



Submission to the Productivity Commission

**Study into the Impact of Migration and Population Growth on
Productivity Growth in the Australian Economy**

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Contact: Bev Clarke
Chief Executive Officer
Professions Australia
GPO Box 201
Canberra ACT 2601
Ph: 02 6257 6100
Fax: 02 6257 6111
Email: bevclarke@netspeed.com.au

Submission to Migration and Population Growth Study

Professions Australia (PA) is a national organisation of professional associations. Professions Australia is the business name of the Australian Council of Professions Ltd. It currently has twenty-five member associations (see Attachment 1). The primary objective of Professions Australia is to advance and promote professionalism for the benefit of the community.

This study provides an excellent opportunity to evaluate the contribution that Australia's migration policies have made to Australia's economic and social development. It is also an opportunity to identify improvements which can be made to ensure our migration policies and programs are responsive to changes in the global market place and are designed to maximise the benefits to the Australian community.

Professions Australia and our member associations' interest in Australia's migration policies relates to the important role they play in contributing to the development of our professional skills base.

Overview

Professions Australia recognises the significant contribution made by migrants to Australia's economic and social development and the importance of their continuing contribution to Australia's economic and social well-being.

Professions Australia believes migration policy will continue to have an important role to play in ensuring Australia has the skills base necessary to meet our longer term economic, social and environmental objectives. However to maximise the benefits that migration can deliver, migration policy need to be responsive to changing circumstances and needs of the Australian community.

Globalisation and the increasing knowledge intensity of economic activity means that Australia's international competitiveness is more dependent on the quality of the nation's human capital, that is, the skills and knowledge of its workers. At the same time highly skilled workers are becoming more mobile and the market for their skills more competitive. The growing number of Australian engineers, accountants, teachers and health professionals emigrating to seek both permanent and temporary employment opportunities is evidence of the latter.

Like many other economies, Australia is facing a major skills formation challenge across a number of skilled occupations. Increasing global competition for skilled workers is contributing to this problem. Shortages of skilled professionals will become a more critical issue over the next decade as the number of new entrants into the workforce declines and the population ages.

Failure to continually upgrade the skills of our workforce and address specific skill shortages will limit the labour market's potential contribution to future productivity growth. Migration can play an important role in raising the overall level of skills, addressing identified skill shortages and the loss of skills through emigration. Australia is currently importing a significant number of professionals each year to address shortages in particular occupations such as engineering, accountancy, information technology and the health professions.

Migration policies need to be responsive to these competitive pressures. It also is essential that migration policies operate within a broader policy framework that reflects the importance of investment in skill formation to productivity growth and international competitiveness and the factors that make nations a destination of choice for highly skilled professionals.

Professions Australia wishes to make a number of general comments on issues relevant to the terms of reference for this inquiry and these are outlined below.

Benefits of skilled migration

The role of investment in human capital in contributing to productivity growth is now well recognised. The OECD says that “investment in human capital is at the heart of strategies in OECD countries to promote economic prosperity, fuller employment, and social cohesion.”¹

The stock of human capital is reflected in the level of skills, competencies and knowledge of members of society. It is built up over time mainly through investment in education and training (public and private expenditure) and learning in the workplace. While investment in higher levels of education and training is the most important contributor to human capital formation, migration can play an important complementary role.

Migrants contribute to the economic development of Australia in many ways including:

- Stimulating job creation by growing the market;
- Addressing specific skill shortages;
- Creating new business opportunities and business expansion including through direct investment in the Australian economy;
- Facilitating the acquisition and diffusion of new knowledge (skills);
- Creating a more innovative culture with the introduction of new perspectives and ways of doing things; and
- Providing for a more culturally diverse population which promotes global integration and trading links.

¹ OECD (1998), Human Capital Investment: An International Comparison.

Migration policies can also make a positive contribution in addressing the adverse impacts of an ageing population although the extent of this contribution is likely to be small.

Impact of migration on opportunities for young Australians

A recent report by the Centre for Population and Urban Research² notes that almost all the growth in the training of accountants at the university level in Australia has occurred amongst overseas-student enrolments. Reforms to Australia's skilled migration selection policy introduced between 1999 and 2001 favoured applicants trained in Australia. The report raises the possibility of a strong causal relationship between growth in overseas student enrolments in courses such as accounting and information technology and the subsequent rapid increase in applications for permanent residence.

Overseas students who apply for permanent residence within six months of completing an Australian course are not required to have job experience in their field of study. That many of these applicants don't find work related to their field of study in Australia is one cause for concern. The growth in the number of overseas students obtaining permanent residency may also be at the expense of applicants with work experience and hence more likely to meet the requirements of employers. The fact that government has made adjustments to reduce the link between overseas students and immigration outcomes is a positive development.

Professions Australia is also concerned that skilled migration be seen as complementary to and not a substitute for investment in higher education and training of young Australians.

Australia is experiencing skill shortages across a range of professional occupations. Yet the number of domestic students undertaking undergraduate degrees in many of the relevant disciplines have stabilised. At the same time the demand for university places in some of the same courses from Australian school leavers exceeds the number of funded places.

Addressing skill shortages by relying on migration rather than increasing investment in the education of young Australians raises equity issues. This is of particular concern given the available evidence that people with higher levels of educational attainment and skills achieve higher workforce participation rates and higher average income levels.

Enhancing the benefits from migration

In a world where knowledge and skills are the primary drivers of productivity growth a skilled migration program is an essential component of a nation's human resource

² "Migration and the Accounting Profession in Australia: Dr Bob Birrell and Virginia Rapson – Centre for Population and Urban Research Monash University May 2005.

development strategies. The objective of the program should be to raise the skill levels of the population. This suggests the program needs to be carefully targeted to ensure skilled migrants have skills that will contribute positively to overall skill levels, are in demand and /or address specific skill shortages.

Professions Australia believes that the economic benefits of our migration policies and programs could be enhanced with the implementation of the following:

- Forecasting and research

Professions Australia is of the view that an essential input to the development of workforce policies, including migration policies, is more comprehensive, robust and forward looking information on Australia's likely future skills requirements.

Professions Australia is concerned that current approaches to the collection of workforce data and information are ad hoc and insufficient to support broader based policy development and priority setting at a national level. Data limitations can constrain the effectiveness of policies and programs aimed at upgrading our skills base. The development of migration policies and the design of related programs need to be informed by reliable qualitative and quantitative information.

Better workforce data also needs to be supported by more comprehensive and higher quality research into skills formation issues to better understand the economic and social issues impacting on workforce supply and demand. For example, we need to better understand Australia's position in the global marketplace for skilled workers, the factors influencing the decisions of Australian professionals to emigrate, the impediments to skilled professionals migrating to Australia and the reasons why many overseas students who study in Australia appear less likely than other job-seekers to find employment in the discipline for which they studied.

Comprehensive workforce data and information would also play a valuable role in more effectively integrating migration policies with the range of other policies impacting on the development of Australia's professional skills base.

- Skilled and business migration promotion and attraction

The rise in international competition for skilled professionals suggests the need for a more professional, sustained and targeted approach to attracting skilled professionals to Australia than is currently the case.

In such a competitive environment it is also important that any promotion and attraction programs are developed based on sound information and research about the factors influencing the decisions of professionals to migrate to Australia and Australia's relative competitiveness as a destination of choice. Australia's skilled migration program must also be as responsive and streamlined as possible.

- Closer matching of employer requirements and applicant skills

It is essential that Australia's migration policies be designed to deliver the skills required by the labour market.

Skilled migrants who enter under the Employer-Nominated migration stream are the most successful in the Australian labour market. Six months after arrival, labour market participants in all visa categories were much less likely to be employed than individuals in the Employer-Nominated scheme. After 18 months, 90 percent of Employee-Nominated migrants were employed in comparison with approximately 24 percent of those in the humanitarian category. This success does not diminish over time.³ For this reason Professions Australia would like to see much greater emphasis placed on the employer-nominated migration stream.

Skilled migrants are also more likely to meet employer requirements if they have strong English-speaking ability and communication skills.

A number of studies have found a close relationship between the ability to speak, read and write English and successful assimilation into the Australian labour market. Higher levels of English ability are strongly associated with higher employment and participation rates, and lower unemployment rates. This correlation remains strong over the long-term. These studies also suggest that relatively small improvements in English speaking capacity would result in relatively large improvements in labour market status.

It is vital that the migration program is targeted at those skills that are not presently available to the required degree in the Australian labour market. The fact that, in recent times, skilled migration has grown as a proportion of Australia's entire planned migration program is a positive development.

- Achieving better utilisation of migrant skills

With an ageing population and growing shortages across a range of professional occupations, it is increasingly important for Australia to utilise the pool of skilled workers to its maximum ability.

The skill-sets of some permanent migrants are being under-utilised in the Australian labour market. For example, there are significant numbers of overseas qualified engineers (and other professionals particularly from non-speaking backgrounds) who have had difficulty securing employment in their chosen discipline despite their overseas qualifications being recognised.

There maybe opportunities to build linkages between government programs like the Assessment Subsidy for Overseas Trained (ASDOT) program with other initiatives

³ Engineers Australia - Submission to the Joint Standing Committee on Migration: Inquiry into Skills Recognition, Upgrading and Licensing – July 2005

designed to address skill shortages and help skilled migrants find employment in their areas of competence. For example, the NSW public sector Migrant Work Experience Program and an initiative by the Victorian Local Government Association (VLGA), the Boroondara City Council and the Department of Victorian Communities aims to provide paid work experience for overseas qualified engineers through placement in local government(s).

Professions Australia believes that language training, bridging programs and initiatives such as those referred to above have an important role to play in addressing barriers to appropriately qualified migrants entering the professional workforce. There is also scope to better promote successful initiatives which can be replicated elsewhere.

- Encouraging transitional migration

Professions Australia would like to see the skilled migration program place greater emphasis on attracting professionals who wish to work in Australia for a period of time but who are not intending to migrate. This could be a useful mechanism for increasing the flexibility of the professional skills base in responding to changes in supply and demand particularly in cyclical industries like mining and engineering. There are other benefits associated with transitional migration including technology transfer and the development of networks which may deliver economic benefits in the longer term.

- Returning emigrants

Increasing numbers of Australian graduates are migrating to overseas markets to gain a broader range of experiences (for example larger economies/firms provide the opportunity to gain a broader range of business management skills or work in better resourced environments), accept transfers within multinational firms or to take advantage of more favourable employment conditions. The rate of emigration appears to be increasing particularly among the highly skilled. Professions Australia understands the bias towards higher levels of skill is more marked than for incoming migrants.

Emigration of highly skilled professionals can offer long-term benefits for Australia if many of these professionals return at some future time, with new skills and networks which facilitate international trade, long term relationships and the flow of knowledge and skills. Australians working permanently overseas can also give preferential treatment to Australian based suppliers and companies.

There may be a role for government to ensuring more positive outcomes from emigration. Initiatives (for example, similar to those introduced by the Irish government to encourage Irish professionals/academics/senior managers to return home; fostering ongoing linkages with overseas based Australians) could be introduced to encourage young, well qualified people to return to Australia at some point. It is important that there are no financial (for example, taxation or superannuation arrangements) or other disincentives which discourage the return of Australians seeking work opportunities overseas.

ATTACHMENT

Professions Australia - Member Associations

Association of Consulting Engineers Australia (ACEA)
Audiological Society of Australia (ASA)
Australasian Institute of Mining and Metallurgy (AusIMM)
Australian Institute of Radiography (AIR)
Australasian Podiatry Council (APODC)
Australian Computer Society (ACS)
Australian Dental Association (ADA)
Australian Human Resources Institute (AHRI)
Australian Institute of Geo-scientists (AIG)
Australian Institute of Interpreters and Translators (AUSIT)
Australian Institute of Landscape Architects (ALIA)
Australian Institute of Quantity Surveyors (AIQS)
Australian Veterinary Association (AVA)
CPA Australia
Engineers Australia
Institute of Actuaries of Australia (IAAust)
Institute of Chartered Accountants in Australia (ICAA)
Institute of Management Consultants (IMC)
New South Wales Council of Professions (NSWCOP)
National Institute of Accountants (NIA)
Pharmaceutical Society of Australia (PSA)
Planning Institute of Australia (PIA)
Records Management Association of Australasia (RMAA)
Royal Australian Institute of Architects (RAIA)
Spatial Sciences Institute (SSI).

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