements should be tightened to end a "serious oversupply" of young overseas workers which is driving down salaries and contributing to high unemployment among information and communication technology (ICT) workers under 30, the report says. It also likens the easy entry of temporary workers to a subsidy that gives offshore outsourcers such as Indian computer companies an unfair advantage over Australian rivals. The findings are certain to trigger fresh debate over migration just two months after federal Immigration Minister Amanda Vanstone raised the skilled migrant intake to a record 77,000 in 2004-05. Although Senator Vanstone imposed new barriers for some skilled visas, the report suggests those measures are not enough to stem the flow of cheap labour. The controversial report, commissioned by the Australian Computer Society and written by immigration specialist

Bob Kinnaird, has been suppressed by the ACS, which cannot agree on a policy response. A copy has been passed to the office of Communications Minister Daryl Williams and distributed to several departments, angering some within the ACS. Using unpublished census data and government migration figures, the report concludes that in 2003 the stock of ICT migrants reached an unsustainable level of 13,000, or about 7 per cent of the sector's workforce. Younger workers are hit especially hard, the report says, because 76 per cent of the migrants were under 30 and being paid salaries comparable to or below those for recent graduates. The report rejects the notion of a local shortage of key skills, citing immigration figures showing 96 per cent of successful ICT applicants for permanent residency had skills that were not in short supply. "The overall ICT intake should stay at reduced levels until the Australian ICT labour market can absorb increased inflows of ICT migrants without disadvantaging Australian graduates and without jeopardising the level and quality of student demand for ICT university courses," says the report, a copy of which has been obtained by The Australian Financial Review. The ACS could not be contacted yesterday. Mr Kinnaird would not comment on the report. The findings come as the federal government tries to crack down on abuses of category 457 and 456 visas by agents in India and Australia who charge thousands of dollars to bring in workers. In some cases, the migrants failed to find ICT employment and took cleaning jobs instead. There are signs that prospects for ICT graduates are improving. Bob Olivier, director of the Olivier Group, yesterday said the number of online job ads for ICT graduates was up 80 per cent last month from a year ago, though he said skilled migrants could make conditions tougher. "If you've got a low-cost alternative with the same skill set, then the local market is vulnerable," he said. The Kinnaird report directly links migration to the contentious issue of offshore outsourcing and urges changes to make it harder for Indian outsourcing companies with subsidiaries in Australia to bring employees from their home country to work on projects here.

The reality is that many immigrants cannot find work when they get to Australia. Another recent report from the *Herald Sun* newspaper sheds more light on the employment situation for migrants:

Skilled migrant program failing

By John Masanauskas

The Herald Sun (Melbourne), July 21, 2005

Australia's skilled migration program could face an overhaul after a review ordered by the Federal Government.

Thousands of skilled migrants are either unemployed or languishing in low-skilled jobs. And figures released yesterday showed demand for skilled workers could be easing, with job vacancies falling in July.

Cabinet boosted the skilled intake by 20,000 places this year, but it is believed that some ministers were sceptical about the increase and wanted evidence that the system was working. The review by top academics will investigate the points test for skilled migrants and compare it with selection procedures used in the UK, New Zealand and Canada.

The review also follows a recent Immigration Department report showing that many skilled arrivals who were supposed to settle in needy country areas were living in cities.

Thousands of migrant professionals are either unemployed or taking jobs driving taxis or working in restaurants and supermarkets. The new arrivals typically send out hundreds of job applications, but many fail to get interviews in their fields because they lack Australian experience.

Indian computer specialist Manu Minhas, who works part-time as a security guard and Connex ticket checker, said he was very frustrated. 'If you look in taxis, 90 per cent of drivers are skilled people from India,' Mr Minhas said. 'We've taken so much risk to come here and the Government has shown confidence in us, but employers are not showing confidence in us.'

Mr Minhas, 37, who arrived in December, has sent his wife and two children back to India until he gets a good, steady job.

Business IT specialist Lucian Popa, from Romania, has applied for 200 jobs, but is working as a kitchen hand and doing supermarket night shifts. 'There's no future for my profession,' Mr Popa said. 'I don't want any money from the Government, I just want a job.'

The skilled migration review will be undertaken by population and labour market experts Dr Bob Birrell from Monash University, Dr Leslyanne Hawthorne from Melbourne University, and Prof Sue Richardson from South Australia's Flinders University.

Dr Birrell has been critical of aspects of the current system, including the high number of computer experts given visas. The experts will determine whether the points test used is matching skilled migrants with jobs.

Up to 140,000 migrants are expected to arrive in 2005-06, including 97,500 in the skilled stream. Skilled migrants must pass a points test based on qualifications needed in Australia, English knowledge and age. More than a third are former overseas students, who get extra points for finishing their degrees in Australia.

Immigration Minister Amanda Vanstone said it was crucial skilled arrivals met the needs of employers and different regions. 'You can never make a system 100 per cent perfect, but we keep a close eye on what changes we think we can make,' Senator Vanstone said.

An Immigration Department spokesman said research showed skilled migrants performed well and international competition for them would become more intense.

It is argued by the supporters of immigration that skilled migration is necessary in order to solve skills shortages. This is not true. The solution to skills shortages is to train and skill Australians. There are half a million unemployed Australians who should be trained. Each year tens of thousands of Australian school-leavers miss out on a place in university courses such as medicine and nursing. This should be addressed instead of importing foreign doctors and nurses.

5. Shortage of Affordable Housing

There is a widespread shortage of affordable housing at present in Australia. This has largely been caused by immigration-fuelled population growth. Obviously if the population increases then so does the demand for housing, and if this happens too quickly then demand will outstrip supply. In other words the building industry cannot build houses fast enough to accommodate the extra people.

Social welfare organisations have raised concerns about the shortage of affordable housing, as highlighted in this ABC news report:

<http://www.abc.net.au/news/items/200508/1429746.htm?queensland>

Govts warned over affordable housing shortfall

Thursday, 4 August 2005. 07:25 (AEST)

Trade unions, welfare organisations and housing industry representatives have banded together to call for a \$2 billion funding boost for affordable housing.

In the last 10 years, they say the number of first homebuyers has dropped by close to a third and opportunities to rent public housing by a fifth. Australian Council of Social Service (ACOSS) spokeswoman Sue Hamsays the coalition would also like to see low-cost housing targets introduced and a national private investment fund for affordable housing.

"Despite the fact that interest rates have risen and the housing market has cooled slightly, we can't see any change in making it more affordable for people to get into housing," she said.

Representatives from Australia's three tiers of Government will meet in Melbourne today to discuss the nationwide shortage of low-income housing.

Housing ministers say that by the year 2026, the shortfall will have increased by 76 per cent.

Victorian Housing Minister Candy Broad says in Melbourne in 2003, households with the lowest 40 per cent of incomes could not afford to buy houses at all. "We believe that the shortfall in affordable housing has been largely brought about by major increases in the price of homes in the last five years and we need approaches, through all levels of Government, local, state and federal, to increase the supply of affordable housing," she said.

Bob Birrell and Ernest Healy in *People and Place* find immigration is a factor in causing the decline in housing affordability in housing affordability:

<http://elecpress.monash.edu.au/pnp/view/abstract/?article=0000010105>

People and Place, Volume 11, Issue 3 (2003)

Migration and the Housing Affordability Crisis

The decline in housing affordability in Australia has coincided with a sharp rise in net overseas migration. The coincidence has prompted speculation that the two phenomena are causally related, as well as denials from some politicians and developers that any such relationship exists. This article provides projections of household formation which indicate the likely contribution of overseas migration to household growth for Australia's metropolises. It then assesses the role that migrant demand for housing plays in housing affordability outcomes. It concludes that this role is important, particularly in Sydney, where around half the growth in households is attributable to overseas migration and where there are severe geographical and planning constraints on housing supply.

Authors: Bob Birrell and Ernest Healy

Even the Productivity Commission's First Home Ownership Report found (on page 63) that, "immigration has clearly added to demand [for housing]", and that "housing demand will have been boosted in recent years by short-stay visitors..."

7. Environmental Degradation

As the driest inhabited continent Australia has a fragile environment which has suffered substantial and in many cases irreversible damage over the last 217 years of European settlement. In 1788 the population of Australia was estimated to have been around 350,000. It is now over 20 million. The huge level of population growth over the last two centuries has resulted in a massive loss of biodiversity and a widespread degradation of the landscape. The latter is manifested in salinity of the soil and topsoil erosion.

In Tasmania the negative environmental effects of population growth include widespread forest destruction caused by logging operations and the reduction in visual and environmental value in coastal areas caused by expanding residential developments.

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