12 The value of migration to Australia

Dinner address

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It's a pleasure to speak to you tonight. Before I begin, I wish to acknowledge the traditional custodians of the land we are meeting on today, the Ngunnawal people. I wish to acknowledge and respect their continuing culture and the contribution they make to the life of this region. I would also like to acknowledge and welcome other Aboriginal and Torres Strait Islander people who may be attending today's event.

The Productivity Commission has a knack of inveigling itself into policy debates. The draft report just a few weeks ago of Commissioner Patricia Scott into disability care and support looks likely to be a defining moment in moving towards a situation where we treat with greater dignity those who are born with, or acquire, a disability.

It is a tribute to the talent of the Commission — your chairman Gary Banks, Commissioners and staff — that it is recognised as speaking with authority on so many matters. Its contributions are always marked by seriousness of purpose and pursuit of the national good.

Let me turn to one of those matters on which the Commission occasionally speaks, the subject of this roundtable: a sustainable population.

Alongside the three Intergenerational Reports from the Treasury, it is the 2005 report of the Commission into an ageing Australia that has done most to frame public discussion on the challenges to be faced over the next 40 years as the large baby boomer cohort passes from work into retirement.

I am quite sure that the timing and the topic of this year's annual roundtable has been carefully chosen, coinciding as it does with government consideration of its sustainable population strategy.

I do not intend to comment in this address on my views on a sustainable population. I would only venture that I think it quite proper that the government sees the issue of a sustainable population as a whole-of-government matter, one where

immigration — and, I would add, citizenship as a positive expression of inclusivity — is part of the solution, but only one part.

I want to use the opportunity provided by this address to make some observations on the value of migration to this country and, in doing so, to gently nudge you into areas where I think the Commission — and the associated work of academic economists like those speaking at this roundtable — might do more to deepen our understanding.

Fundamental to the work of my department is how we operate. Our motto is *people our business*. It is easy in our work to be overwhelmed by volumes — in 2009-10, over 28 million passengers crossed our border, over 4 million visas were issued, and there were around 120 000 conferrals of Australian citizenship — but we must never lose sight of the fact that we are dealing with individual people, all of whom have hopes, needs and aspirations for themselves and their children. Indeed, it is in relation to the department's clients who have arrived in an irregular way by sea, and where Australia's law and policy requires their detention in one form or another until their claims for refugee status are processed, that we must especially not lose sight of this simple fact.

I implore you in your modelling work to not lose sight of this. No-one can fail to be moved by stories of migrants to Australia: for instance, the story of the *Dunera* boys, named after the ship that brought them to these shores. They were, in the main, German-born Jews who fled to England during the 1930s to escape the Nazi regime and who were then interned in Hay and Tatura during World War II as enemy combatants. A large number of them went on to give tremendous service to this country, including, as many of you would know, Fred Gruen. From a similar time we should also not forget Heinz Arndt, another Nazi refugee, who was interned in Canada during the war. Heinz made his way to Australia in 1946 to take up a post in the Economics Department at the University of Sydney before, like Fred, enjoying a long and distinguished career at the Australian National University.

More recently we have the story of Hieu Van Le, who arrived in Darwin as a Vietnam boat person in 1977, and who is now the Lieutenant Governor of South Australia. In government, we have seen the impact and contributions of migrants or refugees on Australia, and need only look at several members of Cabinet, including our Prime Minister.

Australia does a great job in settling and integrating migrants, then reaping additional benefits as the next generation moves into adulthood. The second generation of Gruens in Australia includes two remarkable economists: David in the

Treasury, and Nicholas, who served as an Associate Commissioner in the Productivity Commission in the second half of the 1990s.

Now you might well say that highly selective stories like these are deliberately intended to tug at your emotions. I know that your scientific training makes you impervious to these. But we have seven million stories, the sum of migrants who have settled in Australia since the Department of Immigration was founded in 1945. Now, *that* constitutes data.

The OECD finds that second-generation migrants in Australia outperform children of Australian-born parents in the triennial PISA tests, after taking account of socioeconomic status and other factors. The only other OECD country in which this holds true is Canada.

There is another aspect to the *migrants as people* issue that I want to address. In the Commission's primer last year, it reprises its 2006 findings that the gains from migration mostly flow to migrants themselves, with only a modest increase over time in community living standards.

In response, one might ask: what's wrong with migrants capturing a good chunk of the benefits so long as it promotes a more efficient allocation of resources?

This is *smart* economics, improving efficiency and, at the same time, the welfare of those who come. Of those who joined our population last year, more than half came from developing countries. At heart, the migration story is the pursuit of a better life. People migrate to succeed, not to fail.

Now, of course, we want to avoid the negative selection effects that some researchers in the United States have found. That is *precisely* why, in Australia, we run an orderly migration program and overlay a selective migration policy on top of the choices would-be migrants make. We have solid evidence that this approach delivers considerable benefit. To take just one example, 91 per cent of women who recently came to Australia as permanent skilled migrants found employment in the year in which they arrived, more than double the rate for women who came as the spouse of an Australian partner.

Our bias to skilled migration adds to participation and, there is good reason to believe, also to productivity. I know that this is contested territory among economists.

In my dealings with migrant communities I find there is an intrinsic value to diversity. I do not mean by this the pleasure we derive from dining out in local Mongolian or Ethiopian restaurants, or the exotic shows and football we are

exposed to on SBS. These have greatly enriched our lives, for which, as a boy raised in Toowoomba, I am only too grateful!

What I mean by the value of diversity is richer even than this: migrants bring with them new and different ways of doing things. They transfer knowledge, they promote innovation, they are entrepreneurial, and they open up trade channels. This raises our sights or, as you might have it, pushes out our production possibility frontier, benefiting us all.

Last month the Government released its new multicultural policy, *The People of Australia*, which squarely states that our multicultural composition is at the heart of our national identity and is intrinsic to our history and character. The inclusiveness of access to Australian citizenship, with its common and shared rights and responsibilities for all Australians, whether born here or overseas, is central to our successful and diverse society.

We find ourselves at odds with countries in Europe that are abandoning multiculturalism, including Germany and the United Kingdom, despite the shared demographic challenges we face. We in Australia make immigration and multiculturalism work for us because we *expect* new migrants to become one of us and, because we afford them this degree of respect, by and large they do.

We have a rich history of supporting multiculturalism. In fact, today we celebrate Harmony Day, which acknowledges the cohesive and inclusive nature of our nation, and promotes a united and culturally diverse society. This year over 6500 events were registered — the largest number in the history of Harmony Day.

However, a prerequisite for success in settling and integrating new migrants is public confidence in our ability to manage the migration program.

I want to make it quite clear I am not saying that migration is an end to be pursued in its own right. Setting the overall level of migration is the proper provenance of the government of the day, and ought to be set with regard to need. This leads me to the topic of economic models.

To be blunt, population projections have a relatively poor track record over the past decade, with none adequately allowing for the sharp growth in migration in recent years. This unanticipated growth has given rise to some public disquiet about our ability to absorb new migrants into our population in a sustainable way. We could do a better job at modelling, in particular by adapting them to allow that under a more demand-driven approach the level of migration will respond to economic conditions in Australia.

It is indeed interesting to observe the ANZ Bank's monthly report tracking the change in job vacancies, as in percentage terms it matches almost exactly the change in applications for temporary skilled worker visas.

The Economic Analysis Unit in my department has found that around a quarter of the increase in the labour force participation rate over the past decade — at a time when the Commission was projecting a *decrease* — is due to the inflow of young migrants.

As economists, you ought not to be surprised that migration is, to a very large degree, an economic phenomenon. There are an estimated 215 million people living abroad, just over 3 per cent of the world's population. Both numbers are steadily rising. I see this phenomenon as the third phase of globalisation, following the opening up of capital and of trade markets.

The pressures that have given rise to more people on the move — employers seeking out specialist skills, people seeking out opportunities for a better life, lower transportation costs, IT platforms that allow people to source information cheaply, ageing populations in advanced countries and large populations of young people in developing countries — all look set to continue for some time. Nation states need to accommodate this movement. Those that do so best are likely to benefit the most.

Our demographic die has been cast. For the next half-century, as a result of an ageing population, migration will occupy an ever greater share of our population growth and, in all likelihood, an ever greater share of our population. As economists from Adam Smith through to Paul Krugman have told us, the gains from trade are mutually beneficial. We need migrants as much as they need us. Long may we be an attractive place to come.