



**Queensland  
Government**

**Queensland Government**

**Submission**

**on the**

**Economic Impacts**

**of**

**Migration and Population Growth**

**October 2005**

## **Executive Summary**

The Queensland Government recognises the contribution of population growth to economic growth and the social and economic benefits brought about by the cultural diversity resulting from overseas migration. Queensland's economy has benefited substantially from strong population growth, primarily due to interstate and overseas migration, with the inflow of migrants expected to underpin continued growth in the State's economy in the future.

However, population growth needs to be sustainable, with consideration given to issues such as the environment, regional development and infrastructure and service provision, to ensure living standards and quality of life are sustained. Therefore, it is important to consider the skill structure of the migrant intake, as this impacts on the capacity of migrants to participate in the labour force and improve productivity.

The Queensland Government's economic strategy, while acknowledging the benefits of population growth, focuses on improving productivity through fostering innovation, investing in human capital and providing appropriate levels of infrastructure.

## **Introduction**

The Queensland Government recognises the important contribution of population growth, from overseas and interstate migration and natural increase, to overall economic growth. Population growth underpins economic growth through an increased demand for goods and services, which encourages investment and employment growth. The increased cultural diversity resulting from migration also provides important social and economic benefits, as recognised in the State's multicultural policy *Multicultural Queensland – making a world of difference*.

While recognising these benefits, the Queensland Government considers that population growth should be economically, fiscally and environmentally sustainable and managed in a way that fosters improved living standards and maintains quality of life. Therefore, when examining the economic impacts of migration and population growth, the Productivity Commission should consider issues including the environment, regional development and the sustainability of infrastructure and service provision, in addition to specific issues related to overseas migration.

In particular, the potential benefit of migration to an economy is dependant on the capacity of migrants to improve productivity. Therefore, in order to ensure sustainable population growth, it is important to consider the skill structure of the migrant intake.

## **Migration and population growth**

Population growth, mainly from interstate and overseas migration, has contributed substantially to Queensland's economic performance. This is primarily due to the expansion of demand for goods and services, which encourages employment growth, increases incomes and promotes economic growth in both the short and long term.

Queensland's cultural diversity is increasing with strong net overseas migration to the State. In January 2005, the Premier released *Multicultural Queensland – making a world of difference*, the Queensland Government's Multicultural Policy, aimed at managing the State's increasing cultural diversity for the economic and social well-being of all Queenslanders.

Queensland's Multicultural Policy recognises that cultural diversity, from migration, is an asset that brings social and economic benefits. In particular, migrants have contributed to the community in areas such as business, arts, culture, trade, agriculture, tourism and education. Language skills, knowledge of overseas markets, overseas contacts and expertise in cultural protocols are valuable tools that can create economic advantages. Further, multiculturalism also underpins community cohesion by raising awareness of the benefits of diversity and promoting respect for difference.

Although no specific programs exist to attract interstate migrants, Queensland does have programs to attract overseas business migrants and skilled migrants to the State. Some of these programs seek to encourage migration to regional areas of the State, in particular the Skilled Independent Regional (SIR) visa. Encouraging migrants to locate in regions other than the South East Queensland region, is aimed at addressing skill shortages, encouraging regional development and increasing cultural diversity.

The Queensland Government's skilled migration program assists industries experiencing skill shortages in the short-term. However, this short-term assistance does not negate the need to invest in human capital, via education and training, which is part of the Queensland Government's long-term solution to skill shortages. The Queensland Government's programs aimed at attracting overseas migrants reflect the broader economic strategy focussing on improving productivity through fostering innovation and investing in human capital.

The Queensland Government has identified<sup>1</sup> the complexity of overseas skills recognition and licensing arrangements as an impediment to the effective use of migrants' skills in the Australian economy and a possible impediment to skilled migration.

Improved dissemination of information to potential migrants about additional registration and licensing requirements would be beneficial in overcoming this impediment. Potential migrants should be advised of the possibility that to have their skills recognised and be registered in their profession they may be required to:

- undertake study, training or accreditation;
- gain practical experience; and/or
- undertake examinations or interviews before being granted registration or being allowed to practice in the nominated occupation.

### **Components of population growth**

Immigration and population policies are related but remain two separate issues. Population policy, in addition to overseas migration, needs to incorporate issues such as the environment, demography, regional development, infrastructure and economic conditions.

Therefore, it is important for the Productivity Commission to consider population growth due to overseas migration, the internal resettlement patterns of overseas migrants and, more importantly, interstate migration. Net interstate migration to Queensland averaged around 30,000 people each year over the five years to 2004, and is generally the most important component of the State's population growth.

Table 1 highlights the importance of considering both overseas and interstate migration when examining the potential economic impacts of migration and population growth. Queensland received 20.4 per cent of overseas migrants to Australia on average over the five years to 2004, similar to its population share (19.4 per cent).

However, when interstate migration is included, almost half (47.1 per cent of net migration to and within Australia over this period is accounted for by movement of people to Queensland. Including natural increase<sup>2</sup>, Queensland's share of national population growth (33.2 per cent) over the five year period was substantially more than the State's population share.

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<sup>1</sup> See the Queensland Government submission to the Australian Parliament Joint Standing Committee on Migration's Inquiry into skills recognition, upgrading and licensing.

<sup>2</sup> Natural increase is population increase due to births less deaths.

**Table 1. Population Growth, 2000 to 2004**

	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Australia
Population – 2004 (000s persons)	6,730.0	4,972.2	3,897.2	1,533.9	1,982.5	482.7	20,125.4
Population share (%)	<b>33.4</b>	24.7	<b>19.4</b>	7.6	9.9	2.4	100.0
<i>Average change over last 5 years</i>							
Average annual change (000s persons)	61.7	55.5	77.6	6.9	25.8	2.2	233.6
Average annual change (%)	0.9	1.2	2.1	0.5	1.4	0.5	1.2
Proportion of national change (%)	<b>26.4</b>	23.8	<b>33.2</b>	3.0	11.1	1.0	100.0
<i>Comprised of</i>							
Natural increase <sup>a</sup> (persons)	39.7	27.7	24.9	5.5	13.3	1.9	118.6
Total net migration <sup>a</sup> (persons)	18.7	29.4	54.0	1.0	13.3	0.4	114.7
Proportion of total migration (%)	16.3	25.6	<b>47.1</b>	0.9	11.6	0.4	100.0
Net overseas migration <sup>a</sup> (persons)	43.2	27.6	23.3	3.6	15.2	0.5	114.7
Proportion of overseas migration (%)	<b>37.7</b>	24.1	<b>20.4</b>	3.1	13.3	0.5	100.0
Net interstate migration <sup>a</sup> (persons)	-24.6	1.8	30.7	-2.5	-1.9	-0.1	n/a

Source: ABS Cat. No. 3101.0, *Australian Demographic Statistics*  
a five year annual average change

Note components of population change may not sum due to revisions to the data.

In comparison to Queensland's strong population growth, New South Wales received the majority of overseas migration (37.7 per cent on average), which was more than its population share (33.4 per cent), over the five year period to 2004. However, strong net interstate migration from New South Wales to other states and territories partially offset overseas migration, resulting in New South Wales' proportion of total population growth (26.4 per cent) being markedly less than its population share.

This analysis demonstrates that any impact of overseas migration will be diluted or exacerbated by internal migration and, to a lesser degree, by natural increase of the population, making it critical to focus on the impacts of total population growth, rather than individual components of population growth.

### Drivers of economic growth

Queensland has recorded stronger population and economic growth on average than the rest of Australia over the 15 years to 2003-04. In each of the three five-year periods from 1989-90 to 2003-04, average annual growth in Gross State Product in Queensland was above the rest of Australia.

Queensland's stronger growth in each of the five year periods was underpinned by population growth, accounting for between 2.0 percentage points and 2.5 percentage points of growth in output on average over the three five-year periods, compared with around 1 percentage point for the rest of Australia, see Table 2.

**Table 2. Output growth, five year averages**

	GSP			GSP per capita		
	1989-90 to 1993-94	1994-95 to 1998-99	1999-00 to 2003-04	1989-90 to 1993-94	1994-95 to 1998-99	1999-00 to 2003-04
Queensland	3.9%	4.7%	4.6%	1.4%	2.7%	2.5%
Rest of Australia	2.0%	4.4%	3.1%	1.0%	3.3%	2.1%

Source: Queensland Treasury

This has led some observers to argue that the superior economic performance recorded in Queensland has been mainly due to the State's stronger population growth, driven primarily by net interstate migration, and to a lesser degree net overseas migration.

However, when measured in per capita terms, Queensland still outperformed the rest of Australia in terms of economic growth in two of the three five-year periods. This stronger per capita growth demonstrates that the strength of the Queensland economy is not solely due to population growth but reflects other drivers of economic growth.

Using the 3 Ps framework (population, participation and productivity) in Figure 1, it becomes apparent that, while population<sup>3</sup> contributed to growth in output per capita, its contribution in each of the five-year periods was small. This partially reflects continued strong interstate migration to Queensland, with these migrants having a younger age profile than to the incumbent population.

**Figure 1. Drivers of per capita output growth, Queensland**  
(average annual growth, five-year periods, 1989-90 to 2003-04)



Source: Queensland Treasury

By far the most important factor in Queensland's strong economic performance has been growth in labour productivity, that is, producing more output per worker. Labour productivity in Queensland was the most substantial component of output per capita growth in each of the three five-year periods.

Increases in labour participation<sup>4</sup>, also contributed to Queensland's growth in output per capita in the last two five-year periods. However, in the first five-year period, there was a reduction in labour force participation, resulting in a detraction from the State's per capita output growth.

This analysis highlights the need for a policy focus aimed at increasing productivity, the key driver of economic growth, to ensure sustainable strong economic growth and improved living standards. The Queensland Government is pursuing policies aimed at providing appropriate levels of infrastructure, fostering innovation and improving human capital to drive productivity growth.

<sup>3</sup> Note that population in this context is the civilian population to population ratio, that is those aged 15 years or more to the total population.

<sup>4</sup> Note that labour participation in this context combines the employment and labour force participation effects, and therefore labour participation represents the ratio of employed persons to civilian population.

## **Impact of migration and population growth on productivity**

In general, the Queensland Government considers that the economic framework included in the Productivity Commission's Issues Paper provides a sound basis for examining the linkages between migration, population growth and productivity and economic growth. However, it is important to consider the different impacts general migration and skilled migration may have on productivity and therefore economic growth.

Labour productivity, the amount of output (Gross State Product) per worker, will be adversely affected, in the short term, if the population and the number of employed people increases rapidly and is not matched by a corresponding increase in output growth. This situation is likely to be exacerbated if the skill levels of migrants are lower than those of the incumbent population as the lower skill levels slow human capital accumulation.

In cases where migrants have greater skills than the existing workforce, productivity could decline in the short period of time it takes to adapt to local working conditions. However, over time skilled migrants increase productivity more than incumbents with lower skills, as they adapt the knowledge, experience and network of contacts acquired in their country of origin to the Australian context.

In the longer term, both general and skilled migration are likely to contribute to growth in labour productivity as additional demand from a larger population allows the scale of production to increase. Further, a larger population with a more diverse background is able to harness a range of ideas and innovations that would otherwise not be available.

A constant inflow of migrants with temporarily higher rates of unemployment will lead to a higher unemployment rate than would otherwise be the case. Queensland is a prime example of this, with the higher unemployment rates of migrants (overseas and interstate) placing upward pressure on the State's aggregate unemployment rate.

## **Population growth and demand for services and infrastructure**

The potential impacts on economic growth and the demand for government services and public infrastructure reflect total population growth rather than overseas migration in isolation. Increased population and employment, together with new ways of producing and delivering goods and services, will significantly increase the need for all types of infrastructure. Strategic investment in infrastructure can assist in improving productivity, economic growth and standards of living.

With South East Queensland's population expected to reach 3.6 million people in 2026, the need for infrastructure in the region will increase. The increased population will create demand for around 425,000 new jobs, with many of these jobs will be in traditional industries, responding to increased levels of consumption.

The Queensland Government's objective of diversifying the State's economy will support the attraction and creation of new kinds of jobs related to the emergence of new technologies and markets underpinned by the Queensland Government's *Smart State Strategy 2005-2015*.

The Office of Urban Management recently released the *South East Queensland Regional Plan 2005-2026*. This plan prepared by the Queensland Government and the South East Queensland Regional Organisation of Councils recognised that, as the fastest growing region in the nation, South East Queensland will face challenges in managing population growth in a way that is sustainable and maintains the quality of life for the residents of the region.

The Queensland Government's *South East Queensland Infrastructure Plan and Program 2005-2026* (SEQIPP) provides a strategic and forward-looking planning framework to deliver the infrastructure that is anticipated will be required to support the region's population in the future. In addition to transport, water and energy infrastructure, SEQIPP identifies the need for community, rural development and information and communication technology infrastructure.

### **The distribution of the impacts of migration**

As with all growth, the distribution of the impacts of migration is not likely to be equal, either across regions or individuals. The greatest impacts will be felt in the areas where overseas migrants settle and the incumbent population relocates. As identified earlier, although the majority of overseas migrants arrive in New South Wales, and Sydney in particular, the State's population growth is reduced by the relocation of New South Wales' residents to other areas of the country, notably South East Queensland.

Although the impact of migration on some individuals may be detrimental, in the context of the broader economy the impacts are likely to be beneficial. For example, where migrants are able to fill skilled vacancies the industry can operate more efficiently with benefits for economic growth. Similarly, increased demand for infrastructure may encourage greater investment in infrastructure with positive and ongoing impacts on economic growth.

### **The impact of migration on an ageing population**

It is widely recognised that increasing migration is not a suitable response to the challenges of an ageing population. The Productivity Commission's report on the *Economic Implications of an Ageing Australia*, released earlier this year identified that "the numbers reveal that feasible increases [in migration] have only modest and relatively short-lived impacts" and went on to note "changes in net overseas migration cannot realistically be engineered to avoid or even substantially to moderate Australia's demographic transition to an older population" (Productivity Commission 2005).

The Australian Government (Withers 2002) and the Organisation for Economic Cooperation and Development (OECD 2001), amongst others, also appreciate the limitations of migration alone in addressing the impacts of an ageing population.

The Queensland Government notes that the State's strong population growth has not prevented ageing and migration by itself is not an appropriate or effective tool to deal with issues presented by population ageing.



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