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## INTERNATIONAL MIGRATION AND THE GROWTH OF HOUSEHOLDS IN SYDNEY: A COMMENT

■ Jill Curnow

The previous issue of *People and Place* contains a paper by Peter McDonald and Jeromey Temple which analyses household formation in NSW under various assumptions regarding Annual Net Migration (ANM).<sup>1</sup> The declared purpose of the paper is to 'draw conclusions from the results of some recent housing demand projections that we have completed'.<sup>2</sup> To this end a newly-developed model called Ozhouse is applied to regional housing demand projections from the year 2001 to 2031. Five alternative Scenarios or Series are postulated with varying rates of international and internal migration in and out of NSW in general and of Sydney in particular.

The lowest rate of international migration considered in the paper is zero net. This is outlined as Series 4 and unsurprisingly yields the lowest rate of population increase and household formation of the five alternative scenarios, particularly in Sydney (Figures 3 and 5). The results in these Figures indicate that international immigration is a major cause of housing demand in Sydney, but this is not the conclusion drawn in this paper.

The paper describes the Series 4 zero net migration series as 'a hypothetical counter-factual'.<sup>3</sup> The results of the Series are largely sidelined or disregarded by the authors. The purpose of the present comment is to question four assertions made in the paper and suggest that an alternative concluding remark would fit the authors' data extremely well.

Table 1 in the paper outlines annual net migration, international and internal

combined, for Sydney and the balance of NSW, in 2001 and 2030, according to the five migration scenarios. It shows that under Series 4 Sydney would have an annual loss of about 12,000 people while the balance of NSW would grow by about 20,000 per annum. Thus zero net migration would reduce pressure on Sydney while providing a population boost to the regions, a result that many would regard as highly desirable. However McDonald and Temple exclude Series 4 from consideration on the grounds that it is 'very hypothetical'.<sup>4</sup> This is a curious argument since all projections are based on hypothetical assumptions, and no explanation is offered as to why this assumption is more hypothetical than any other.

McDonald and Temple claim that 'on present trends, the imbalance between projected numbers of aged people and workers in coastal areas of NSW is unsustainable'.<sup>5</sup> This statement is not substantiated and appears to be based on a general fear of an ageing society, a fear which has often been shown to be exaggerated.<sup>6</sup>

The population pyramid for Series 4 (Figure 3) shows a drop in numbers at younger age groups by the year 2031, so that 'the numbers entering the young adult ages would shrink even more rapidly after 2030'.<sup>7</sup> The authors describe this situation as 'a very unlikely and very undesirable outcome',<sup>8</sup> without substantiating either viewpoint. Given the present political climate the result may be unlikely in Australia but it already pertains in other countries such as Japan and Spain,

both of which nations have had low fertility rates for some years, so the result is presumably not impossible in Australia. The authors' claim that the result is undesirable may reflect their own views, but a demographic outcome which could lead to a reduction in population size has many arguments in its favour. Indeed, it is often claimed that a fall in numbers is imperative if future generations are to enjoy a comfortable standard of living.

Figures 6 and 7 graph the growth in Sydney of households with persons aged 60+ and indicate that this rate of growth varies little with the different immigration scenarios. The authors comment that 'the ageing of the population is driving much of Sydney's future household growth'.<sup>9</sup> However the paper does not note that accommodation for older singles and couples may also be appropriate for younger singles and couples. Under Series 4, as already noted, the latter demographic will shrink thus presumably freeing accommodation for empty nesters. Also, Table 2 illustrates that under Series 4 growth in other households is either low or negative so the total growth in households over the thirty years is only 18 per cent, compared with 55 per cent, for example, for Series 2. If overall growth in housing demand is considered, then immigration is a major factor, despite the ageing of the population.

The 'Concluding Remark' by the authors is therefore puzzling. They state that 'much of Sydney's future demand for housing is driven by the ageing of the population and is therefore inevitable',<sup>10</sup> and 'immigration policy has been shown to be an impossibly blunt instrument to use to burst the housing bubble'.<sup>11</sup> These remarks can only be sustained by ignoring the results of Series 4 and are thus poorly supported by the figures presented in the paper. An alternative 'Concluding

Remark' is proposed here which may better reflect the results of the Ozhouse study.

#### ALTERNATIVE CONCLUDING

##### REMARK

High demand for housing in Sydney, leading to rising prices, has attracted considerable attention in recent years. Housing demand is largely driven by rates of household formation and dissolution, so the present Ozhouse study sheds light on the causes of housing demand.

The ageing population leads to higher household formation at the older age groups but, if this is accompanied by a fall in household formation at younger ages, the overall effect of ageing is not great. Rather, as is shown by the figures in Table 1 and Figure 5, overall growth in households would drop substantially were international immigration to be maintained at zero net. Sydney itself would enjoy a slowly dropping population, easing pressure on infrastructure, crowding, and housing demand. It appears probable that, had such a level of immigration been adopted a decade or two ago, the recent housing bubble in Sydney may have been minimised.

No major political party in Australia has a policy of reducing immigration to zero net (a level which, at present rates of emigration, would maintain an intake approximately equal to a large country town each year). However the results of the Ozhouse study demonstrate that lowering immigration would be an effective method of reducing housing demand in Sydney. This supports the conclusions of Birrell and Healy in an earlier issue of *People and Place*.<sup>12</sup> 'There is little doubt that a reduction in the national immigration intake would improve housing affordability in Sydney'.<sup>13</sup>

## References

- <sup>1</sup> P. McDonald and J. Temple, 'International migration and the growth of households in Sydney', *People and Place*, vol. 11, no. 4, 2003, pp. 63-74
- <sup>2</sup> *ibid.*, p. 64
- <sup>3</sup> *ibid.*, p. 66
- <sup>4</sup> *ibid.*, p. 67
- <sup>5</sup> *ibid.*
- <sup>6</sup> See, for example, K. Davidson, 'Why the ageing of the population should be celebrated', *The Age*, April 29, 2002; R. Guest and I. McDonald, 'Lies and Statistics', *The Australian Financial Review*, March 16-17, 2002, p. 52; P. Kinnear, *Population ageing: crisis or transition?*, Discussion Paper no. 45, The Australia Institute, Canberra, December 2001.
- <sup>7</sup> McDonald and Temple, *op.cit.*, p. 68
- <sup>8</sup> *ibid.*
- <sup>9</sup> *ibid.*, p. 71
- <sup>10</sup> *ibid.*, p. 72
- <sup>11</sup> *ibid.*
- <sup>12</sup> B. Birrell and E. Healy, 'Migration and the housing affordability crisis', *People and Place*, vol. 11, no. 3, 2003, pp 43-56
- <sup>13</sup> *ibid.*, p. 55