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## General discussion

Discussion began with one participant questioning Chris Richardson's assertion that immigrants do not take jobs away from existing residents, as they contribute to the level of demand in the economy and hence 'create' their own jobs in an aggregate sense. How could this argument be reconciled with the idea that immigrants would help relieve increased demand caused by growth in the mining sector? Mr Richardson replied that the two points were not inconsistent as immigrants help fill a labour 'gap' in the short term but contribute to overall demand for labour in the longer term.

Referring back to Professor McDonald's point that a large part of the recent increase in net overseas migration was attributable to a change in ABS measurement methodology, one participant asked whether Mr Richardson's analysis of migration during the mining boom had accounted for this. Mr Richardson agreed that there were many migrants, such as overseas students, present in Australia prior to the measurement change who would not have been counted in net migration numbers, but that their capacity to assist in meeting increased labour demand was limited by their visa conditions. He also noted that overseas students might contribute in some way by filling part-time jobs, which would 'free up' others to work in the resources sector.

Another participant queried Mr Richardson's statement that the rest of the world wants Australia's population to grow faster, saying instead that the world just wants to purchase minerals at the lowest possible cost. Wouldn't the number of skilled workers required by the mining industry be limited, and if so, why should a mining boom necessarily imply a large increase in immigration?

Mr Richardson responded that increases in commodity prices have increased the exchange rate, making imported goods such as plasma TVs cheaper for Australians. Retailers consequently experience an increase in demand for their products and there are flow-on effects to increase labour demand more generally. The participant who asked the original question countered that not all Australians will be significant beneficiaries of the increased wealth generated by a mining boom, in the absence of a mineral resources tax to capture and distribute these gains.

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Mr Richardson was asked about his assumption that the flow of skilled immigrants would stop in future years and that it would be insufficient to meet the increased demand for labour engendered by the resources boom. There are no legislated caps on the numbers of migrants entering on temporary business (long stay), working holiday maker or student visas, noted the participant. Mr Richardson conceded that there are uncapped visa categories that can help meet the increased labour demand, but remained concerned that an adequate supply response would not occur quickly enough to meet the need for workers on major resource projects. The participant who raised the issue then argued that there was a ‘reasonably quick’ turnaround of about 18 days, on average, between an employer’s application for an immigrant worker and a successful visa being granted.)

Professor Woodland was asked to comment on how his estimates of the fiscal impact of population ageing might vary with changes in assumptions about the actual retirement age of the population, as distinct from the age of eligibility for the age pension. A participant hypothesised that the actual average retirement age might be increasing, or increase in the future, if older people feel that ‘their money is going to run out’, and this could influence the impact of ageing on the budget.

Professor Woodland replied that his model incorporated both the eligibility age for the age pension, (assumed to be increasing over time) and the actual average retirement age (treated as endogenous and a function of individuals’ decisions to retire or not retire at a particular time). He has found that the actual retirement age does not change substantially except in response to changes in rules surrounding the age pension (such as increases in the age of eligibility or ‘taper rates’ that reduce the pension available to a person according to his or her income). He also stressed the importance of talking publicly about the trade-offs between changes to age pension eligibility rules (which cause older people to continue working beyond the age they otherwise would) and the effect on public finances.

Professor Chiswick, having spoken about the merits and potential problems associated with points-based and occupation-based methods of selecting skilled migrants, was asked for his view on combining both forms of selection in Australian migration policy. He recommended avoiding a policy setup that selected migrants on the basis of their skills, an included occupational licensing regulations that prevented migrants from using their skills. In a follow-up question, another participant wondered whether skilled migrants might find skilled employment in other fields still related to their original field of study. For example, a trained doctor who faced barriers to practising as a medical professional in the destination country might be able to work in a related science or health profession. Professor Chiswick agreed, noting that this certainly happens in Canada (which has a points-based

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selection system), but reiterated that for many, their skills as doctors would go to waste.

Professor Woodland was asked about how his model incorporated human capital accumulation and depreciation over an individual's lifetime. It was suggested that if average life expectancy were increasing predictably, then rational individuals would choose to invest in human capital with lower depreciation profiles in the later part of life. Professor Woodland reiterated that his model did not currently treat decisions about human capital formation as endogenous, but that this would be a possible and potentially desirable extension to the model. Professor Chiswick suggested that modest increases in an individual's expected working life would be unlikely to significantly change human capital decision-making in the early part of the life cycle, as the difference would be small in net present value terms. Instead, increased longevity would likely manifest itself in a greater prevalence of mid-career occupational changes.

One participant asked Professor Chiswick whether the greater mobility of international capital relative to labour might 'neutralise' potential benefits from unskilled migration, as capital 'rushes in' in response to lower-cost labour. Professor Chiswick responded that he was unsure about the complementarity between skilled labour and capital in Australia, but that in the United States, it was high-skilled rather than low-skilled workers that have attracted (and retained) capital into the country.

Professor Woodland was asked to comment on whether his modelling could offer any insight on the idea that realistic changes in the level of migration would not substantially affect population ageing. He responded that his model did not distinguish between sources of population growth (natural increase versus net migration) and so he could not adequately answer this question. He did suggest that thinking about the longer term (30, 50 or more years into the future) would be more relevant for deciding whether population growth would be 'a good or a bad thing'. Mr Richardson added that he had done some modelling over a 40-year time frame in which he found that 'fairly massive amounts of migration' would be needed to keep the participation rate constant by 2050 (given population ageing).

The discussion returned to issues of how population growth would affect the wellbeing of existing residents. One participant suggested that a larger population would lead to the dilution of capital that could not be replaced at a constant cost, such as infrastructure and land. This could lead to 'crowding of facilities', which raises issues about the growth in per capita real income and growth in the living standards of the existing Australian population.

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Mr Richardson was queried about his forecast of an extended period of relatively favourable terms of trade for Australia, given that historically such ‘spikes’ in the terms of trade had proven to be short-lived. He responded that while he felt that the world-wide supply response would eventually increase to match the high demand from countries such as China and India, his view was that high Australian terms of trade would remain the case for a while yet.

Another participant suggested that too little attention had been given to meeting increased demand for skilled labour through ‘home-grown’ alternatives to immigration: education and training of existing residents (particularly young people) and challenging the norm of retirement at 60 or 65. In response, Professor Woodland commented that people’s choice to retire, in his model, depended largely on age pension eligibility rules. Only when these rules are changed do people continue to work longer. Further, he said, there was limited information about workers’ productivity after the age of 65 or 70 as there are relatively few people over that age in the workforce. Professor McDonald added that even if participation rates of the existing population were at maximum levels, that would not produce the labour supply response that is possible from migration inflows.

The discussion concluded with a few final comments from Professor Chiswick on the topic of skilled immigration. Specifically: selection policies favouring skilled migration has benefited low-skilled workers by increasing their incomes, and encouraged capital formation and technological advancement. However, there is a need to ensure the potential benefits from skilled migration are realised by removing barriers to the recognition of migrants’ skills.