

IPA RESEARCH NOTE

Mass migration has failed to solve worker shortage crisis

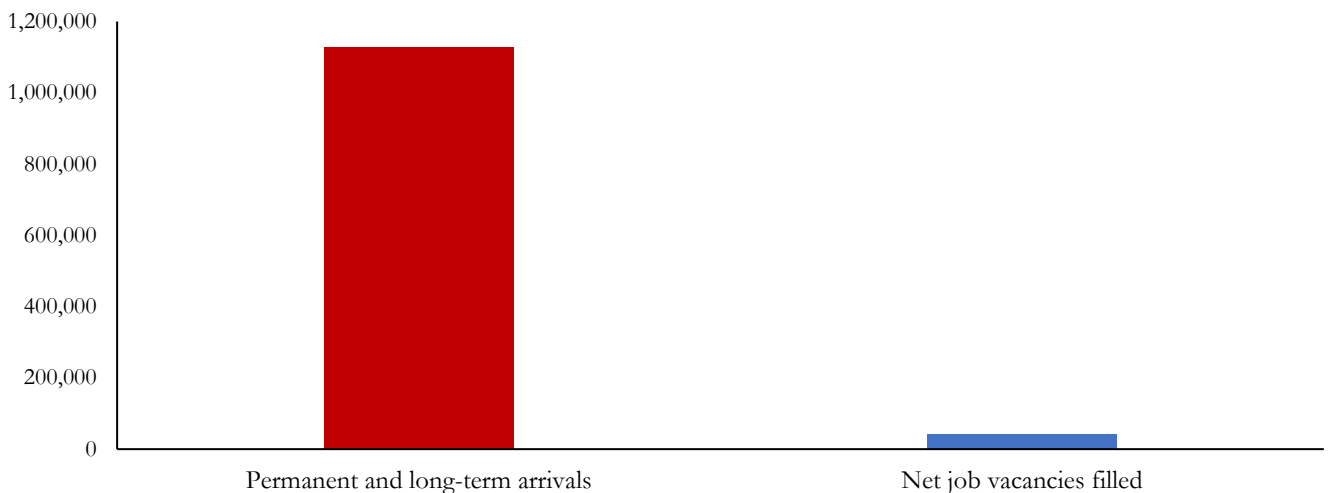
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Key findings

- In September 2022 the federal government announced it would expand the nation’s migration program to help alleviate worker shortages.
- In the 12-month period to 31 March 2024, permanent and long-term arrivals to Australia (migrants) numbered 1,127,930, according to data from Australian Bureau of Statistics.
- Over the same period, according to Jobs and Skills Australia (a federal government agency) job vacancies on a trend basis were reduced by only 41,223. This indicates that unprecedented migration levels have not resolved the worker shortage crisis.
- Nationwide, approximately 27 permanent and long-term arrivals came to Australia for every net job vacancy filled.
 - In South Australia, 76 migrants were added for every job vacancy filled.
 - In Western Australia, 56 migrants were added for every job vacancy filled.
 - In Queensland, 34 migrants were added for every job vacancy filled.
 - New South Wales, 24 migrants were added for every job vacancy filled.
 - In Victoria, 23 migrants were added for every job vacancy filled.
 - In Tasmania, job vacancies increased over the period.

Chart 1: Overseas permanent and long-term arrivals vs net decline in job vacancies, March 2023 to March 2024



Source: IPA; ABS; Jobs and Skills Australia

Analysis

Australia is currently experiencing an unprecedented and persistent worker shortage crisis. Worker shortages undermine economic growth and make it more difficult and more costly for entrepreneurs and investors to create or expand a business.

The federal government has attempted to utilise the nation’s overseas migration programme to address worker shortages. For instance, the federal government announced, in September 2022, that it would plan to increase by 22 per cent the amount of permanent migration visas it was granting ‘to address parts of the Australian economy currently experiencing severe shortages, impacting the lives of everyday Australians’.¹ This was followed by a sustained period of high migration levels. In the most recent 12-month period, from 1 April 2023 to 31 March 2024, permanent and long-term arrivals to Australia totalled 1,127,930.²

This strategy of relying on migration to fill job vacancies has thus far failed to make a significant impact on the number of job vacancies. In the twelve-month period up to 31 March 2023, job vacancies decreased by 41,223 across the country, according to Jobs and Skills Australia internet jobs vacancy statistics (which is released monthly and can be used for comparison with ABS arrivals and departures data).³

This means that approximately 27 new permanent and long-term arrivals entered Australia for every job vacancy filled. The strategy of relying on migration to fill job vacancies was least successful in South Australia, where there were 76 new migrants for every job vacancy filled.

Table 1: Job vacancies filled compared to permanent and long-term arrivals, by state

State	PLT arrivals Year-to-Mar 2024	Number of job vacancies			PLT arrivals per filled job vacancy
		Mar 2023	Mar 2024	Change	
New South Wales	360,510	87,023	71,974	-15,049	23.96
Victoria	357,940	72,917	57,454	-15,463	23.15
Queensland	151,760	60,920	56,444	-4,476	33.90
South Australia	59,040	15,436	14,657	-779	75.79
Western Australia	142,310	33,197	30,673	-2,524	56.39
Tasmania	14,580	4,143	4,509	+365	N/A
AUSTRALIA total	1,127,930	286,188	244,965	-41,223	27.36

Source: ABS; IPA; Jobs and Skills Australia. Australia total includes the territories (ACT and the NT)

Recommendations

Rather than relying on migration to fill job vacancies, there are Australians already here who are willing and able to fill many of the vacancies in the economy, but are deterred from entering the workforce due to the red tape and tax barriers in Australia’s pension system.

Under current rules, Australian pensioners can receive a maximum of \$510.30 per week on the age pension, but is reduced where a pensioner earns employment income above \$226 per week on average, an amount known as the Work Bonus. Earning more than the work bonus triggers a clawback of 50 cents for each additional dollar earned. The income tax levied on combined welfare receipts and employment income and

the clawback penalties amount to an overall effective marginal tax rate of 69 per cent imposed on a pensioner who works the equivalent of one-and-a-half days per week on the minimum wage. Likewise, students on the Youth Allowance are subject to an effective marginal rate of 79 per cent should they work for more than two days a week on the minimum wage.

In New Zealand, pensioners are not subject to any penalty for earning employment income. Under current New Zealand rules, pensioners and veterans can earn income without reducing or affecting their pension entitlements, meaning these individuals pay tax on their combined pension and income at a rate as low as 10.5 per cent.⁴

Notably, this policy distinction may explain why one in four pensioners in New Zealand are in the workforce, compared to only 3 per cent of pensioners in Australia. In the December 2023 quarter, the national labour force participation rate in New Zealand was 5.1 percentage points higher than in Australia (71.9 per cent to 66.8 per cent respectively), and worker shortages in New Zealand are only 5 per cent higher than in 2019, showing the country has mostly recovered from the labour shocks of the Covid period.

If the New Zealand model was applied in Australia and the barriers to entering the workforce were removed, up to 520,000 additional pensioners, veterans, and students on the Youth Allowance could participate in the labour force, far exceeding the number of job vacancies in the economy.

For more information contact Morgan Begg, Director of Research at mbegg@ipa.org.au

End Notes

1. Clare O’Neil and Andrew Giles, ‘Australia’s Migration Future’ (Media release, September 2022).
2. Australian Bureau of Statistics, *Overseas arrivals and departures, Australia, March 2024* (14 May 2024).
3. Jobs and Skills Australia, *Internet Vacancy Index, April 2024* (May 2024).
4. Saxon Davidson, *How New Zealand Solves Its Worker Shortage Crisis* (Institute of Public Affairs Research Report, February 2024).