

# Australia's economic miracle depends on immigration

Australia is a land of sunshine, blue skies, sandy beaches and seemingly endless economic growth. No wonder so many people want to move there.

With more than 28% of its population having been born overseas, Australia is the clear immigration leader among major developed countries. Only tiny Luxembourg and Switzerland score higher.

But a new survey released this week reports that more than half of all Australians want lower levels of migration, with nearly three-quarters agreeing that the country is “already full.” The survey, conducted by the independent Australian Population Research Institute think tank, suggests that many Australians are concerned about the pressures immigration places on housing, hospitals and transportation infrastructure.

According to the survey, nearly two-thirds of Australians also believe that immigration puts “a lot” of pressure on jobs. But the Australian economy has famously gone more than a quarter century without a recession — a modern record.

So why should people be concerned that immigrants are stealing jobs in Australia of all places?

The secret to Australia's economic miracle

Perhaps the Australian economic miracle isn't all it's cracked up to be. In fact, the secret ingredient in Australia's growth strategy isn't good economic management, the overhyped commodity super-cycle or even the rise of China. It is immigration.

For the last several decades, rampant immigration has driven such rapid growth in Australia's population that annual population growth has

completely overwhelmed the ordinary business cycle.

Define a recession as two consecutive quarters of negative growth in real GDP (adjusted for inflation), and Australia's last one was in the first two quarters of 1991. Define a recession as two consecutive quarters of negative growth per capita, and Australia had two more recessions: in the second half of 2000 and in the first half of 2006. And though Australia technically missed a recession during the Global Financial Crisis, it recorded alternating quarters of per capita growth and decline from late 2008 through early 2010.

Since 1990 Australia's economy has powered ahead with a 3.0% rate of compound annual growth. Take out population growth of 1.4% per year, and the economy has only grown around 1.6% per year in per capita terms. Australia isn't an economic miracle. It's a demographic miracle.

### Population growth

Since 1990 Australia's population has grown from 17 million to nearly 25 million, an increase of nearly 50%. Most of that growth has come from immigration. A child is born in Australia every 1 minute and 44 seconds. Someone moves to Australia every 53 seconds.

The main sources of long-term immigration to Australia are permanent migrants, refugees and people on business long stay ("subclass 457") visas. Permanent migrants are allotted 190,000 places a year, of whom about two-thirds are admitted on the basis of skills and another one-third for family reunion. Refugee flows come to a little less than 20,000 a year. And until recently, 457 business visas were granted at a rate of around 100,000 a year.

Until recently, because the 457 visa program will be abolished in 2018. The program, originally established in 1996 to meet targeted skills shortages, expanded dramatically in the mid-2000s. Allegations of abuse led to a crackdown in 2013. Now the category will be eliminated entirely, to be replaced by a new, more restrictive Temporary Skill Shortage (TSS) visa program in March 2018.

The 457 visa program was designed to help business fill critical positions when people with appropriate skills couldn't be found in Australia's limited labor pool. In more recent years, the number one 457 visa occupation has

been “cook.” That’s not even “chef” or “restaurant manager,” which are both further down in the top 20. It means a cook, usually at a small family restaurant or cafe.

Addressing abuses in the 457 program, which was widely considered a backdoor to permanent residence and ultimate citizenship, the new TSS program is designed to make it much harder for people to stay in Australia. The government has also attempted to tighten up English language requirements for existing permanent residents who want to become citizens. Though it has faced major opposition in the Australian Senate, the Turnbull government plans to push forward with a watered down version of its proposals to limit immigration.

(Full disclosure: I am myself a permanent migrant to Australia who initially arrived on a 457 visa as a university lecturer, though I have no plans to apply for Australian citizenship.)

Always room for more?

Luxembourg and Switzerland may have more immigrants than Australia, but most of their immigrants come from neighboring European countries like Germany and France. Their immigrants share a culture and usually a language with the host population. As recently as 2010, the same was true for Australia, where the United Kingdom was the leading source of immigrants. But in recent years the picture has changed dramatically.

Since 2011, first China and then India became the leading sources of permanent migration into Australia.

This shift has coincided with a huge run-up in home prices in Australia’s state capitals, with Sydney and Melbourne in the lead. Over the last six years the median home price in Sydney has nearly doubled to breach the psychologically-important mark of \$1 million Australian dollars (about \$770,000 USD). Rapidly rising prices have inevitably led to concerns about existing residents being priced out of the market.

Skyrocketing home prices can combine with visible, culturally distinct immigrant populations to produce a recipe for conflict. Anti-immigrant sentiment in Australia is nowhere near the levels seen in Europe, but anti-immigration rhetoric is rising. Hate crimes against immigrants are rare in Australia, which is a country where most people bend over backwards to

make immigrants feel welcome. But even Australia's famously cheerful welcome may be about to come to an end.

With more than 118,000 permanent residents already in line for Australian citizenship, it's not clear how many more Australia wants. Opposition to immigration has become a kind of political taboo in some quarters, but Australia could cut immigration by half and still be one of the world's leading immigrant countries.

Lower immigration would certainly hit economic growth in Australia, but that seems to be a risk most people are willing to take. The Australian growth miracle may end not in a burst bubble of capital rushing to get out but in a long line of people waiting to get in.

*Salvatore Babones*

[Return Home](#)

---

Viewed using [Just Read](#)