

Closed borders have highlighted Australia's population Ponzi scheme

[Philip Lowe's recent comments](#) on the impacts of migration were basic economic analysis but hit a raw nerve for those invested in Australia's population Ponzi scheme. Australia has long had amongst the highest net migration levels in the developed world, roughly double the level of Canada, the UK and the USA in the last decade.

This is not something that ordinary Australians wanted. It has been thrust upon them by successive governments seeking cheap economic growth, egged on by large corporations and the property/construction industry feathering their own nests. Whilst the costs of high migration levels have always been there, the largely closed borders and the comments by the RBA Governor have highlighted what many chose to ignore.

Background on population economics

In 2018 I wrote an article titled "[the economics of population growth](#)" which covered many of the issues also mentioned here. It was one of the most well received articles I've written with dozens of comments coming in from people who were sick of the costs of population growth (which are predominantly shouldered by ordinary Australians) being ignored.

I also took the opportunity to send the article to ten federal politicians across the major and minor parties. Except for two now departed mavericks who sent comments back in agreement, the rest didn't respond at all. As I've found many times with various enquiries and policy reviews (particularly the insolvency changes in recent years) the non-response is the standard political way of dealing with inconvenient evidence.

The 2018 article has aged well, the key issues it discussed are still the key issues. Australia's migration intake is poorly targeted, population growth is expensive to keep up with (e.g. infrastructure and housing), it drags down the quality of life for the existing population, it has both good and bad impacts on employment and it is used to mask the failure of governments to undertake long overdue productivity reforms.

The supply of labour impact

In his [speech on July 8th](#), Philip Lowe noted that the lack of migration in the last year had reduced the supply of labour. CBA highlighted this in their recent analysis, estimating that close to [300,000 non-resident workers](#) had left the country. This has an impact on low skill jobs like fruit picking and cafes/restaurants that employed many foreigners on seasonal and holiday visas. It's now become much tougher to get employees in these sectors, with the underlying issues including some employers being unwilling to meet the minimum legal conditions and some unemployed Australians preferring welfare payments (often topped-up by cash in hand work) to taking a low skill job.

The reduced supply of employees has also shown up in higher skill jobs. The mining industry has long struggled to find workers willing to undertake remote and sometimes dirty and dangerous work, even with well above average wages. Cutting off the ability to import workers has created bottlenecks across their operations and has [sparked an arms race in employment conditions](#). Similarly, the accounting, consulting and legal professions have seen their usual flow of migrant workers curtailed forcing them to increase pay to retain workers and attract new employees.

These are positive developments in several ways. Unemployed Australians now have more choice about the work they choose to do but also fewer excuses for not taking available work. If there is a job open nearby, the default position should be for an unemployed person to take it and then spend their spare time upskilling and applying for their ideal job. Employers that routinely cheat their workers will struggle to find employees, as the pool of vulnerable foreigners has been reduced. Criminal prosecution of wage theft is good, but market forces can bring a much faster resolution.

Governments and employers now have a clearer picture of what skills are needed and where training should be directed. The border closures should create a greater focus on trades and a lesser focus on university courses, particularly lifestyle courses that have poor employment outcomes.

Housing affordability

Federal and state politicians disproportionately own property. Unsurprisingly, they routinely enact policies that inflate house prices. These issues have been chewed over many times and [the answers](#) never change. What is unusual in the current situation is that housing stock is growing rapidly, when population growth has stopped. This is great news for the poorest Australians, who should see downward pressure on their rents in the coming years. The combination of higher employment/wage levels and a lower cost of housing can substantially lift the living standards of hundreds of thousands of the poorest Australians if politicians don't stuff it up by importing hundreds of thousands of people.

When the borders re-open

The fact that international borders have been largely closed provides an opportunity to permanently reset migration levels at a small fraction of what they were. Those granted the right to migrate to Australia should be people expected to contribute disproportionately to the tax base. The minimum income test should be set at high level such as \$150,000 to ensure that employers are not shirking their responsibility to train Australians for ordinary jobs.

At the low skill end, the number of working holiday visas should be slashed. Unemployed Australians in regional and rural areas can be put to work on farms and those in the city can get to work in cafes and restaurants. University students (both domestic and international) will continue to provide a sizeable pool of low skill labour. International students should be given fair warning that few courses are likely to lead to permanent visas.

The shift away from population growth should cause a shift towards productivity focussed economic growth. I've written about this [many times](#), with much low hanging fruit to be picked amongst excessive regulation and government spending, high and inefficient levels of taxation and anti-competitive government/business practices. Something as obvious as having a simple and universal minimum wage for small and medium sized business could see businesses expand and unemployed Australians shifted into work, leaving almost everyone except the lawyers better off.

Written by Jonathan Rochford for Narrow Road Capital on 14 August 2021. Comments and criticisms are welcomed and can be sent to info@narrowroadcapital.com

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