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***The Productivity Commission***

The Productivity Commission, an independent agency, is the Australian Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by consideration for the wellbeing of the community as a whole.

Information on the Productivity Commission, its publications and its current work program can be found on the World Wide Web at [www.pc.gov.au](http://www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244.

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# Opportunity for further comment

You are invited to examine this position paper and to provide written comments to the Productivity Commission.

Written comments should reach the Commission by Friday 24 February 2006. If possible, please provide a copy of your comments by email or on a computer disk. Further details about how to make a submission are available on the Commission's website for this study, which is provided below. After comments have been received and roundtable discussions held with some interested parties, a final report will be prepared and submitted to the Australian Government in late April 2006.

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## Terms of reference

### **THE IMPACT OF MIGRATION AND POPULATION GROWTH ON PRODUCTIVITY GROWTH IN THE AUSTRALIAN ECONOMY**

#### PRODUCTIVITY COMMISSION ACT 1998

The Productivity Commission is requested to undertake a research study examining the impact of population growth, including migration, on Australia's productivity growth. Productivity growth is a major driver of improvements in real per capita living standards, so there is value in identifying the ways in which population growth and the human capital aspects of migration can affect productivity.

In undertaking the study the Commission is to:

1. report on the nature of international migration flows over the last decade and the extent to which Australia has participated in them, in particular, flows of skilled migrants
2. examine the impacts on skill levels in the Australian population generally, as well as within different industries and occupations, of skilled and unskilled migration
3. assess the relationship between migration, its different permanent and temporary categories, population growth, population and workforce diversity and productivity in Australia, its States and Territories and regions (where possible) and assess likely future developments, quantifying impacts where possible and drawing on the experience of other OECD countries
4. identify the mechanisms through which the impacts of migration and population growth on productivity are transmitted
5. report on any legislative or other impediments which prevent Australia realising the potential productivity gains from migration and from effective use of Australia's population and workforce diversity, and
6. consider the impact of migration and population growth on labour force participation and economic growth more broadly.

The Commission is required to provide a report within nine months of receipt of this reference. The report is to be published.

PETER COSTELLO

Received: 25 July 2005

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# Abbreviations and explanations

## Abbreviations

AEI-NOOSR	National Office of Overseas Skills Recognition
ASCED	Australian Standard Classification of Education
ASCO	Australian Standard Classification of Occupations
ASIC	Australian Standard Industry Classification
BCA	Business Council of Australia
CoPS	Centre of Policy Studies
DEWR	Department of Employment and Workplace Relations
DIMIA	Department of Immigration, Multicultural and Indigenous Affairs
ENS	Employee Nomination Scheme
GDP	Gross Domestic Product
GNP	Gross National Product
GSM	General Skilled Migration
GSP	Gross State Product
IASS	Invest Australia Supported Skills program
JSCM	Joint Standing Committee on Migration
LSP	Labour Supply Projection
LSIA	Longitudinal Survey of Immigrants to Australia
LTM	Long-Term Migration
LTV	Long-Term Visitors
MES	Main English Speaking
MFP	Multifactor Productivity
MODL	Migration Occupations in Demand List

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NAT	New Arrivals Tracker
NFI	Net Foreign Income
NFL	Net Foreign Liabilities
OECD	Organisation for Economic Cooperation and Development
ORE	Occupations Requiring English
PC	Productivity Commission
RSMS	Regional Sponsored Migration Scheme
SAS	Skilled Australian Sponsored
SD	Statistical Division
SIOS	Skilled Independent Overseas Students
SIR	Skilled Independent Regional
SSRM	State-Specific Regional Migration
STNI	State, Territory Nominated Independent
TRA	Trade Recognition Australia