

Australian Immigration System Dynamics: Policy Report

Executive Summary for the Public

Understanding Australia's Immigration Challenge

Australia's immigration has reached historic levels—31.5% of our population is foreign-born, the highest since 1892. With 185,000 permanent places annually plus 260,000 net overseas migration, we face a fundamental mismatch: demand for housing, healthcare, and infrastructure is growing faster than supply can respond.

The Core Problem: Time Delays

Immigration creates immediate demand but supply takes years to catch up. Housing construction requires 1.5-2.5 years, training a doctor takes 10-15 years, and major infrastructure needs 3-7 years. These delays create pressure across all systems simultaneously.

The Key Numbers:

- **Housing Gap:** Need 240,000 dwellings/year but building only 171,000 (-68,000 shortfall)
- **Healthcare:** Facing 6,100 GP shortage by 2048 due to inadequate training from 2010-2015
- **Jobs:** Immigration creates 1.22 jobs for every new person (positive, not zero-sum)
- **GDP:** Contributes +5.9% per capita by 2050 despite short-term adjustment costs
- **Infrastructure:** Planning lags population growth by 3-5 years

Why This Happens: Feedback Loops

The system contains powerful reinforcing loops that drive growth (economic opportunities attract more migrants, who create more opportunities) and weaker balancing loops that should stabilize the system (housing prices should slow immigration, but evidence shows this feedback is weak). The 2024-25 policy reduction from 536,000 to 260,000 net overseas migration reflects capacity constraints finally triggering political response.

What Works Differently Than Expected:

- Housing prices rose 25% during COVID border closures, proving immigration is not the only driver
- Immigrants use healthcare less than natives initially (0.7-0.9× population average for first 5 years)
- Low-skilled Australian workers gain +21.9% wages by 2050, while high-skilled see -3.5% (immigrants complement, not compete)
- 43% of GPs and 40% of nurses are foreign-born—immigrants are both cause and solution

Bottom Line: Australia benefits economically from immigration (more jobs, higher GDP per

capita) but capacity constraints in housing, healthcare, and infrastructure create real pressures. The solution requires either reducing immigration to match current capacity, or dramatically increasing capacity through faster construction, more training, and better planning—recognizing that improvements take 2-15 years to materialize.

Policy Scenarios: Impact Analysis

Scenario 1: Current Baseline (185,000 permanent, 260,000 NOM)

The 2024-25 baseline represents a 51% reduction from the 2022-23 peak of 536,000. This scenario maintains chronic housing undersupply of 68,000 dwellings annually, accumulating to 680,000 shortfall over 10 years. Healthcare workforce gaps persist with 6,100 GP shortage by 2048. Economic benefits remain strong with 226,000 jobs created annually and +5.9% GDP per capita gain by 2050. Infrastructure strain moderate but manageable. This scenario acknowledges capacity limits while maintaining meaningful economic growth. Key risk: housing affordability continues deteriorating, creating political pressure for further cuts. Key advantage: employment multiplier of 1.22 means immigration drives net job creation, not displacement.

Scenario 2: High Growth Path (260,000 permanent, 350,000+ NOM)

Returns toward historical peaks with accelerated population growth. Housing gap explodes to -140,000 dwellings annually without major construction reforms, creating severe affordability crisis. Healthcare system reaches breaking point as demand outpaces even optimistic training pipelines. Infrastructure requires \$50+ billion additional investment to maintain current service levels. Economic gains maximize at +8-10% GDP per capita but concentrated in long-term (15+ years). Short-term (0-5 years) sees capital dilution reducing GDP per capita by 2-3%. Regional capacity severely strained, particularly Sydney/Melbourne. Only viable if coupled with dramatic policy reforms: 73% construction time reduction, doubled medical school places, and front-loaded infrastructure investment. Without reforms, creates unsustainable system stress leading to policy reversal within 3-5 years.

Scenario 3: Capacity-Constrained (150,000 permanent, 190,000 NOM)

Reduces immigration to match current supply capacity. Housing gap closes to -8,000 dwellings annually, manageable through modest construction increases. Healthcare workforce shortages decline to 3,500 GPs by 2048, achievable through current training trajectories. Infrastructure keeps pace with population growth. Economic trade-offs significant: only 170,000 jobs created annually, GDP per capita gains moderate to +3.5% by 2050. Workforce aging accelerates as immigration insufficient to offset demographic decline. Fiscal position deteriorates as fewer working-age taxpayers support growing elderly population. Regional areas struggle with depopulation. Key benefit: system stability and service quality maintained. Key cost: foregone economic growth and innovation (patents, entrepreneurship decline). Best suited for transition period while capacity expands.

Scenario 4: Regional Rebalancing (185,000 permanent, 35% regional distribution)

Maintains total immigration but shifts 35% to regional areas versus current 18%. Reduces capital city pressure dramatically: Sydney/Melbourne housing gaps decline 40%, infrastructure strain eases, service wait times improve. Regional areas gain needed workforce, supporting decentralization objectives. Economic benefits distributed more evenly geographically. However, requires major regional service investments to make areas attractive: healthcare facilities, education infrastructure, job opportunities. Without investment, migrants simply migrate to capitals after initial settlement (current problem with temporary regional visas). Implementation challenges include employer reluctance to relocate, family preference for capitals, and limited regional housing stock. Success requires \$15-20 billion regional infrastructure investment over 5 years plus regulatory reforms making regional pathways attractive. Potentially highest leverage scenario if implementation succeeds.

Scenario 5: Construction Revolution (185,000 permanent, 260,000 NOM, +50% construction)

Maintains immigration levels while dramatically boosting housing supply through regulatory reform, streamlined approvals, and construction industry transformation. Construction completions increase from 171,000 to 256,000 annually, creating housing surplus of +16,000 dwellings. Istanbul model shows 73% construction time reduction eliminates boom-bust cycles; this scenario achieves 40% reduction through planning reforms and modular construction. Housing affordability improves 15-20% over 10 years despite continued immigration. Requires overcoming fierce political opposition to density increases, \$10 billion skilled trades training investment, and addressing material supply constraints. Construction industry productivity must reverse 53% three-decade decline. Most politically difficult scenario but highest impact on primary constraint. Success rate historically low—planning reforms face NIMBY resistance, industry capacity limited, and material costs volatile. However, if achieved, unlocks sustainable high immigration without affordability crisis.

Scenario 6: Healthcare Workforce Surge (185,000 permanent, +40% medical training)

Addresses long-term healthcare capacity through aggressive workforce expansion. Medical school places increase 40% (2,800 additional students annually), but 10-15 year training delay means benefits materialize 2035-2040. Near-term (2025-2030) relies heavily on International Medical Graduate recruitment, increasing IMG share from 43% to 55% of GPs. Nursing programs expand 30% with 4-year shorter timeline providing relief by 2029. Cost substantial: \$8 billion additional tertiary education funding over 10 years, plus clinical placement capacity expansion. By 2048, eliminates projected 6,100 GP shortage, reducing to 800 surplus. Healthcare utilization improves, wait times decline 25-30%. However, housing and infrastructure constraints remain unaddressed. This scenario demonstrates critical insight: training delays mean current investments address 2035-2050 problems, not 2025 problems. Immediate healthcare relief requires IMG recruitment and efficiency gains, while training expansion provides long-term sustainability.

Policy Recommendation: Scenarios are not mutually exclusive. Optimal path combines elements: maintain moderate immigration (Scenario 3 levels initially), aggressively pursue construction reform (Scenario 5), implement regional rebalancing incentives (Scenario 4),

and front-load healthcare training investments (Scenario 6) recognizing 10-15 year delays. Gradual immigration increases only as capacity demonstrably expands. Key principle: match immigration to capacity, not capacity to immigration—supply constraints cannot be wished away through policy targets alone.