

## **SUBMISSION FROM THE WESTERN AUSTRALIAN MINISTER FOR STATE DEVELOPMENT TO THE PRODUCTIVITY COMMISSION RESEARCH STUDY INTO THE ECONOMIC IMPACTS OF MIGRATION AND POPULATION GROWTH**

### **Introduction**

Western Australia makes a huge contribution to the productivity and wealth of Australia from its export-oriented economy. Over thirty per cent of Australia's \$126.7 billion in exports come from Western Australia<sup>1</sup>. The location of much of this economic activity is spread across a sparsely developed landscape and in many areas employment is treated as an excursion.

Migration has made up around half of Western Australia's population and employment growth over the last ten years and has helped support the development of a more skilled workforce to respond to the needs of the resources sector<sup>2</sup>.

Western Australia has been through a series of booms and busts in the past where skills and labour could be readily attracted from interstate and from New Zealand. The current strength of the Australian and New Zealand economies has limited those options and despite strong overseas migration there are still 13,200 vacancies in the Western Australian workforce.

Recent record employment growth has been experienced in the Perth Metropolitan area and the South West but little growth has been experienced in the Pilbara and Goldfields despite the major resource development activity. It appears that the operation of fly in fly out has limited the benefits of economic expansion in the more remote regions<sup>3</sup>. An estimated 26,000 employees are involved in fly in fly out in Western Australia.

The Regionally Sponsored Migration Scheme and the Skilled Independent Regional Visa have been introduced to encourage migration to areas which generally have lower cultural amenity but which have a range of employment and recreational opportunities. In many situations there is difficulty in attracting Australians to fill these positions due to both skill shortages and Australians comfort in living in urbanised coastal settings.

The coastal lifestyle is also important to many migrants from the United Kingdom and applications for the Skilled Independent Regional Visa have predominantly nominated Mandurah (a rapidly growing coastal community adjacent to Perth) as their preferred destination. This predisposition may be based on limited knowledge of other living opportunities. Western Australian experience with professionals completing practical experience in regional communities, such as through teaching scholarships, is that many have a positive experience in small communities and are happy to accept postings that they previously would not have considered.

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<sup>1</sup> ABS International Trade in Goods and Services 5368.0 July 2005 page 24

<sup>2</sup> ABS Western Australian Statistical Indicators 1367.5 April 2005 page 72

<sup>3</sup> DEWR Australian Regional Labour Markets June Qtr 2005

Western Australia's principal source of skilled migrants is the United Kingdom but it has been successful in attracting skilled migrants from South Africa for the resources sector who find similar amenity in the mining communities to that they have experienced in Africa. Around 18 per cent of Western Australia's migrants come from sub Saharan Africa with around half coming from South Africa.

### **International Migration Trends**

Oceania and Western Australia are highly exposed to migration. Worldwide, migrants make up 2.5 per cent of population with Oceania having a rate closer to 20 per cent<sup>4</sup>. Western Australia has the highest growth rate in Australia from net overseas migration at 0.9 per cent. As at June 2001, Western Australia had the highest proportion of overseas born residents (29 per cent) compared to other Australian states and territories<sup>5</sup>.

Migration to Australia has an increased skill component being driven by strong demand for skilled employment. Over 40 per cent of the Western Australian workforce now falls in to the categories of managers, administrators, professionals, associate professionals and tradespersons with the number of labourers declining as a proportion of the workforce<sup>6</sup>. Emigration from Australia is also more skilled.

Working holidaymakers are filling a wider range of job vacancies with reports from those working holidaymakers, who later become migrants, about their experiences of working in occupations such as nursing in Australia to fund travel. The number of Working holidaymakers has rapidly increased with a 26 per cent lift in visas issued for Australia between 1999/00 and 2003/04<sup>7</sup>.

Migration has moved from being part of bilateral agreements between countries based on countries economic circumstances to being an individual decision based on current and future amenity. The balance of amenity can change during different stages of a migrant's life. The exodus of young Australians seems to be driven by cultural, social and recreational amenity whereas the influx of migrants is more complex with economic opportunity, climate and opportunities for their children being additional considerations to cultural, social and recreational amenity.

In recent years the global workforce that are employed outside of their country of birth or citizenship has expanded. The churn rate with migration has also increased and many migrants ultimately return to their country of birth. Migration itself is becoming an excursion with countries such as Northern Ireland and New Zealand encouraging expatriates "to make it back home".

It has become a pattern for young Australians to "take a year off" and travel before commencing tertiary education or following graduation. This trend is

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<sup>4</sup> Trade and international labour mobility, A K Ghose, ILO Paper 2002/33.

<sup>5</sup> ABS Migration Australia 2003-04 3412.0 September 2005

<sup>6</sup> ABS Western Australian Statistical Indicators 1367.5 June 2005 page 68

<sup>7</sup> DIMIA Fact Sheet 49 Working Holiday Maker Program

exacerbated by the reduction in the tax free threshold for persons who “left full-time education for the first time in a particular financial year” who “can only claim the tax-free threshold for the months” they “were not studying full-time, so” they “must reduce” the threshold “by \$500 for each full month” they were studying<sup>8</sup>. The regime for the Higher Education Contributions Scheme provides a further incentive to stay away for longer.

### **Linkages between migration, population growth, productivity and economic growth**

The key drivers for people choosing to move from one location to another in Western Australia are amenity and economic opportunity. Amenity can change depending on factors such as health and the age of children. The model shown at Figure 2 in the Issues Paper does not provide for the spatial distribution of migration and does not consider amenity.

Western Australia’s regional residents are highly mobile. The “Living in the Regions” survey in 1999 found that only 16 per cent of respondents had grown up in the area where they now live and more than half had only been living in their current region for ten years or less<sup>9</sup>. The proportion of overseas migrants in regional Western Australia is lower than for Perth. 2001 Census data shows that only 19 persons per thousand had moved to regional Western Australia from overseas compared to 56 persons per thousand in Perth.

Australia’s current migration policy positively discriminates towards regional migration where issues such as maintaining and strengthening communities relate to economic performance through contributing to amenity. The loss of a skilled individual can have a multiplier effect in a small regional community and hence impact its economic future. The availability of an auto electrician at Hyden or a doctor in South Hedland have ramifications far beyond their direct contribution to GDP. The model should incorporate regional or community benefits that contribute to amenity.

The availability of skilled labour at reasonable cost has an impact on the timing of major investment projects and the form in which they will proceed. The threat to move construction offshore through modularisation has impacts through the direct economic activity lost as well as the longer-term replacement and maintenance of the facility using overseas equipment and expertise.

### **The impacts of population size on productivity and economic growth**

It is thought that a city needs to have a population of around 100,000 to be a self sustaining service centre with a university, sophisticated health services, high cultural amenity and providing a range of economic opportunities. Central Place Theory identifies that these cities would be surrounded by a range of smaller centres in a hierarchical relationship. The changing capacity, reliability and cost of transport has seen these smaller centres suffer whilst larger

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<sup>8</sup> Tax-free threshold available at [www.ato.gov.au](http://www.ato.gov.au)

<sup>9</sup> Available at <http://www.dlgrd.wa.gov.au/statisticInfo/livingInRegions.asp>

centres grew. The vulnerability of smaller communities is exacerbated during skills shortages.

In Western Australia, Perth is the dominant city with over 70 per cent of the State's population. There are no cities with a population near 100,000 and Perth provides high level economic, cultural, education, health and financial services for the whole state.

Migration should be a mechanism to drive the growth of cities such as Bunbury, Mandurah, Kalgoorlie, Geraldton and Albany to reach the 100,000 level and allow the better dispersion of high level services to these communities.

The Regional Prices Index, completed through the Western Australian Department of Local Government and Regional Development surveyed a basket of 500 goods for 21 regional communities and compared them to Perth. Costs were higher in the smaller communities particularly those further away from Perth.

Much of Western Australia's economic activity is site specific and our economy would be better served by having a stronger network of regional cities of around 100,000 people.

### **Impediments to economic gains from migration**

The age limit of 45 years on many visa classes limits our ability to attract skilled migrants and should be immediately lifted to 50 years. Recent research has identified that skilled migrants aged between 45 to 50 years still make a net positive contribution to the economy<sup>10</sup>.

Around 90 thousand working holidaymaker visas are issued each year but visa holders are limited to working 3 months with any one employer. This limit should be eased to 6 months for work in regional Australia to better match the seasonal requirements of our horticultural, fishing and tourist industries.

Any working holidaymaker who works for three months in regional Australia should be eligible for a further 12 month working holidaymaker visa to increase the incentive for working in the regions and increase the proportion of working holidaymakers visiting regional Australia.

Zone Rebates for taxpayers in remote areas have been unchanged since 1993/94. Zone Rebates need to be reviewed to restore their value in attracting people to live in areas where costs are higher and services are scarce or limited.

The performance of Trades Recognition Australia has been poor and unresponsive. There should also be a parallel process for state based skills assessment where licensing or accreditation is under state legislation.

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<sup>10</sup> The Importance of Age in Migrants' Fiscal Impact, Access Economics for DIMIA, 2003

The Migration Act should be amended to require commitments made by migrants to live and work in a nominated region, as part of their application, to be enforced.

The reduction in the tax free threshold for persons who left full-time education for the first time in a particular financial year should be removed to reduce the incentive for Australians to leave Australia immediately that they complete their studies.

### **Conclusion**

The continuing strength of the Western Australian economy depends on skilled migration to meet the skills gaps predicted over the next five years and to partially offset the loss of skills through retirement from the existing workforce.

The policies that influence the choice of migrants to come to Australia and for young Australians to leave can be significantly improved. Western Australia will work with the Federal Government to make positive changes.

Alan J Carpenter

**MINISTER FOR STATE DEVELOPMENT; ENERGY**