

24 February 2006

Mr John Salerian
Migration and Population Study
Productivity Commission
LB2 Collins Street East
MELBOURNE Vic 8003

Dear Mr Salerian

The Australian Chamber of Commerce and Industry (ACCI) would like to take this opportunity to comment on the Productivity Commission's position paper *Economic Impacts of Migration and Population Growth*.

ACCI is a strong advocate for skilled migration, and endorses the finding that migration provides a positive contribution to Australia's productivity. ACCI agrees that migration makes an important contribution to addressing labour and skill shortages, as part of a combination of initiatives, which include:

- training Australian school leavers;
- the expansion of the labour pool through increased participation of Australian residents in the workforce; and
- migration through current and newly-introduced migration programs.

One element of the paper that the Chamber would like to address is the ability of the modelling to show the effects of labour and skill shortages. The current model used by the Commission does not take account of the obstacles to economic growth that are imposed by shortages of key skills in some sectors. While numerically these may not be large relative to the total Australian workforce, when they occur in critical areas and regions, they can prevent growth and development, and have a major negative effect on the economy. In terms of the model used, the capital to labour ratio may not be uniform across all industries, and in some areas, there may be a surplus of capital that is unable to be productive due to a lack of skilled workers. So additional workers, far from diluting the capital to labour ratio, will enable surplus capital to become productive.

If these factors are included in the modelling, the net benefit to Australia would be greater than the marginal 0.6% outcome predicted by the Commission's paper. By suggesting that any benefits are only slight, there is a risk that the Commission's paper could be used to support proposals for a reduction in Australia's migration program. In fact, the benefits of a well-targeted program that delivers skilled workers in key areas can be much greater than suggested.

I hope that the Commission's final paper will take account of these factors. I would be very happy for ACCI to be involved in any roundtable discussions prior to the finalisation of the Commission's report.

Yours sincerely

Steve Balzary
Director, Employment and Training