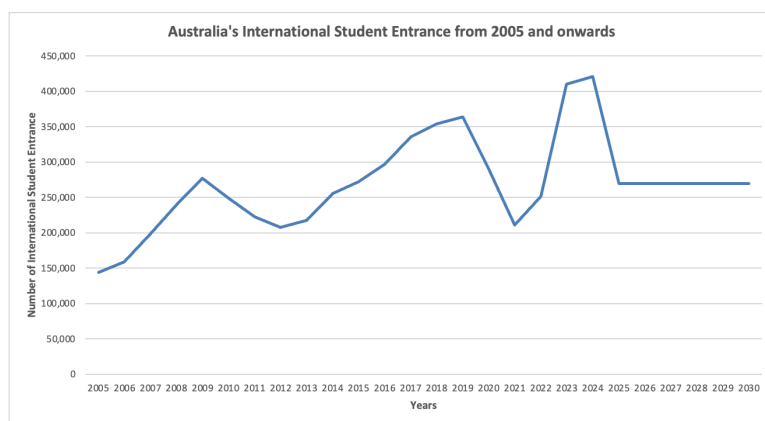


1. INTRODUCTION

OVERVIEW OF AUSTRALIAN IMMIGRATION+ECONOMY

Cost of living is a major economic issue in Australia and has recently been increasingly concerned. The CPI rose about 3.8% between June 2023 and 2024 (Australian Bureau of Statistics, 2024 July), portraying a record of an increase of living cost in Australia. Australian economists have associated an increased CPI index with a rise in overseas migration (Parkinson et al, 2023 March). In response to the excessive cost of living, the Australian government is now seeking to roll back the amount of migration, and especially temporary migration. The Visa Restriction Act (2024) will impose a cap of 270,000 per annum on the number of visas to be granted to international students for higher education and vocational training (Norton, 2024 August). This might be their attempt to alleviate excessive dwelling prices and limit migration, after three years. The announcement worries future Australian migrants, and particularly, international students of the 2025 February intake. The act raises questions on the extent to which it will affect the Australian economy as the nation has been known to rely heavily on exporting higher education, and their labour market acknowledging that the nation's population is aging rapidly.

Figure 1 demonstrates that over the years since 2005, international entrance rates have grown



steadily and reached a peak of around 420,000 students entering Australia in 2024. However, the quota starting from 2025 is expected to notably restrict international students entering the country, possibly the lowest rate since 2021.

While the Australian government believes that the cap reduces pressure on domestic living costs, it may compromise the benefits that

international student migration offers to the Australian economy. International students have contributed significantly to the young labour force in Australia, providing the economy with high-quality employees that lead to economic growth. Nonetheless, The Visa Restriction Act is a cessation to post-graduation benefits and terminates multiple extended visas that allow post-graduates to work after their studies. Due to an aging population, over time, the labour participation rate may decrease, along with the size of the labour force. This jeopardizes the economy since the global economy is entering a 5.0 technological era that concentrates on the use of AI. An aging population may not guarantee employees with sufficient technical skills in

response to a rise in demand for skilled workers in Australia. This emphasizes the problem with the labour market as there is a high time lag to educate the local population while international students struggle to stay postgraduate and enter the workforce.

This paper will delve into the benefits of overseas migration to the Australian economy. It investigates the extent to which The Visa Restriction Act 2024 can impact the labour market particularly, and their economic activities.

1.1 RESEARCH QUESTION

To what extent can the Visa Restriction Act 2024 affect the Australian labour market and economy?

1.2 LITERATURE REVIEW

1.2.1 YOUNG SKILLED AND A LARGER LABOR FORCE

There have been researches regarding how young skilled labour force that international students offer to the Australian economy. Parkinson et al (2023) recently completed a comprehensive review of the Australian migration system that provides an insight into how overseas students and migration benefit the country's labour market. For decades, Australia has offered programs that seek relatively young international migrants who can commit long-term to the country (Parkinson et al, 2023). In exchange, overseas students and migrants have supplied the nation with high-quality workers and decelerate population aging (Parkinson et al, 2023). The population already started to age slower than other OECD nations (Parkinson et al, 2023). Over the years, Australia has gained a significant amount of young, skilled labour with high productivity and participation rate (Parkinson et al, 2023). The LFPR of migrants that arrived within the last five years to the past 15 years is noticeably higher than of Australian born workers (JAustralian Government, 2023 July). The difference in participation rate emphasizes Australia's reliance on migrants to expand the labour force and increase the level of human capital. Migrant workers directly contribute towards the long-term growth of the economy.

The Australian Government further illustrates the importance of migrants in reducing skill shortages. The state reports post-COVID data on a rise in demand for skilled workers in crucial occupations. This includes medical practitioners up by 556% in major cities, registered nurses in critical care and emergency for outer regional areas increased by 330%, and more (Australian Government, 2023 July). Research showcases that international workers and students were able to fill in skill gaps in sectors with high demand for workers as the reported regions raise grants on temporary skill visas (Australian Government, 2023 July). Prominently, the supply for skilled workers in healthcare and social assistance has increased by 51% (Australian Government, 2023 July).

1.2.2 EXPORT EDUCATION

Export education is a major sector in contributing towards Australian economic growth annually. The Australian department of education through Deloitte Access Economics assesses the contribution of international students on the Australian economy. The total revenue of export education is reported to be about \$18.2 billion, where in 2014-2015, the higher education sector contributed \$11.1 billion to the economy (Australian Department of Education, n.d). The high contribution can be attributed to overseas student's longer stay post-study, higher fees annually (Australian Department of Education, n.d). There is a prevalence of extending student visas or switching to temporary working visa, post-graduate working visa such as subclass 485 among international students. The prevalence is due to a need to improve their living conditions, compared to home countries. The data is reported during 2014-2015, pre-covid period so the contribution that international students brought may have differed post-COVID. However, given that the migration rate has increased progressively after COVID since the government attempted to recover from the pandemic, it is likely that the contribution has risen.

2. RESEARCH PLAN

2.1 RESEARCH PLAN

The Australian labour force participation rate recently peaked at 67% in August 2024, as reported by the ABS (Australian Bureau of Statistics, 2024 September), which recorded one of the highest participation rates the country has achieved. Along with an increase in participation rate, there is also a growth in immigration rate in the country. Migration arrivals have culminated in June 2023, as around 740,000 overseas migrants have entered Australia (Australian Bureau of Statistics, June 2023). This raises questions regarding the impact of immigrants on the Australian labour market in general, and its labour force participation rate. In particular, the average labour force participation rate of the overseas-born population has been higher than Australian-born persons' LFPR for the past 12 months up until February 2024 (Australian Government, 2023 July). This illustrates how immigration has been a crucial underpinning factor to remain a stable and strong participation rate for the Australian labour market.

On the other hand, export education is an industry that accounts for a large proportion of the Australian aggregate export income. Recently, The Department of Education indicates that in 2023, international education is an industry that is worth about A\$47.8 billion to the Australian economy (Department of Education), accounting for around 2.74% (Statista) of total GDP in the same year. The impact of international students onto the Australian economy is further highlighted through the extent to which the export education sector accounts for Australian aggregate output throughout the years. If the government proceeds to put a cap of only permitting 270,000 international students entering the nation in 2025, how will this affect the domestic labour market and most importantly, the growth of the Australian economy in the next few years?

To conduct research on the impact of the Visa Restriction Act (2024) on the Australian labor market and economy, the following plan can be done. The analysis can be separated into two sections; benefits of migrants on the labor force and benefits of international students on the Australian economy. A short example of how to analyze the data provided by the Australian government to examine the research topic is shown in section 2.2 of this paper.

2.2 EXAMPLE OF DATA ANALYSIS

2.2.1. BENEFITS OF MIGRANTS ON LABOUR FORCE

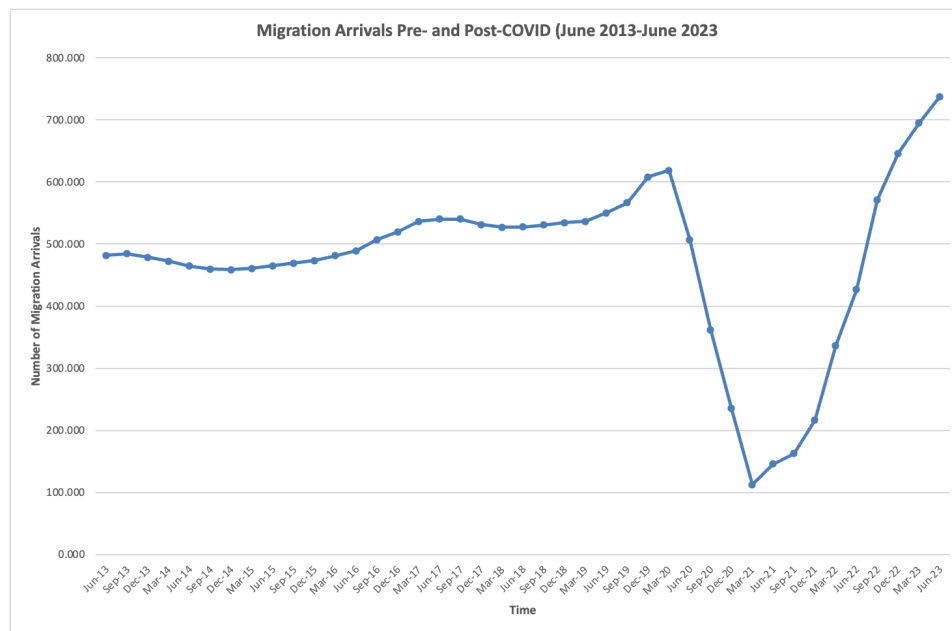


Figure 2 demonstrates data in regards to international migration into Australia within 10 years from June 2013 to June 2023. In response to lockdowns, a substantial decline of approximately 400,000 immigrant (Australian Bureau of Statistics, 2023 December) entrance occurred. Compared to the amount of migrant arrivals pre-pandemic which always vary around 500,000 to 600,000, a reduction of 400,000 immigrants delineate how COVID disturbed the Australian labour market. During that period, around March 2020-2021, labor force participation rate (LFPR) fell from 66% to 62.7% (Australian Bureau of Statistics, 2024 September). Apart from the effect of lockdown, the fall in LFPR can be attributed towards a decrease in international migrants as there was fewer labor, which reinforces the importance of immigration to the Australian labor market. After COVID, the labor market started to improve as participation rate recovered and recently, recorded a peak at 67% in August 2024 (Australian Bureau of Statistics, 2024 August). This aligns with a recovery of migrant arrivals post-COVID, as shown in Figure 2. A sharp rise in migrants since March 2021, post-COVID and an increase of LFPR accentuate that migrants have been a crucial portion of the Australian population, providing the

economy with more workers and positively contributing towards labor market reforms. Parkinson et al supports the positive effect of migration onto the Australian market as the author reported higher productivity rate in the domestic economy over the years (Parkinson et al, 2023).

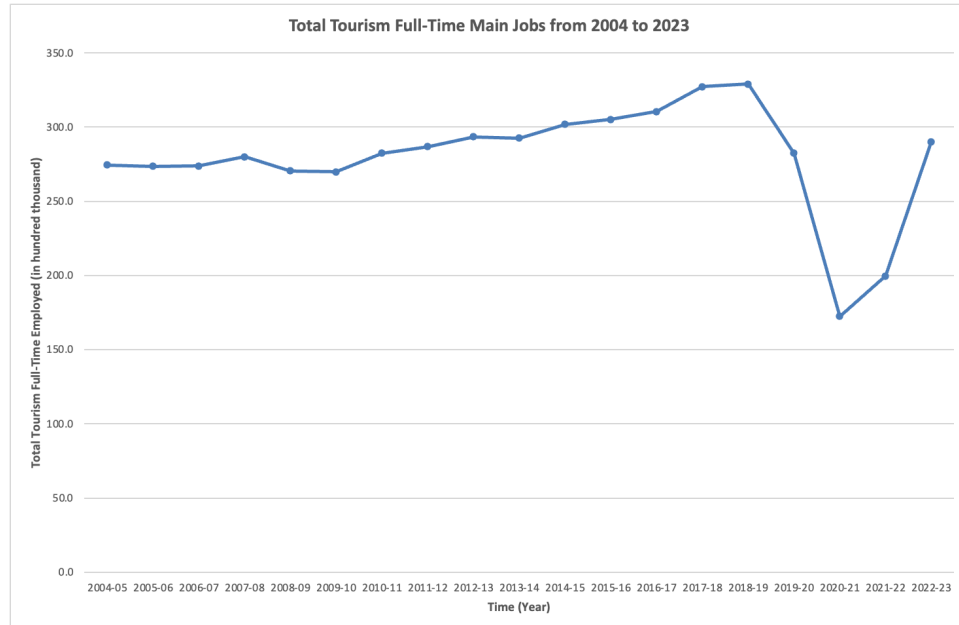


Figure 3 further accents how short-term migrants improve productivity and expand the Australian labour market. The short-term migrants workforce is made up of three visa groups; international arrivals with temporary employment, student, and working holiday visas (Australian Trade and Investment Commission). The fact that student visa holders are included in the short-term migrant workforce depicts that international students provided the Australian labour market with a young labour force. Between 2004 until 2019, long-term tourism, or in other words, short-term migration has provided the Australian economy with around 275,000-325,000 full-time workers (Australian Bureau of Statistics, 2023 December). Similar to a decline in migration, total tourism full-time main jobs also diminish throughout the peak period of the global pandemic. However, it has slowly recovered towards the end of 2021 and still improving until 2024. A sharp increase in tourism full-time labour puts an emphasis on higher productivity as demonstrated by Parkinson et al 2023. Short-term migrant workers allow the Australian economy to increase employment rate and boost economic growth through higher efficiency, labour productivity. Post-COVID, the number of full-time migrant labour has risen from around 160,000 to 290,000 workers, rapidly recovering after the pandemic (Australian Bureau of Statistics, 2023 December). Figure 3 in **appendix A** depicts that the Australian GDP growth has been ameliorated from approximately -7% at the peak of COVID-19 to about 9% when the economy is retrieved, and eventually a stable growth rate around 4% lasting until now (Reserve Bank of Australia, 2023 September). The elevation of GDP growth may be attributed to

many factors such as a boost in trade or investment. Nonetheless, a growth of full-time migrant workers might have assisted higher productivity and output produced. Again, this reinforces the benefit that international migrants have on the Australian labour force and domestic labour market.

2.2.2 BENEFITS OF INTERNATIONAL STUDENT ON THE ECONOMY

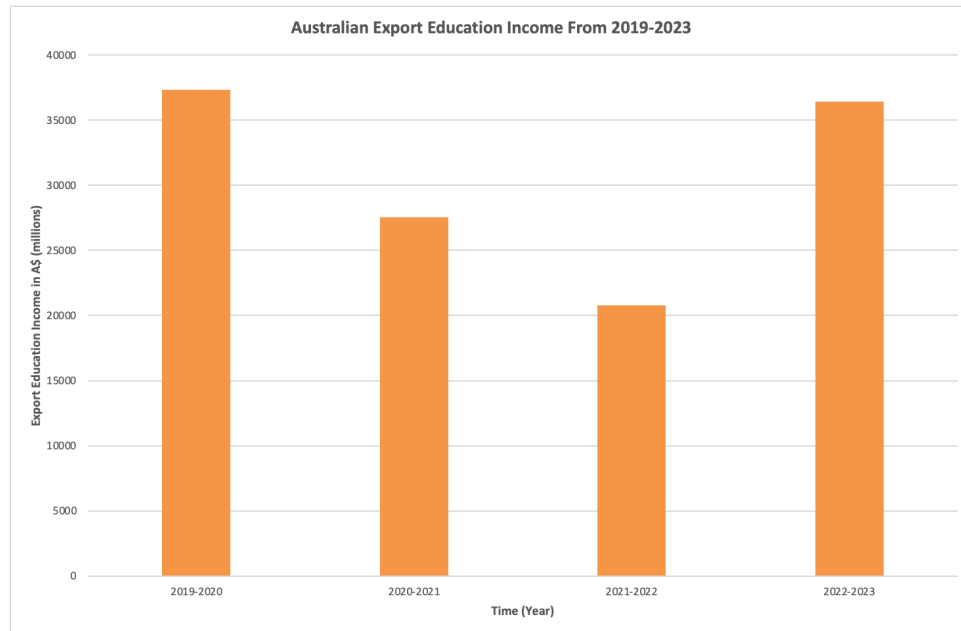


Figure 4 briefly reports the Australian export education income from 2019 to 2023 which evidently indicates how much international students contribute to the Australian economy. The export education income covers a large portion of Australian total GDP. Particularly, the export of education has increased in share of total export in Australia from lower than 4% in 1982 to 25% in 2007 (Reserve Bank of Australia, 2023 September). Figure 4 indicates that due to COVID-19, from 2020 to 2022, the export education revenue was reduced by A\$165 million, marking a substantial decrease in total GDP during that period (Department of Education). However, Australia recorded one of the fastest economic recovery after the pandemic, as in between 2022 and 2023, the export education industry has generated A\$360-365 million (Department of Education), a closer approach to pre-COVID export education income. This again, emphasizes the significance of the international education industry to the Australian economy.

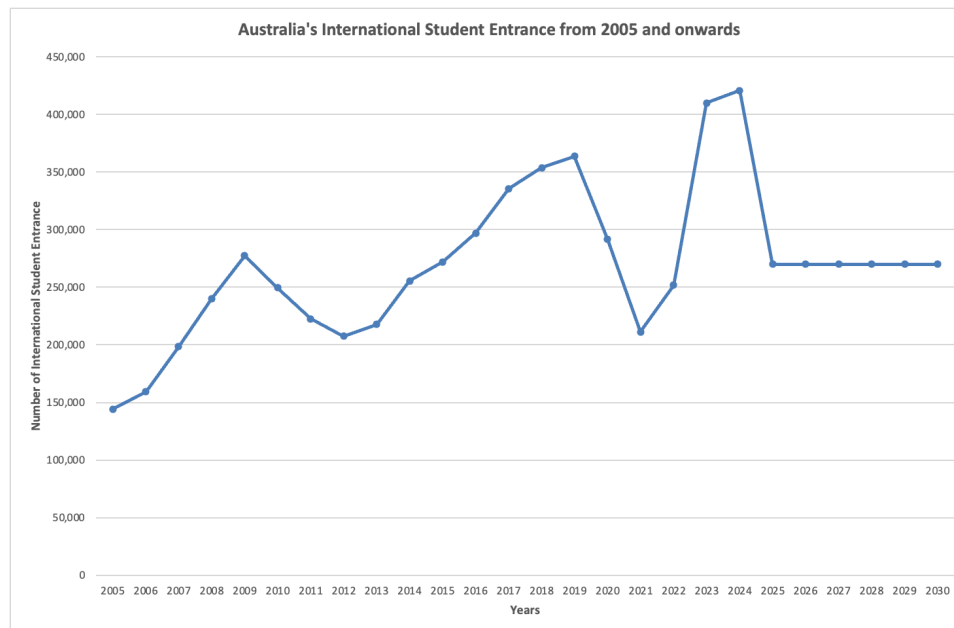


Diagram 1 puts an emphasis on the contribution of international students or the international education industry to the economy of Australia. The data published by The Department of Education proposes that by imposing a quota of only allowing 270,000 overseas students enrolling into the Australian education system, there may be a negative impact on total GDP in the next few years. Figure 1 was shown in section 1 of this research paper, extrapolating the growth of overseas students' entrance in the next few years after the Australian government imposed a cap. After recording one of the highest rates of international student intakes through allowing more overseas students to enter post-COVID, a deep trough will appear starting from 2025 because only 270,000 students are accepted to cross the border. Since international graduates accounted for more than 30% of Australian migrant intake (Coates and Wiltshire), the international student restriction through restricting post-graduate visas may hurt not only the economy but also the labor market.

3. CONCLUSION

This short research paper proposes an example of how to examine the effects of The Visa Restriction Act 2024 can affect the Australian economy in general, but particularly the domestic labour market. In conclusion, as the Australian government restricts visa and entrance of overseas students, the Australian economy may face a decrease in total output. Nonetheless, as the paper only examines the effects of The Visa Restriction Act 2024, it might not account for other policies that the Australian government is implementing along with this act that can help alleviate the negative effects on their economy. Hence, this topic may require more in-depth research with complex economics models to support the response.

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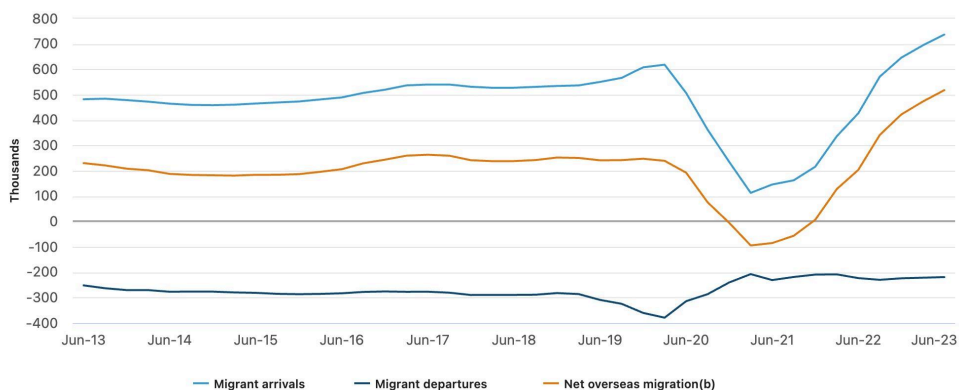
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5. APPENDIX

Graph 1.1 - Overseas migration - Australia - year ending(a)



a. Estimates from September quarter 2022 onwards are preliminary. See revision status on the methodology page.
b. Net overseas migration is calculated by the number of migrant arrivals minus the number of migrant departures.

Source: Australian Bureau of Statistics, Overseas Migration 2022-23 financial year

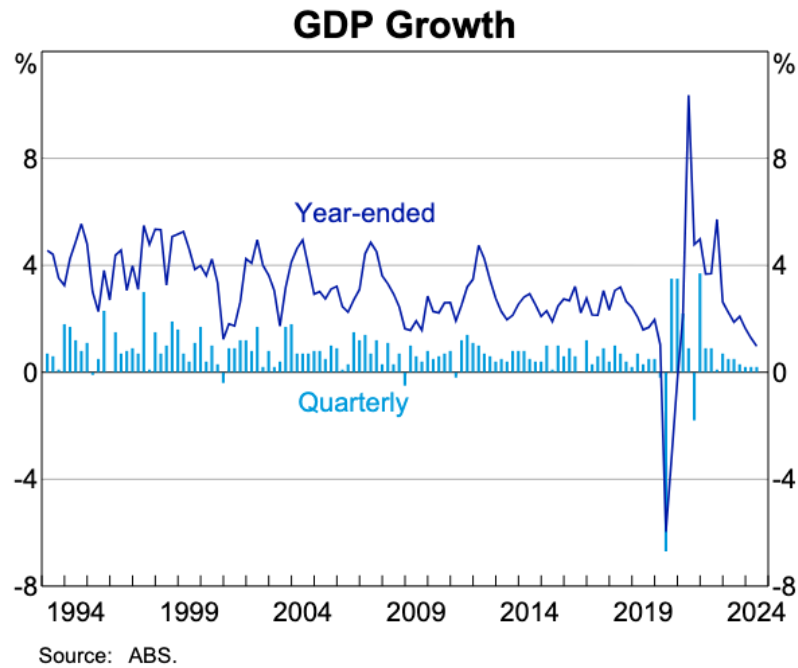


Figure 5: Labour force participation rate and unemployment rate, by years since arrival in Australia for broad country of birth groups — 12 months to February 2024 average

