Inequality and immigration in Australia

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Would you prefer the income of a poor person in Australia or a rich person in Papua New Guinea? Dani Rodrik, a Professor of Economics at Harvard University, asks a version of this question to tease out important distinctions about how we think about inequality.

Questions of inequality frame many of today's political debates. Naturally, here in Australia we talk about the causes and effects of inequality for Australians. Whether this is in reference to tax policy, trade barriers, or welfare support, when Malcolm Turnbull or Bill Shorten talk about inequality, they are talking about Australians. There are good reasons for this. Whether we're at home, in our communities or at work, our lives are premised on who we share experiences with. Our political institutions seek to bring us together even when exposing internal schism.

Yet the focus on ourselves shades an important fact: inequality is primarily created between countries, not within countries. When we look at the world as a whole, income differences within countries explain only one-quarter of inequality while the differences between countries account for three-quarters according to Branko Milanovic.

That is, the difference in income between a person living in Papua New Guinea and a person living in Australia accounts for more inequality than between a rich Australian and a poor Australian. And it's not even close. Based on 2009 data, an Australian in the *bottom* income decile has an income nearly 40 per cent higher than someone in the *top* income decile in PNG. At least from a strict income perspective, being poor in Australia is far preferable than being rich in PNG.[1] For those promoting more to address inequality, this needs to be confronted. How deep can our attachment to reducing inequality be if we manage to ignore 75 per cent of the problem?

In a new paper, *Is Global Equality the Enemy of National Equality?,* Rodrik asks us to look in the mirror. Instead of appealing to normative questions via a cosmopolitan or utilitarian perspective, his approach is positivist: how much should we preference people living in our own countries over those who live outside? Implying we should prioritise ourselves while asking at the same time whether we've got the balance right. There is no better issue than migration to probe this question.

As Michael Clemens at the Center for Global Development has documented, migration restrictions to labour markets in rich countries are worth the equivalent of somewhere between 50 and 150 per cent of global GDP. To put this in perspective, the Trans-Pacific Partnership was modelled to add about 0.5 per cent to GDP in the United States. The cumulative effect of migration restrictions dwarfs everything else combined on the global development agenda. Both Clemens and Rodrik walk through the implications of their findings and see a strong role for temporary work visas.

Temporary work visas for people from developing countries can lead to unparalleled income gains. Research in the Pacific demonstrated households with participating workers in New Zealand's seasonal worker program saw income gains of over 30 per cent compared to non-participating households with indirect effects such as higher school attendance and more home improvement. A senior researcher at the World Bank, David McKenzie, calls New Zealand's seasonal worker program "among the most effective development policies evaluated to date". The Australian version of the same program has recently seen stronger participation after a very slow start.

Despite this potential, in an era of creeping nativism propelled forward by anti-migrant sentiment, promoting additional temporary work visas may not seem like a good idea. We have a Parliament increasingly willing to prosecute the argument migrants hurt social cohesion and economic opportunity. Our business lobby is consistently outflanked by the far right and lacks a strong voice on why migrants are important for Australia's economy. Many community organisations have dedicated decades on asylum advocacy while remaining disinterested in the potential of broader immigration policies.

There is also tension here. Most employers do the right thing when it comes to vulnerable workers but some choose to exploit migrants for their own personal gain and profit. Likewise, most migrants to Australia promote growth but there can be some negative effects for Australians. In the horticultural industry where the majority of the workforce hold a temporary visa, exploitation is rife in part because of immigration policies.

This tension demands clarity and leadership to fight emerging nativism. Pitting the poorest Australians against the most vulnerable people in the world will only exacerbate inequality. If you care deeply about inequality, we can start by asking why deliberate Australian public policy choices encourage young citizens from rich countries to come and pick fruit instead of poor people from the Pacific? Australians are mostly unwilling to perform these jobs yet instead of looking to address inequality – rich backpackers outnumber Pacific citizens by about 10 to 1 in the horticultural industry – we argue about tax rates. We could look to New Zealand, where a system of positive discrimination in favour of the Pacific helps facilitate more permanent migration outcomes. The stark contrast with Australia's framework that effectively locks out Pacific citizens couldn't be clearer.

Public debates about inequality in Australia are still finding form and shape. With a labour market struggling to create full time jobs and home ownership out of reach for most of my generation, the impetus to look inward is necessary. But even a slight broadening of how we understand inequality would allow us to find the language to consider migration in Australia as both a social institution in the traditional sense and a public good for some of our poorest neighbours. This would underpin a much stronger foundation to address inequality over the long term where we consider people, not place or geography, as the dominant actor in our public discussions.

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[1] Using 2009 data from World Bank Indicators and income inequality data, at $PPP per capita income. PNG: $1,930 with a .3268 share of income for the top income decile. Australia: $38,805 with a .0258 income share for the bottom decile. NOTE: there has been substantial income growth since 2009 in PNG however we do not know how this has affected the income distribution.