

Reference:

Enquiries: Raymond Garrand

Telephone: 8 303 2280

Fax: 8 303 2277

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Mr John Salerian
Assistant Commissioner
Productivity Commission Migration and Population Study
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Mr Salerian

Thank you for the opportunity to respond to the Productivity Commission's Position Paper on the Economic Impacts of Migration and Population Growth. The South Australian Government has taken this opportunity to assist the Commission in developing its Final Report by submitting the following queries:

1. Does the Productivity Commission acknowledge that the value of migration stems beyond productivity growth, and could be better represented in the paper?
2. Has the Productivity Commission accounted for the significant impact of reduced or static migration on regional areas in forming its conclusions?
3. Will the Productivity Commission's final report recognise the importance of skilled migration as one plank in wider workforce planning strategies and support its effective continuation as a workforce supplement?
4. Have the Productivity Commission's assumptions in modelling the impacts of skilled migration included demographic variances between States, Territories and regions? Has the modelling accounted for the likely need for skilled migration to fill jobs throughout the age and career spectrum as the population ages?

The attached submission has been collated from contributions across Government Departments.

The submission also encloses the Executive Summary of the South Australian Government's review of the overseas qualification recognition processes by the Overseas Qualifications Reference Group of the Training and Skills Commission. This summary supports the Position Paper's comments on overseas qualification recognition.

I understand that a representative of the South Australian Government has attended a workshop on the Position Paper prior to the finalisation of the Commission's final report. I trust that our participation in this workshop and our attached comments reinforce the importance of migration to SA and the nation as a whole, and that this importance will be reflected in the Commission's final report.

Yours sincerely

Raymond Garrard
CHIEF EXECUTIVE
Department of Trade and Economic Development

The Government of South Australia thanks the Productivity Commission for the opportunity to comment on its Position Paper on the Economic Impacts of Migration and Population Growth.

The Government raises four key questions in relation to the Position Paper:

- 5. Does the Productivity Commission acknowledge that the value of migration stems beyond productivity growth, and could be better represented in the paper?**
- 6. Has the Productivity Commission accounted for the significant impact of reduced or static migration on regional areas in forming its conclusions?**
- 7. Will the Productivity Commission's final report recognise the importance of skilled migration as one plank in wider workforce planning strategies and support its effective continuation as a workforce supplement?**
- 8. Have the Productivity Commission's assumptions in modelling the impacts of skilled migration included demographic variances between States, Territories and regions? Has the modelling accounted for the likely need for skilled migration to fill jobs throughout the age and career spectrum as the population ages?**

1. Does the Productivity Commission acknowledge that the value of migration stems beyond productivity growth, and could be better represented in the paper?

The Report's finding does not fully capture the broader social and economic benefits of migration.

The most economically productive immigration to Australia would be to supply skilled labour to overcome specific labour shortages that are handicapping growth in Australia's export-oriented industries. That said, history has shown, that areas of unskilled migration and humanitarian migration can also provide significant long-term benefits to economic growth and profitability. A key objective of national and state governments has been to use migration as a mechanism for increasing the availability of skilled labour, particularly in areas of current or expected shortage. Skilled labour shortages have frequently been reported in recent times in those meat processing industries targeting export markets and in the mining sector where there has been a major increase in the overseas demand for our exports.

The issue of the success of this approach in contributing to the availability of skills was not a feature of the report's analysis. Likewise, the impact of this approach to the economic growth of industry sectors hampered by skill shortages does not appear to have been analysed. While it is understood that such analysis would be difficult to undertake, its absence *potentially underestimates the contribution of migration in facilitating growth in sectors which are suffering from chronic skill shortages.*

Further to this, although the economic benefits resulting from migration are noted in the Position Paper as being minor, they are positive nevertheless in terms of per capita income. This adds weight to the argument for continued skilled migration. Also, the positive impacts of migration are evident in labour market outcomes such as reduced unemployment rates. Labelling migration as positive or negative simply on income per capita is too simplistic and, as mentioned above, could have adverse and unintended consequences for national migration policy.

Rather than being used as a vehicle for diminishing the value of migration, the Commission's final report should serve to emphasise that any immigration intake could be better targeted. Specifically the intake would maximise economic benefit if it could meet specific skill shortages preferably in industries where these shortages are adversely impacting on production and where the skill shortages can not be suitably addressed by local training and retraining opportunities. While a focus has been upon sustaining export-oriented industries, it is crucial that skills central to supporting the sustainability of communities are also attracted and maintained. The following item raises the importance of medical skills in maintaining viable communities, but other industries such as housing construction are also vital.

2. Has the Productivity Commission accounted for the significant impact of reduced or static migration on regional areas in forming its conclusions?

Specific regions and specific industries within regions are particularly sensitive to skill shortages and are more reliant on the provision of skills through migration than some other industries. A clear example of this is in the health industry, and the Position Paper overlooks the make-up of the medical workforce in Australia.

A study in 1998 showed that approximately 20 per cent of medical doctors in Australia attained their initial medical qualification overseas and the majority become permanent Australian residents or citizens. In addition to the permanent migration of medical doctors, there is a considerable additional workforce that has migrated to Australia on a temporary basis. It is estimated that during 2002 there were 2,900 medical doctors working in Australia on temporary visas. Such appointments are often used to augment the workforce to overcome shortages or provide services in rural and remote settings where it is difficult to attract workers.

Now and historically, overseas trained doctors have worked in rural and remote locations where it has been extremely difficult to attract Australian born doctors who have a preference for working in metropolitan locations. While the impact on the productivity of the economy in terms of the numbers of migrants may be minimal in general terms, the migration of overseas trained health professionals to rural and remote areas has and is likely to continue to be important in enabling health services to be provided to these areas. Mining and agriculture production are key industries that generate wealth for Australia. Much of this activity occurs in rural and remote locations and as such there are enormous productivity ramifications from allowing these workforces to diminish. This will be even more important as local workforce shortages worsen. The ageing of the population – again advanced in this state – will further exacerbate this issue as an older population increases demand on health services.

There are two likely consequences of the ageing of the population, namely an increase in the number of health services sought and a decline in the population.

This has been recognised in the Commission's report on the Australian Health Workforce. Skill shortages have already been identified and are likely to increase as a significant proportion of the current health workforce retires. The ageing of the workforce is not restricted to the Australian population, but is a feature of many developed countries and also of some developing countries. Reliance upon overseas trained health professionals, particularly medical doctors, will continue to be needed as mechanisms to deal with the impending workforce shortages are developed.

A healthy workforce has the capacity to be a productive workforce. A significant consequence of a reduced supply of health professionals may be a drop in productivity as the work force would not be able to access health care services at current levels. This issue couples with the consideration at (1) above pertaining to the availability of labour to industries that provide much of the backbone of South Australia's economic productivity. Other industries of societal significance also face similar problems in the long term, such as education.

3. Will the Productivity Commission's final report recognise the importance of skilled migration as one plank in wider workforce planning strategies and support its effective continuation as a workforce supplement?

Despite the overall finding of a minimal productivity benefit of a substantial expansion in migration, much of the general discussion at the beginning of the report outlines the recent positive improvements to Australia's migration program, particularly as a mechanism for increasing the availability of skilled labour in areas of shortage. However, the issue of the success or otherwise of this approach and its contribution to economic growth was not a feature of the Paper's analysis. While such analysis may have been complex, its absence further underestimates the contribution of migration to growth in shortage areas.

The Paper does acknowledge the importance of an effective skills assessment and recognition system in gaining the most productivity from skilled migration. Many of the Commission's findings on the recognition of overseas qualifications are also reflected in the findings of the South Australian Government's own review of the overseas qualifications system conducted by the Overseas Qualifications Reference Group of the Training and Skills Commission. The South Australian Government therefore supplies the Executive Summary of this submission as part of its comments on this issue (Attachment 1) and supports the actions recommended in this respect.

Whilst maintaining and improving the efficacy of skilled migration as a mechanism for filling problematic skills shortages remains central to this response, the Productivity Commission is also urged to frame migration as one strategy within a range of endeavours to maintain economic and productivity growth. Innovation, human capital and productivity generally are likely to be important strategies for growing per capita income in the future. A continued focus on policy areas such as innovation, technical development, and training and skills development of existing labour supply need to be sustained alongside a focus on skilled migration for productivity benefits to be fully realised. The South Australian Government is developing workforce development and enhancement strategies as well as initiatives to stimulate creative industries to ensure that economic and productivity growth are promoted on multiple fronts.

Likewise, the Commission does not seem to have examined the cost and relative benefits of growing the skilled labour supply by other means such as growing the overall population in the long term by more emphasis on family friendly policies.

4. Have the Productivity Commission's assumptions in modelling the impacts of skilled migration included demographic variances between States, Territories and regions? Has the modelling accounted for the likely need for skilled migration to fill jobs throughout the age and career spectrum as the population ages?

From an assessment of detail available in the Position Paper, the modelling used to form the Commission's conclusion of a minimal benefit from substantially increased migration seems to ignore several existing preconditions which could produce very different results if included in modelling.

The pending retirement of the Baby Boomer generation will create relatively sudden and significant skills gaps at management and high-end skill levels. Simultaneously, maintaining sufficient growth in labour supply to underpin reasonable levels of economic growth would necessitate the employment of people with lower levels of experience and skill, and the increased participation of people currently disengaged from the workforce. This would cause an additional productivity gap that may not have been accounted for in the Commission's base case. This would result in an underestimation of the value of externally-imported skills in the Commission's modelling.

As stated at the beginning of this paper, the modelling used does not appear to reflect the current beneficial impact of skilled migration when compared to the deleterious impact of present and future skill shortages. It also does not account for the demographic trends that will exacerbate this shortage, namely the ageing of the population. This will create a need for skilled migration outside of the traditionally accepted workforce age as the retirement of the Baby Boomer generation will cause shortages in high-level and managerial levels. The anticipated gap might not readily be addressed by local training given the time taken to develop these higher skills.

Certain jurisdictions, including South Australia, would be more severely affected by these demographic changes than others due to existing demographic circumstances. South Australia is, as a whole, older than most states and as such it will face shortages sooner and more severely. Any reduction to migration as a mechanism to reduce skills shortages will impede South Australia's ability to prepare for and counter these issues.

The paper displays little if any attempt to make a detailed sub-national level of analysis, apart from some discussion of selected trends such as increased costs of congestion in the major capital cities and a brief separate analysis of the impact of immigration in regional areas. This is disappointing given that recent changes to the immigration program have emphasised the need for immigration to be spatially targeted to particular geographic regions within Australia through the State-Specific and Regional Migration initiatives. The South Australian Government recommends that the Commission re-model the scenario taking into account demographic and workforce variances.

One aspect of the modelling refers to the impact of migration on foreign investment. The Report says that migration increases the growth rate of labour supply and that if the economy is to absorb the increased labour supply, then increased capital investment is required. It appears that the Commission assumes that additional capital investment is financed solely from foreign sources. The veracity of such an assumption is questioned given that the modelled increase in migration would provide a larger economy and potentially increased (absolute) savings that could partly finance additional investment requirements. If the assumption of full foreign investment financing was partially relaxed to incorporate some level of domestic financing, the deduction from GNP per capita may be less than the modelled results.

The South Australian Government also understands there would be some major economic effects that it was not possible to model, such as capital and investment, economies of scale and competition, but it is disappointing that there is little detailed attempt to analyse these effects at least at the national level.

To close, it could be asked if the Commission's approach to developing this paper addresses the pivotal question behind this enquiry: will the skill shortages reported by industry be satisfactorily addressed by a 50% increase in skilled migration? Even if the answer is positive, is this the best available policy option or is it just one of a possible armoury of approaches that need be adopted?

Overseas Qualifications Reference Group: Final Report to the Training and Skills Commission

Executive summary

Migrants, and the skills and experience they bring, are valuable and important to our economy and our community. An increasing number of migrants are settling in South Australia, many of whom arrive under a skilled visa. The following table shows the number of migrants that arrived in South Australia during 2002-03 and 2003-04.

Visa Type	2002-03	2003-04
Family	1243	1240
Skilled	1239	2176
Business	93	102
Humanitarian	686	844
Other	396	411
Total	3657	4773

Source: DIMIA Immigration Update June 2003, and June 2004

It is not only skilled visa holders who possess valuable skills- their spouses and other family members, family visa holders and humanitarian migrants can also possess skills and experience that are needed in the South Australian labour market.

The system of overseas skills and qualifications assessment and recognition in South Australia is, by its nature, complex. The country in which the qualifications were obtained, the knowledge and experience of the individual, and the occupation involved all come together to create unique recognition and assessment pathways. The multiplicity of the overseas skills and qualifications assessment and recognition system needs to be acknowledged and worked with, rather than aiming to implement a one-size-fits-all approach across all the various pathways.

In considering its terms of reference, the Overseas Qualifications Reference Group has found that:

- while there are many good practices and initiatives being implemented, there remains several barriers to the effective assessment and recognition of overseas skills and qualifications;
- there are significant gaps in the availability of information for potential migrants offshore, new arrivals, employers and intermediaries about the South Australian labour market and skills and qualifications assessment and recognition processes;
- there is potential to shorten the length of time involved in assessment processes through the establishment of off-shore and on-line processes across a broader range of occupations;
- the costs associated with assessment and registration can be a significant barrier to some migrants, particularly those from developing countries;
- Many migrants, including skilled migrants, require support in navigating the employment and skills system;
- community perceptions about the value of overseas qualifications and migrant's skills continue to present barriers to the successful transition of migrants into the workforce.

In addressing these issues, the key recommendations of the Overseas Qualifications Reference Group are that:

- targeted skill migration campaigns for South Australian skill shortage or in demand occupations should be expanded. This approach should involve a package of support for

groups of migrants including an attraction campaign, development of a tailored recognition pathway including qualifications assessments, bridging courses, orientation programs and should be connected to firm employment offers by local industry;

- employment and skills related case management services for all migrants with skills should be made available by the State Government, to facilitate their settlement and promote a successful transition into the workforce;
- a website be established as a virtual one-stop-shop for information migrants need about obtaining employment in South Australia. It should provide general information
- about the South Australian labour market, the processes involved in having overseas qualifications assessed and include links to the websites of professional associations and other bodies involved in assessment and registration;
- a shop-front information hub for recent arrivals requiring information, referral, advice and advocacy for employment and qualifications matters be established. This hub could house existing DFEST migrant services and potentially be used by a range of professional bodies in the delivery of industry orientation programs, workplace language courses, and professional development activities for the sector.