



Australian Government

Department of Education, Science and Training

Secretary

Lisa Paul PSM

Mr Gary Banks
Chairman
Productivity Commission
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Dear Mr Banks

The Department of Education, Science and Training (DEST) appreciates the opportunity to comment on the Productivity Commission's *Economic Impacts of Migration and Population Growth* Position Paper. This is a useful Paper which reveals a number of important issues concerning the importance of skilled migration for the Australian economy.

With regard to skill recognition issues, the Position Paper states that Australia's skill recognition arrangements are generally well developed but also points to some areas of possible improvement. In particular the Commission commented that the Country Education Profiles (CEP) are outdated. However it should be noted that in October 2005 new CEPs were launched. The Profiles provide stakeholders with instant access to over 106 countries online with new profiles and assessment guidelines for a range of priority countries. Attachment A provides more details of the new CEP.

The Commission also asserted that multiple agencies and jurisdictions have increased the complexity of the skills assessment and recognition arrangements in Australia. This concern has been recognised by COAG which announced in its communiqué of 10 February 2006 that it would progress a programme of work to provide for nationally consistent licensing. Clearly it will take some time for this work to reach an agreed position across States and Territories and for enabling legislative and regulatory reforms to be implemented.

With regard to assessing the impact of skilled migration, DEST has a keen general interest in the role of skills, and education and training more generally, in promoting economic growth. As you are aware, the proportion of Australians with higher level qualifications and post-school training has been growing for some time. Better levels of educational attainment are associated with stronger labour market attachment, as Figure 1 in Attachment B shows with regard to labour market participation. Figure 2 in the attachment illustrates the positive relationship between educational attainment and earnings. As the Commission notes in the Position Paper (page 78) "...wages are generally correlated with productivity across the labour market." Such indicators suggest strongly that education makes a significant contribution to economic growth by increasing participation, employment prospects and the productivity of individual workers, although it is difficult to determine the exact size of that contribution, separate from the many other influences on the economy.

It is readily understood that skilled migration involves particular forms of adjustment in the labour market and the broader economy which may act to delay or reduce its potential benefits. Some of these adjustment processes, for instance those which influence labour market participation and employment of skilled migrants, are comprehensively discussed in the Position Paper.

We consider, however, that other aspects of adjustment warrant further examination, particularly in the context of the economic modelling reported in the Position Paper. One of the critical factors in this modelling is an apparent long-term deterioration in labour productivity. This results from slow adjustment of capital to additional skilled persons available for employment through migration. Another assumption that influences the results is an expected deterioration in terms of trade. This deterioration reduces the revenue flowing from additional exports and increases the costs of the extra imports which are stimulated by higher migration levels.

It is important to test the sensitivity of the results to such major assumptions used in the modelling. In this light, DEST notes the differences between the MONASH general equilibrium model used by the Productivity Commission in their research and Econtech's model which has been utilised by DIMA. These differences were discussed at length at a Productivity Commission Workshop, attended by DEST officers, in Canberra on 17 February 2006. One of the key differences between the two modelling exercises relates to capital adjustment and labour productivity.

We also consider that such economic models may not fully reflect the impacts of skilled migration under very different sets of circumstances to those which have prevailed over the last three decades when generally there was an excess supply of labour and high unemployment. A recent report from the Department of Employment and Workplace Relations *Workforce Tomorrow – Adapting to a more diverse Australian labour market* shows that over the five years to 2009-2010, demographic change could reduce the labour supply to the extent that the annual rate of employment growth would fall from 1.9 per cent to 1.5 per cent. Slower employment growth would act to ease the adjustment pressure on capital resulting from larger numbers of skilled migrants. Under these circumstances labour productivity may be higher than what might be expected on the basis of the historical relationships incorporated in the models, which reflect excess labour supply.

A number of expert participants at the Canberra workshop discussed more general limitations with general equilibrium modelling compared to alternative approaches such as testing specific structural relationships among key variables using actual historical data on migration levels, economic growth and so on.

In summary, DEST considers that the Commission's analysis would be more valuable to policy makers, commentators and the broader community if its final Report provided more information about how the results might vary under varying assumptions and different modelling and theoretical approaches.

Again, DEST appreciates the opportunity to make a contribution as part of this process and we look forward to receiving the final Paper.

Yours sincerely

Lisa Paul

31March 2006

Country Education Profiles (CEP)

The Department of Education, Science and Training, via the National Office of Overseas Skills Recognition (AEI-NOOSR), is responsible for the provision of services that underpin the recognition of overseas qualifications in Australia.

Over the past five years increased user demand has stretched AEI-NOOSR's capability to effectively deliver its services. In 2003, AEI-NOOSR commenced a change process aimed at improving the way in which services are provided. A key result of this process was the launch, in October 2005, of the new Country Education Profiles online project.

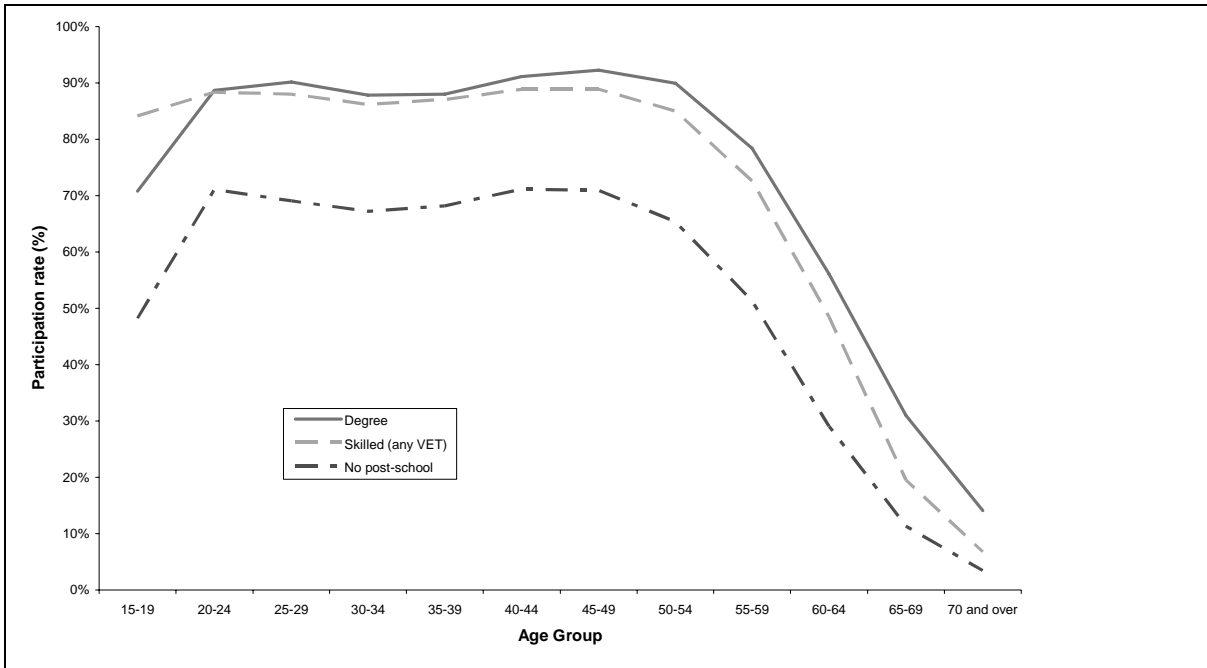
Country Education Profiles provide authoritative information on country education systems and advice and guidance on how overseas qualifications compare to Australian qualifications. They are an invaluable source of information to guide decisions on overseas qualifications for the purpose of migration, work, and admission to study or professional recognition.

The launch of CEPs Online provided stakeholders with instant access to over 106 countries online with new profiles and assessment guidelines for a range of priority countries. The new CEP Online system is a functional and dynamic system that can be accessed by any individual or organisation on a subscription basis. Online information is updated regularly with the focus for updating on value adding information which caters for the diverse information needs of users including Australian education institutions, professional bodies, State and Territory Overseas Qualifications Units, government agencies, employers, education agents, migration agents, overseas organisations and individuals.

As at February 2006, over 500 subscribers, which includes organisations and individuals from both Australia and overseas, have signed up for this service. The Department surveyed over 250 users, as part of CEP online training sessions recently conducted around Australia; and consistently received positive feedback from all sources on this service.

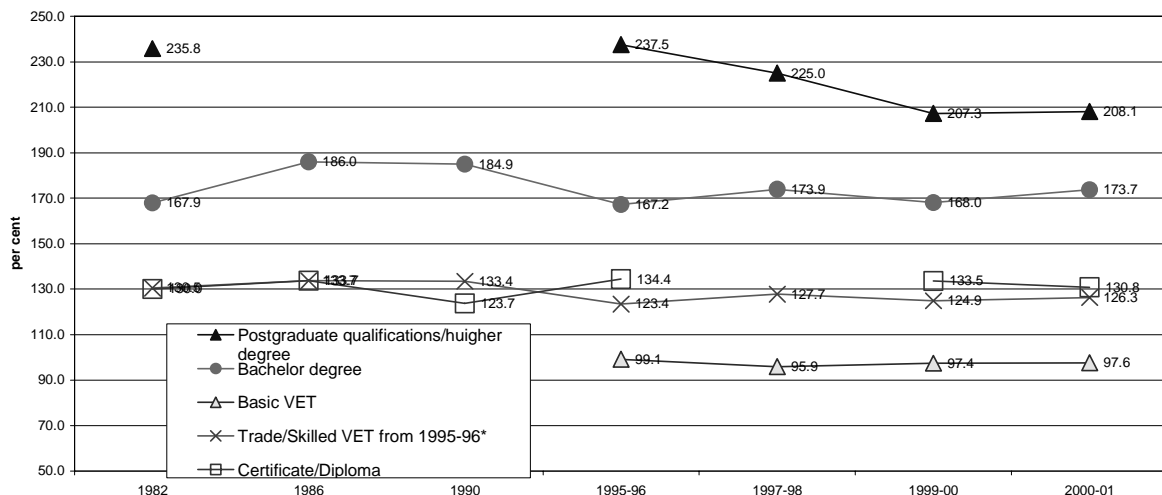
Educational qualifications, labour market participation and earnings

Figure 1 Labour force participation by AQF level of educational attainment



Source : ABS Census data 2001

Figure 2 Relative earnings for different levels of qualification 1982 to 2000
 Mean weekly income for persons with university or VET qualifications as a percentage of those with no post-school qualifications
 1982 to 2000-01



**For 1982, 1986 and 1990 the ratio refers to trade qualification;
 for 1995-96, 1997-98, 1999-00, 2000-01 the ratio refers to skilled VET
 Source: unpublished ABS data