

**PRODUCTIVITY COMMISSION RESEARCH STUDY  
INTO THE ECONOMIC IMPACTS OF MIGRATION  
AND POPULATION GROWTH**

**SUBMISSION BY THE  
SOUTH AUSTRALIAN GOVERNMENT**

## Introduction

- The South Australian Government released its Population Policy, Prosperity Through People, in March 2004. This Policy supports the Government's aims to grow South Australia's population to 2 million by 2050 by:
- Matching South Australia's share of international migrants to Australia with the State's share of overall national population over the next 10 years
- Increase by five fold (to 600) the annual intake of business migrants by 2008
- Double or better the intake of skilled migrants (to 2,500) by 2008
- Increase to at least 10% (to 1,200) the intake of humanitarian migrants
- Reduce the net loss to interstate to zero by 2008 with a positive inflow from 2009
- Sustain fertility levels around the Australian average of 1.7

A series of strategies around migration, fertility and ageing are being put into place to achieve this and other objectives of the Policy. The Policy indicates that the South Australian Government will strongly advocate a National Population Policy for Australia to help achieve these goals.

Accordingly, the South Australian Government submits this paper as a whole-of-Government contribution to the Productivity Commission research study into the economic impacts of migration and population growth. The Migration and Population Unit of the Department of Trade and Economic Development sought agency submissions and collated the responses. Submissions were received from:

Department of Treasury and Finance  
Department of Health  
Department of Families and Communities – Office for Youth  
Department of Environment and Heritage

Due to the short time frames for this initial response, other agencies may contribute further information upon consideration of the draft report scheduled for release in late December 2005.

This paper focuses on key areas of interest to South Australia. The key recommendations of the South Australian Government are summarised below:

**Recommendation 1:** That the Federal Government engage State Governments in the development of a National Population Policy.

**Recommendation 2:** That a National Population Policy be recognised as an overarching strategy to counter the possible deleterious productivity effects of demographic change. In particular, the strategy should place emphasis on encouraging innovation as a means of mitigating the negative productivity consequences of projected demographic change.

**Recommendation 3:** That the Australian Government recognise the benefits to policy development of studying South Australia's trends in population ageing and cooperate with the South Australian government in piloting projects that relate to population, migration and productivity.

**Recommendation 4:** That Federal and State Governments continue to work together within the context of a National Population Policy and other forums to target and promote the attraction of migrants that will have the most positive impact on the national economy.

**Recommendation 5:** That the Productivity Commission note that a report into the barriers to the recognition of overseas skills and qualifications is being prepared by the South Australian Government and that a précis of this report will be forwarded to the Commission when completed for inclusion in the revised Research Study Report.

**Recommendation 6:** That the Productivity Commission Research Study into the economic impacts of migration and population growth examine the constraints placed on the potential productivity benefits of population growth by the associated impacts on the environment. A National Population Policy should also take this issue into consideration.

## **The productivity benefits of a national population policy**

Population, migration and productivity issues affect and are influenced by each sphere of government. In that context, the Population Policy for South Australia – released in March 2004 – points out that the South Australian Government will strongly advocate for a National Population Policy for Australia.

A national population policy could inform the early development of policies that provide for the fullest possible use and development of the skills and inform the transitions to adult status for South Australia's young people. It could also provide the best vehicle to deal with interstate population movements in terms of providing resources to meet anticipated skills shortages in areas such as rural South Australia.

The productivity of a community is linked to its health status insofar as that days lost due to sickness reduce productivity. As a community ages, the likelihood that increasing health issues for those older people in the workforce arising will increase. This will have at least two implications for productivity:

Firstly, the trend to an older population presents the potential for a reduction in productivity in the general workforce. This possibility is particularly strong if older people are encouraged to remain in the workforce for longer periods.

Secondly, the ability of the health workforce to maintain its productivity at existing levels may be reduced as the workforce itself ages and has to simultaneously deal with increased demand for services.

As population growth will increasingly occur within older cohorts, the extensive economic and productivity impact of this nation-wide trend must be considered cooperatively by the nation as a whole.

In the context of an emerging skills crisis, which will likely be exacerbated by an ageing workforce, the health industry, like many others, would benefit from the development of national guidelines to ensure consistency around the supply, appointment and support of overseas trained professionals. Maintaining a flow of skilled employees from whatever sources are available will be crucial to shoring up productivity levels.

**Recommendation:** That the Federal Government engage State Governments in the development of a National Population Policy.

## **The use of migration programs to maintain and increase productivity growth**

South Australia Government departments, particularly the Department of Treasury and Finance (DTF), have been proactive in addressing some of the issues pertinent to this inquiry. South Australia has developed a policy around population needs and concerns and has developed a strategy for improving productivity of the State economy in that context. The South Australian Strategic Plan, through its targeting of areas such as economic growth, infrastructure, exports, workforce and, education is in place to ensure South Australia's ability to respond to the challenges being presented.

The demographic factors facing Australia and the Western world more generally loom larger if future productivity growth is not ensured. To mitigate this, the nation should focus on the factors that encourage innovation, such as education and research and development, rather than solely fixating on the ageing population.

Without improving human capital through education, population growth as a source of cheap labour may not be consistent with wage growth and a rising standard of living. Also, rapid demographic change may accentuate inter-group tensions over housing, schools, and jobs, and may create conflicts between younger and older persons over the distribution of the nation's economic product and benefits from social programs.

**Recommendation:** That a National Population Policy be recognised as an overarching strategy to counter the possible deleterious productivity effects of demographic change. In particular, the strategy should place emphasis on encouraging innovation as a means of mitigating the negative productivity consequences of projected demographic change.

## **South Australia's unique position to gauge the impact of population and migration upon productivity in advance of the national trend**

As a result of lower fertility, a history of disproportionately low migration gain which is only now being turned around, and net loss to interstate, SA now has the oldest population of all the states. This ageing is projected to continue. In response to this, SA has also been proactive in developing policies to deal with this trend, the Population Policy *Prosperity Through People* released in March 2004 for South Australia being just one.

Because of the State's comparatively advanced position in a trend which will eventually affect all states and the nation as a whole, SA could effectively explore population and migration strategies that aim to maintain and continue boost productivity despite the trend. For example, the State could explore methodologies and policies for retaining and attracting young skilled people to those areas with the highest levels of population drift and those most likely to suffer most from any deleterious effects of an ageing population. Input from the Federal and other State Governments could enhance the robustness of such policy development.

SA's experiences could also assist the Federal and other State governments in its advanced development of policies to provide for the strategic recognition, promotion and development of skills that should be nurtured among the nation's young people deal with the demographic and social issues arising from an increasingly ageing population.

**Recommendation:** That the Federal Government recognise the benefits to policy development of studying South Australia's trends in population ageing and cooperate with the South Australian government in piloting projects that relate to population, migration and productivity.

## **The impact of current migration policies at the State and Federal levels on productivity**

In addressing the issues of an ageing population dynamic, migration policies should concentrate on attracting skilled young people with language and social skills who will best fit into the demographic environment. Such policies should also target those who will more quickly become productive socially interactive Young people as migrants often have more recent exposure to training, tend to be more amenable to new cultural environments and are able to provide a higher level of effective input into the South Australian economy more quickly and for a longer period.

**Recommendation:** That Federal and State Governments continue to work together within the context of a National Population Policy and other forums to target and promote the attraction of migrants that will have the most positive impact on the national economy.

## **Impediments to exploiting productivity gains from population growth and migration**

In the SA Government's submission to the Joint Standing Committee on Migration inquiry into skills recognition, upgrading and licensing, the South Australian Government identified that an efficient and effective overseas qualifications recognition system plays an essential role in both South Australia's and the nation's ability to attract and utilise skilled migrants.

The availability of skilled labour is a major strategic issue for many sectors within the South Australian economy. The ageing of our population is set to provide an ongoing challenge of ensuring there is a sufficient supply of suitably skilled workers to meet our future workforce needs

Actions to increase the number of migrants to South Australia are working.

Many of these migrants are skilled, possessing qualifications gained overseas. The success of any skilled migration strategy is dependent on those migrants finding work in jobs that utilise their skills, and finding those jobs relatively quickly. For that to happen, many migrants require assistance to find suitable work, and to have their overseas qualifications and experience recognised.

In preparing this report, the SA Government would defer to the report being prepared by its Overseas Qualifications Reference Group. This group is constituted under the auspices of the Training and Skills Commission and tasked with identifying the barriers to the recognition of skills and qualifications gained overseas and to identify innovative solutions.

When the recommendations of this report have been presented to the State Government, the relevant items will be forwarded to the Productivity Commission for consideration after the release of the first draft report.

**Recommendation:** That the Productivity Commission notes that a report into the barriers to the recognition of overseas skills and qualifications is being prepared by the SA Government and that a précis of this report will be forwarded to the Commission when completed for inclusion in the revised Research Study report.

## **Limiting the constraints placed on productivity growth by the environmental pressures created by population growth**

The environment is a critical input to a productive economy. While it has been stated that an increase in population may not necessarily compromise the health of the environment (and

therefore the economy), in order to determine this with any certainty it is essential to have a high quality information infrastructure that will provide the basis for evaluating potential impacts.

Programs such as the National Land and Water Resources Audit and the National Natural Resource Management Monitoring and Evaluation Framework provide the basis for such an information infrastructure, but a greater level of funding and policy commitment may be needed to keep the required databases updated and fully representative of all environmental issues.

The known consequences of expanding populations on the environment can be mitigated by cooperative intervention by governments. For example, expanding populations will purchase, consume and waste more resources if our behaviours and practices are not modified to conserve, value and manage resources in a sustainable way. There must be greater emphasis at a national level on resource efficiency and tools (legislative and incentives) to bring about such behaviour changes if the environmental (and productivity) costs of expanding populations are to be minimised.

Similarly, strategies should be developed cooperatively to ensure that the potential degradation of marine and terrestrial environments associated with the impacts of an increasing population (waste, litter, loss of native vegetation, infrastructure services) does not adversely affect associated economic opportunities such as eco-tourism.

To address these and other environmental concerns of expanding populations, policies, programs and appropriate legislation should be explored at the state and nation levels with an aim breaking the nexus between growth, resource use and pollution.

**Recommendation:** That the Productivity Commission Research Study into the economic impacts of migration and population growth examines the constraints placed on the potential productivity benefits of population growth by the associated impacts on the environment. A National Population Policy should also take this issue into consideration.