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INSTITUTE

INVESTING IN THE FUTURE OF REGIONAL COMMUNITIES

Regional Australia Institute Submission – Productivity Commission’s Inquiry into
Migration Intake into Australia

JUNE 2015

FOR THE GOOD OF AUSTRALIA

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Investing in the Future of Regional Communities

Submission from the Regional Australia Institute to the Productivity Commission Inquiry into *Migration Intake into Australia*

The Regional Australia Institute (RAI) welcomes the opportunity to contribute to the Productivity Commission's inquiry into *Migration Intake into Australia*.

Research by the RAI to date on the settlement of permanent entrants into regional Australia has provided a clear indication of the advantages of settling international migrants into the regions. We have also identified significant gaps in our knowledge when it comes to understanding and targeting the needs of different regions.

The costs and benefits of international migrants settling in Australia vary significantly across the country. These costs and benefits are heavily influenced by the type of migrant (including their occupation, skills and experience), where they settle (for example a community's capacity to grow its population and the type of workforce shortages there are) and how well these two align.

Targeting migration to the right areas will likely yield higher benefits at potentially lower costs. However many of the identified costs are metropolitan specific. The RAI is not aware of any credible analysis of how costs and benefits vary in different regions. The Productivity Commission Inquiry provides an opportunity to fill this gap.

Optimising costs and benefits of migration over time will be connected to the ability of migration policy to target the right people, to the right place at the right time. The RAI does not expect that the Productivity Commission will find that the costs of migration outweigh the benefits in the medium to longer-term.

The implementation of an entry charge system, as proposed in the Terms of Reference, to recover short-term costs will likely be irrelevant to the challenge of optimising the cost benefit ratio. Worse, it may result in the creation of negative incentives for regional migration, particularly unskilled migration.

Australia needs migrants to join the community and commit their energy and their future to the nation. A charge system could change the perceived value of migration and risks undermining the objectives of Australia's immigration policy of migrants making long-term productive contributions to communities and the economy.

We encourage the Productivity Commission to explore the charging option properly but to focus most effort on explaining and quantifying the costs and benefits of migration spatially and over time as a foundation for future policy development and innovation.

This submission provides relevant information and recommendations on the following sections of the Terms of Reference for this Inquiry:

1. *The benefits and costs that the intake of permanent entrants can generate with respect to:*
 - a. *The budgets and balance sheets of Australian governments, including from:*
 - ii. *Government services used now and in the future;*

Source of Labour

International migration provides regions with access to a significant body of skilled workers.

The *Settlement Monthly Reports: Settlers by Migration Stream and Local Government Area* from the Department of Social Services recorded more than 100,000 skilled workers settling in regional Australia from 1 July 2009 to 30 June 2014.ⁱ

For many local government areas, migrants in the skilled stream make up the majority of their international migration. For 67 per cent of regional local government areas (LGAs), more than half of their international migration were skilled migrants.ⁱⁱ

Unskilled workers also make important contributions to regional labour markets.

For example, over the past three decades the percentage of overseas-born workers employed in the agriculture, forestry and fishing sector has increased from 10 to 14 per cent. Jobs in abattoirs, poultry plants and farms are important examples of areas in the sector where migrant workers make a significant contribution.ⁱⁱⁱ This contribution at a time when overall employment in the industry is contracting, has been essential to the productivity and viability of many enterprises.

Similarly, the number of overseas-born living in regional Australia and employed in the mining industry also increased by almost 7,000 from 2006 to 2011.^{iv} This expanding workforce has been important in helping Australia to respond to a period of intense workforce demand in this industry.

The young profile of international migrants settling in Australia is an additional advantage for the regional workforce. 40 per cent of the international migrants that settled in regional Australia during the last census were aged between 20 and 34 years.^v

The younger age profile of international migrants has been linked to an increase in productivity.^{vi} At the very least the younger age profile means that they will likely spend a considerable amount of time engaged in the workforce.

Source of Population Growth

As well as contributing to the workforce, international migrants help to off-set the loss of people through internal migration experienced by some regional areas.

More than 100 regional LGAs have international migration offsetting the loss of people through internal migration.^{vii} This is equal to almost a quarter of all regional LGAs. Many of

ⁱ Not all international migrants recorded a place of settlement. This data lists more than 83,126 migrants as “not recorded”. LGAs with less than 5 visa holders in the skilled stream have been excluded.

the regions experiencing this off-set are Heartland Regions² which have comparatively smaller populations and therefore have more limited pools of workers from which they can draw.

² Heartland Regions are smaller regional areas that are not close to other major metropolitan or Regional Cities. The Regional Australia Institute (2014) *Talking Point: The Foundations of Regional Australia*

Injecting New Energy and Investment

The injection of investment and energy into regional areas by international migrants is perhaps the biggest gap in our knowledge. This is an area that would warrant further attention.

The limited research available suggests that international migrants are helping to grow regional economies through entrepreneurship and financial investment.

International migrants are more likely to be entrepreneurs compared to the Australian-born population.^{viii} A possible reason for this is that international migrants as a whole are less risk-adverse than other groups.^{ix}

Entrepreneurship helps to grow local economies by filling gaps in the market and creating new jobs.

The Organisation for Economic Cooperation and Development's (OECD) research shows that 50 per cent of migrant entrepreneurs in Australia employ people in their businesses.^x Although this research is not specific to regional areas, it does strongly suggest that migrant entrepreneurs are directly important for job creation.

This OECD research also shows, however, that migrant businesses have a lower survival rate suggesting more could be done to make the most of the entrepreneurial spirit of international migrants in regional Australia.^{xi}

Entrepreneurship and financial investment in Australia are both covered by the Business Innovation and Investment Programme. This programme "targets migrants that have a demonstrated history of success in innovation, investment and business and are able to make a significant contribution to the national innovation system and to the Australian economy."^{xii}

The structure of this programme enables states and territories to select business migrants who are interested in creating development in regional or low growth areas. However the lack of data at the regional level in regards to this visa stream leaves us unable to determine how successful this structure is.

The impacts of investment and entrepreneurship in regional areas by international migrants are largely unclear. Regionally-specific information is also generally lacking in relation to other relevant factors - short-term skills requirements, for example.

The RAI recommends that, as part of its Inquiry, the Productivity Commission seeks to improve the collection, quality and availability of data and analysis of the contribution of migrants to regional economies. Such a step would provide the opportunity for a more targeted approach to regional migration strategies.

Identifying the Costs

The benefits international migrants bring to regional Australia, as discussed above do not come without their costs.

The availability of relevant services and infrastructure in regional areas and their suitability for different migrant groups have a significant impact on settlement outcomes and long-term retention.^{xiii}

Surveys of different migrant groups, both in Australia and internationally, have reported that experiences of poor public and community facilities, including schools, housing, transport, education and communications, have all contributed to dissatisfaction and led to migrants leaving regional areas.^{xiv}

These costs are borne by the different levels of government and regional communities and should be considered an investment in the future of the region and its people. The availability of services and infrastructure has a strong correlation with the likelihood of international migrants remaining in regions, therefore this funding should be providing to regions that need it.

However, policy should be evaluated to ensure that government and regions are maximising their investment outcomes.

International Migrants: An Investment in Australia's Future Capacity

The costs and benefits associated with international migrants settling in regional areas as discussed above, provides a high level perspective for the whole of regional Australia. However the costs and benefits will likely vary significantly between the different regions.

If we can better align migration to the unique needs of regional labour markets we may be able to increase benefits without incurring significant additional costs.

Currently we do not have a sufficiently quantified understanding of these different labour market needs. The data that is available however clearly highlights that different regions have different workforce needs. They also have varying levels of capability to absorb additional people and provide the support services some international migrants require.

[In]Sight: Australia's regional competitiveness index provides a detailed look at all LGAs in Australia. It can provide an understanding of which regions have an economic environment that is likely to need additional workers. For example Figure 1 shows where the most efficient labour markets are in Australia (green areas).^{xv} These areas are most likely to have unmet demands or emerging opportunities which are yet to be capitalised on.

These areas warrant further investigation to identify the needs of the local workforce, what facilities are available to support a growing population and the types of services available for international migrants.

A more nuanced analysis using data measuring industry of employment could also be undertaken to identify areas with skill or workforce shortage.

It should be acknowledged that this data only provides a snap shot of regional areas at a particular point in time. Labour markets in regional areas are dynamic and the needs of their labour market will shift considerably over time. The shifts in employment in some regional economies reliant on the resource sector are a recent example of this.

Any recommended changes to Australia’s immigration policy and programmes need to consider how they can meet the labour needs of regional communities long-term.

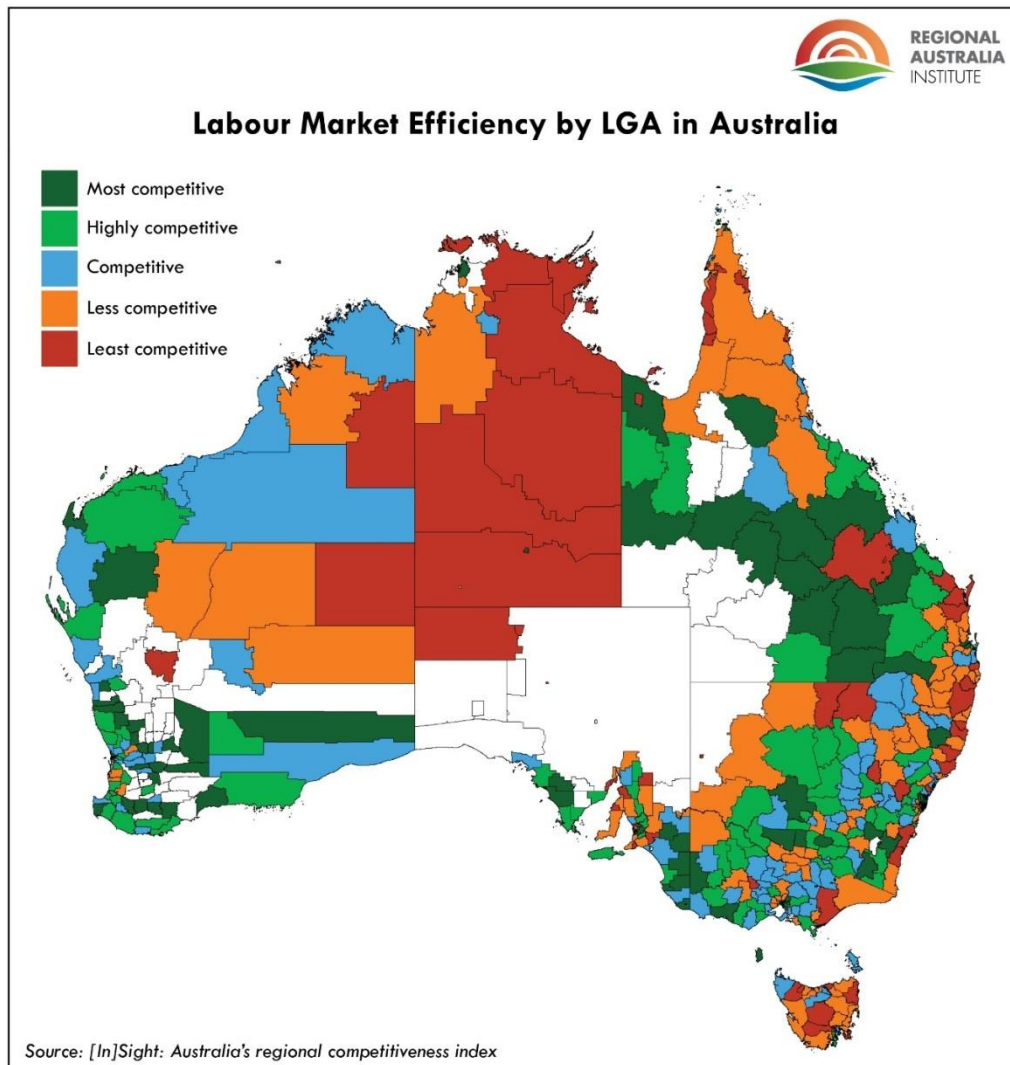


Figure 1: Labour market efficiency by LGA in Australia

To help identify different ways to target regional skill needs, the Productivity Commission should consider a comparison of the different state approaches to skills lists and how successful they have been in responding to changing labour needs over time.

New South Wales, for example, has a list of skills for each individual region which identify the occupations which are eligible for nomination under the Skilled Regional Sponsored visa in that area.^{xvi}

This should provide a more targeted approach to the settlement of skilled workers by ensuring that there is a genuine need for that skill in the region that international migrants settle in. However the RAI is unsure to what extent this is being achieved.

Conclusion

The funding the Australian Government provides to meet the needs of international migrants is an investment in the future of regional Australia. The long-term retention of international migrants in regional areas enable communities to enjoy the many benefits they offer including new additions to the workforce, population growth and the injection of new energy and investment.

Currently there are a number of gaps in our data collection at the regional level. Gaining a more in-depth understanding of the opportunities and outcomes in different regions could maximise the benefits of Australia's migration policy without substantially increasing the required level of investment.

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- ⁱ Department of Social Services (2014) *Settlement Monthly Reports: Settlers by Migration Stream and Local Government Area*
 - ⁱⁱ Department of Social Services (2014) *Settlement Monthly Reports: Settlers by Migration Stream and Local Government Area*
 - ⁱⁱⁱ R. Stevenson (2005) Background Paper: Refugees and Economic Contributions
 - ^{iv} Regional Australia Institute (2014) *Population Dynamics in Regional Australia*
 - ^v Australian Bureau Statistics (2011) *Census of Population and Housing*
 - ^{vi} Productivity Commission (2006) *Productivity Commission Research Report: Economic Impacts of Migration and Population Growth*
 - ^{vii} Australian Bureau Statistics (2006 and 2011) *Census of Population and Housing*
 - ^{viii} Organisation for Economic Cooperation and Development (2011) *Migrant Entrepreneurship in OECD Countries*
 - ^{ix} Organisation for Economic Cooperation and Development (2011) *Migrant Entrepreneurship in OECD Countries*
 - ^x Organisation for Economic Cooperation and Development (2011) *Migrant Entrepreneurship in OECD Countries*
 - ^{xi} Organisation for Economic Cooperation and Development (2011) *Migrant Entrepreneurship in OECD Countries*
 - ^{xii} Department of Immigration and Border Protection (2015) *Fact Sheet 27 – Business Migration*
 - ^{xiii} Department of Immigration and Border (2014) *Regional retention of migrants: critical success factors*
 - ^{xiv} Department of Immigration and Border (2014) *Regional retention of migrants: critical success factors*
 - ^{xv} The Regional Australia Institute (2014) *[In]Sight: Australia's Regional Competitiveness Index*
 - ^{xvi} Department of Trade and Investment <http://www.trade.nsw.gov.au/> *Skilled regional nominated migration (489)* <http://www.trade.nsw.gov.au/live-and-work-in-nsw/visas-and-immigration/skilled-regional-nominated-migration-489>