

IMMIGRATION AND  
THE REGIONS:  
TAKING REGIONAL  
AUSTRALIA SERIOUSLY

A REPORT ON OPTIONS FOR ENHANCING  
IMMIGRATION'S CONTRIBUTION TO  
REGIONAL AUSTRALIA<sup>i</sup>

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## EXECUTIVE SUMMARY

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Right now regional Australia is at a crossroads. The globalisation process has brought a new focus on the exciting potential of many of Australia's regions. But at the same time it has challenged the vitality and prosperity of other regional areas. Policies are needed that can maximize the potential while reducing problems. In short, there is a need to seek to reduce regional inequality and enhance all-round prosperity. This report suggests that a reformed migration policy could play an important role in meeting this goal.

The report proceeds by:

- Documenting the nature of regional change and its potential for the future (chapter 1);
- Reviewing regional population trends and the link with immigration (chapter 2);
- Examining regional migration policies presently in place in Australia (chapter 3); and
- Re-thinking what might be done in the future (chapter 4).

It is concluded that new immigration measures can play a key role as part of the package of measures that are required to improve regional outcomes for Australia. A new approach based on specific immigration-related policy initiatives that could be pursued by the Commonwealth Government alone and/or in conjunction with state and territory governments and the wider community is proposed as follows:

### PROVIDE A VIGOROUS COMMITMENT TO REGIONAL MIGRATION BY:

- Adopting a binding 45% minimum regional share in new migration to be achieved within three years;
- Providing a guarantee of regional partnership and empowerment through a Regional Migration Committees network; and
- Establishing a National Infrastructure Council to improve co-ordination.

### ENHANCE GENERAL IMMIGRATION PROGRAMS THROUGH:

- A new two-stage (temporary to permanent) visa for independent skilled applicants for regional residence;
- A new regional points bonus for past or existing temporary visa holders/applicants;
- Adopting real-cost parity for threshold standards for regional migration;
- Restricting performance conditions for two-stage visas to the residency requirement; and
- Enhancing regional provisions of other entry programs, including refugees and aged parents.

### REFORM DEDICATED REGIONAL MIGRATION PROGRAMS THROUGH:

- Consolidating the existing array of schemes into one single program;
- Strengthening pro-active outreach activities by officials and holding them accountable for improvement.

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## CHAPTER ONE: INTRODUCTION

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**Australia is facing the prospect of population decline for the first time since European settlement.** Natural increase will be negative by the third decade of this century. Emigration is running at 50,000 persons each year. This puts a heavy onus upon immigration if our population is to expand at all in our medium and long-term future.

But Australia has long been an immigrant country. Migration has been in many ways the story of Australia and the making of the nation. As a consequence there is broad bi-partisan political support for immigration continuing to play an important role in national economic and social development. But public endorsement of this continuing role does require guarantees that immigration be seen to be of benefit for all Australians.

One key dimension to this is that more migrants should locate in regional areas. There is concern at over-crowding in some metropolitan locations and, by contrast, there is worry over demographic decline in some parts of regional Australia. If immigration is part of nation-building then its contribution should be fairly shared. At present almost 60% of settlers seek to locate in Sydney and Melbourne.

How this issue might be addressed by explicit immigration arrangements within a free and democratic Australia is the focus of this report. Solutions are of central importance for both population policy and regional policy.

Right now regional Australia is at a crossroads. The globalisation process has brought a new focus on the role and potential of regions, but at the same time it has challenged the vitality and prosperity of many regional areas. Policies are needed that can maximise potential while reducing problems. In short, there is a need to seek to reduce regional inequality and enhance all-round prosperity. This report reviews the role migration policy can play in meeting this goal.

**There is around the world a newfound interest in regions.** One manifestation of globalisation is "glocalisation", a concept that recognises that with the shift to a knowledge-based economy regional concentrations become the vehicles of economic progress and competitiveness as much or more than nations. The emergence and ascendance of this "K-economy" has altered the way that cities and regions establish and maintain their competitive advantage. People, their supporting infrastructure, and the way they interact in particular locations become the source of advantage<sup>1</sup>.

Regional competitive advantage may come from global cities with high technology indicators, but equally important are "rural regions attempting to increase productivity by innovations in grain types and usage, animal diversity and crop rotations, natural resource management and remediation. They are critical in traditional "production zones" where innovation in materials and process technology and linking them to service dimensions, are going to be essential in determining whether the so-called rust belt industries can transform themselves to achieve long-term viability." <sup>ii</sup>

At the same time the differing ability of regions to develop advantage in this environment and to mobilise the right people, resources and capabilities to advance new business opportunities means

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that many regions are being left behind. Some respond well, others do not. The result is a growing inequality of regional development. It is evident in Europe, America and Asia. It is also evident in Australia.

Most recent attention has been paid in Australia to the political angst that has arisen from these developments. The rise of the One Nation Party was partly fuelled by these concerns, and regional reaction to liberal reforms such as Competition Policy has been fierce. The regional response to a seemingly ascendant Premier Kennett in Victoria showed the electoral consequence of ignoring the perspective of regional electors.

But there is also increasing political recognition of the need to make a virtue of necessity. The potential to tap and enhance regional advantage and to guide it to greater achievement seems to be emerging. This is not yet as marked in Australia as in Europe and North America, partly because of our two-party dominance and limited proportional representation, but it is a growing area of policy development. Earlier attempts to lead in the area, such as in the 1993 Kelty-Fox Report and the 1994 McKinsey Report, did not create momentum. But the later political costs of neglect and an increasing awareness of the regional possibilities have defined new circumstances for the field to be revisited and creative policies proposed.

**The essence of new regional strategy is to recognise that leading regions establish competitive advantage through their capabilities.** “They are vehicles for resource mobilisation that can almost instantaneously bring together the resources required to launch new businesses and turn innovations into successful products. For these reasons the nexus of competitive advantage shifts to those regions that can generate, retain and attract the best talent.”<sup>iii</sup>

**A report on the options for enhancing immigration's contribution to regional Australia is therefore important and timely. Over 250 Local Government Areas are already experiencing population decline.** At the same time young people in much of regional Australia itself are leaving for the major global cities here and overseas. An expansive and rebalanced immigration scheme has potential to assist in dealing with these problems and with assisting with the smart growth of Australia.

The overlap of immigration and regional development is at the intersection of two "wild-card" themes in electoral politics and national development. Each can be a source of political disenchantment, and the two came together in the latter 1990s in Hansonism. But handled well the migration contribution to regional prospects could be an electoral bonus.

This report proceeds now by:

- Reviewing regional population trends and the link with immigration (chapter 2);
- Examining regional migration policies presently in place in Australia (chapter 3); and
- Re-thinking what might be done in the future for Australia (chapter 4).

The focus is on immigration-related policies. It is concluded that new immigration measures can play an enhanced role as part of the package of measures required to improve regional outcomes for Australia. A range of specific immigration-related policy initiatives that could be pursued by the Commonwealth Government alone and /or in conjunction with state and territory governments is proposed<sup>iv</sup>.

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## CHAPTER TWO : POPULATION TRENDS AND PROSPECTS

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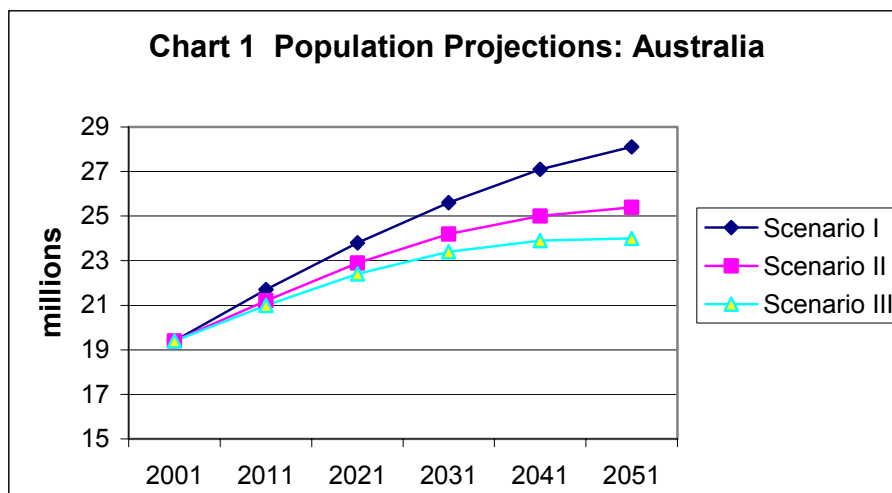
### 2.1 OVERALL POPULATION TRENDS

After two centuries of strong population growth, a slowdown and possible decline in population is in prospect for Australia. The cause is the decline in fertility that has been in evidence since the early 1970s. Since 1978 the total fertility rate in Australia has been below the replacement rate. The result is a projected natural *decrease* from the third decade of the century - despite our much welcomed increases in longevity.

The major factor that can alter this process of decline is net migration. As a country of immigration, Australia is in a position to adopt population policies that can sustain population growth at reasonable levels if it so chooses. Indeed with emigration of many best and brightest running at 50,000 or more a year, some substantial immigration is needed to fend off even earlier decline and loss of skills. This is a matter of national choice and policy leadership.

The Australian Bureau of Statistics (2003) provides indicative population projections for Australia over the period 1999 to 2051 under three different scenarios. Scenario 1 (“high”) assumes a net overseas migration of 110,000 per annum; scenario 2 (“medium”) assumes a net overseas migration of 90,000 per annum; scenario 3 (“low”) assumes a net overseas migration of 70,000 per annum.

These official projections beg the issue of what is “high”, “medium” and “low” and they embed a conservative projection methodology by using migration *levels* and not *rates*, unlike the Canadian Statistician who has recently begun incorporating rate projections for migration in official analysis (Withers 2002a). Nevertheless they illustrate the broad directions well enough to flag the potential role for immigration in policy choice, as is seen in Chart 1.



According to the Australian Bureau of Statistics, the population is likely to grow from 19 million in 1999 to somewhere between a low of 24.1 million and a high of 28.2 million by 2051, but increasingly via migration rather than net natural increase. The comparable projections for 2011, a decade from now, are a low of 21.1 million and a high of 21.7 million.

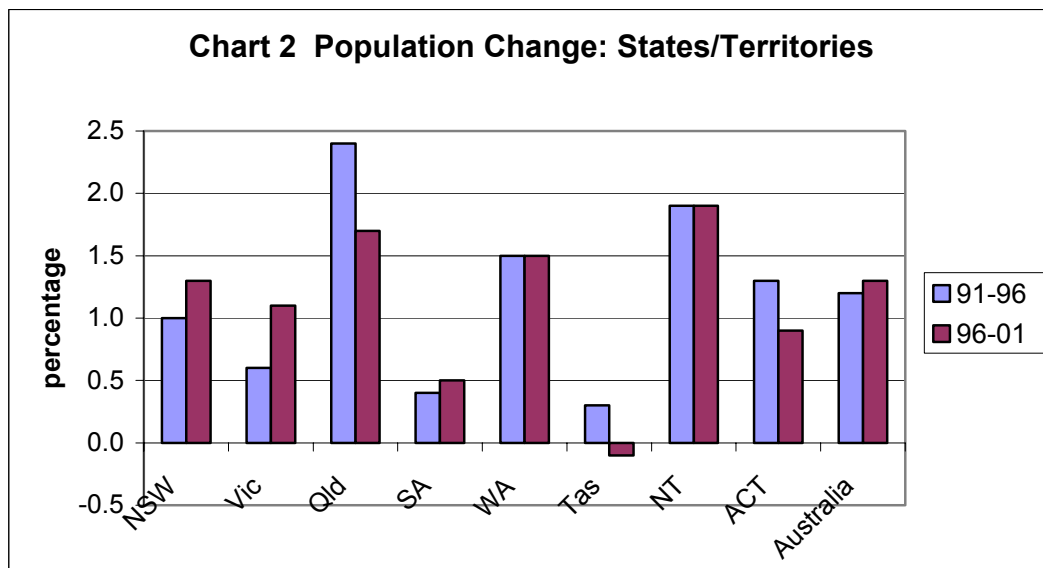
A current annual population growth of over 1.2% will have fallen to somewhere in the range plus 0.4% to minus 0.6% by mid century, under these projections.

It is notable that, even under these conservative projections:

- Additions to the population through overseas migration have a positive impact on the number of births, by adding to the number of women of child bearing age, and eventually their daughters grow up to become mothers themselves. For example, in 2021 some 7,400 additional births would occur under scenario 2 as a result of the extra 20,000 people added per year, compared to scenario 3.
- The proportion of the population aged 65 years and over are significantly less under higher migration levels. For example, 27% under scenario 3 versus 24% under scenario 1, or 410,000 less persons. This is significant because each percentage point reduction in aged-share represents a saving of around \$1billion in current public outlays (Withers 2002b)<sup>vi</sup>

At the regional level, under all projections over the next 50 years, based on recent trends being maintained, the population will still increase in all States and Territories except Tasmania and South Australia, and Queensland will replace Victoria as the second largest State by the middle of the third decade of the century.

Chart 2 shows the trends of the recent past decade that help underpin such projections.

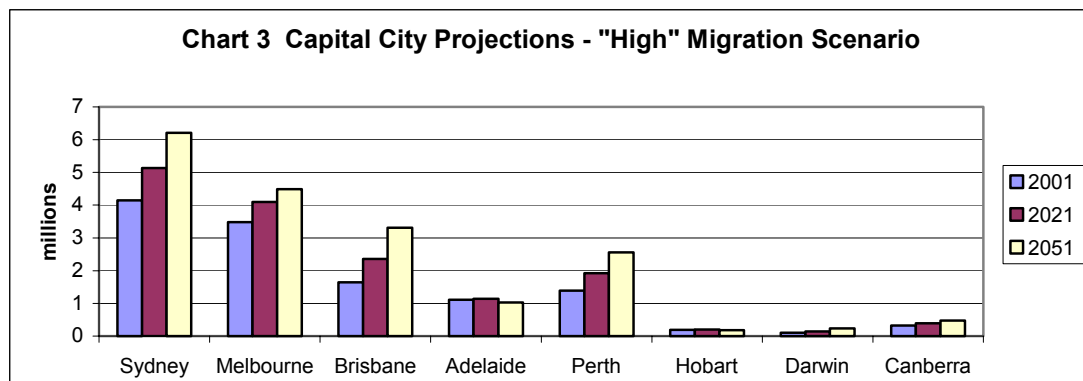


## 2.2 RELATIVE POSITION OF CITIES AND REGIONS

There is no single, universally accepted, definition of 'regional Australia'. In the broadest sense, it can mean simply non-metropolitan. The term non-metropolitan is used to refer to all parts of the country outside centres with more than 100,000 population. But a key issue of differentiation within regional Australia is also that of remoteness, or distance from metropolitan areas and services.

Capital cities<sup>vii</sup> are home to nearly two-thirds (64%) of Australia's population and the ABS projects no decline and possible increase in this share in the future eg to 66% to 69% by 2051 under the standard scenario range. Chart 3 shows the individual capital city projections under the ABS "high" scenario.

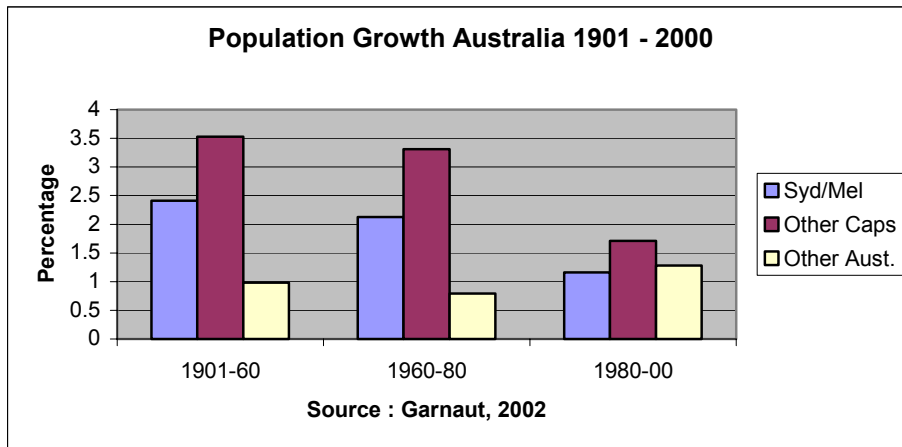
Sydney and Melbourne absolute dominance persists. And in the most recent inter-censal period , 1996-2001, the largest absolute growth for Australian cities certainly occurred in Sydney and Melbourne. Much of this growth actually occurred in the outer suburban areas, particularly south-west Sydney and south and south-east Melbourne. But inner city areas also experienced high rates of population increase, with Sydney City LGA<sup>viii</sup> recording an annual growth rate of 18.1% and Melbourne City of 5.6%.



Relatively speaking, the fastest growth rates for the metro areas are found, however, to be in Brisbane and Perth. This reflects a long-run historical trend that is illustrated in Chart 4. The other capitals have in fact been steadily catching up on the position of Sydney and Melbourne, despite the lower growth rates in later decades in two of them (viz. Adelaide and Hobart).

Indeed if a broader definition of capital city boundaries is adopted so as to include contiguous urban areas, by the 1990s the absolute increase in population became as large for Greater Brisbane as for Greater Sydney. Each grew by about half a million persons over that decade, on the broader definition. It is also the case that the ABS projections show lower capital city shares under the higher scenarios, reflecting more than offsetting internal migration assumptions.

Chart 4



Generally the largest growth outside the capital cities occurred in coastal areas of Australia – Lake Macquarie, Tweed, Shoalhaven and Hastings in NSW; Bass Coast and Surf Coast in Victoria; the Gold Coast and Sunshine Coast of Queensland; Busselton in WA. But, over the decade 1991-2001, a number of other regional centres also gained population. These included Maitland and Queanbeyan in NSW; Geelong, Bendigo and Ballarat in Victoria; Cairns in Queensland; Port Lincoln in SA; and Albany in WA, in addition to the metro-linked LGAs of Dandenong in Vic; Marrickville, Canterbury and Waverley in NSW; and the regional centre of Launceston in Tasmania.

The LGAs with large population declines were mostly smaller centres in regional Australia. These included Whyalla in SA; Daringa and Mt Isa in Queensland; Ashburton and Coolgardie in WA.

Areas of population growth in regional Australia are therefore strongly concentrated in certain areas: around metro areas; along the east and southwest coasts; in some resort and retirement areas; some regional centres, notably along the Hume Highway; some remote areas with mining, tourism and significant indigenous populations.

There is also a spatial concentration of areas experiencing population decline: dry farming areas of the wheat/sheep belts in eastern states and in WA; pastoral areas in central Australia; older mining areas such as Broken Hill; older industrial centres such as Whyalla in SA. There is also a pattern of declining growth with increasing distance away from large cities, with the exception of 'very remote' areas growing faster than 'remote' areas (Glover et al 1999).

To give some coherence to the picture National Economics(2002) distinguishes the following regions:

- Core metropolitan
- Dispersed metropolitan
- Production regions
- Lifestyle regions
- Rural-based and remote regions
- Resource-based regions

Using these characterisations what can be said is that overall, **some 53% of Australians live in the five largest cities and this share is increasing, especially so through Brisbane and Perth growth.** There is population renewal in the core metro areas and high growth in the dispersed metro areas and in the lifestyle regional centres along the coast in close proximity to the capitals. For the production regions, and rural and resource regions there is more population slowdown or decline in evidence.

### 2.3 DEMOGRAPHIC DIMENSIONS OF CHANGE

#### Fertility and Age

Regional Australia has shared the national trend of lowering fertility over the last few decades. However, in the first half of the 1990s fertility in non-metro areas was around replacement level – 16% higher than Australia as a whole and 19% higher than the capital cities (Glover et al 1999). Fertility also increases with the degree of accessibility/remoteness, due to intrinsically higher fertility in rural areas and in indigenous communities.

A key characteristic of the age structure of metro compared to regional Australia is the fact that **the prime working age groups are strongly represented in metro areas and significantly under-represented in regional areas.** Non-metro areas have substantial over-representation of males in the 55-74 age groups and females in the 55-64 group. While there is still an absolutely greater proportion of the ageing population living in metro areas, there is a continuing and growing trend for the 65+ population to be concentrated in country towns and regional centres, reflecting the increasing significance of retirement population shifts.

Almost all non-metro areas, even those recording overall growth of population, record net losses of young adults in the school leaver and workforce entry ages. On the other hand, some selected growing non-metro areas often have net gains in the young family formation ages (especially single parent families) and those areas with favourable geographic amenity as well as substantial regional cities have net gains of older, retirement populations. Areas of rural depopulation often face significant problems due to ageing of their populations, compounded by the loss of young adults, which reduces the social and employment potential and range of services in an area (Hugo 2002).

#### Internal Migration

The greater impact on regional population comes from internal migration. **The pattern of internal migration movement over the last two decades has been mainly northward and westward.** All states and territories experienced a net loss to Queensland and Western Australia, but Victoria has now reversed the trend and has recently gained from internal migration. Some of these are long-term patterns (eg NSW to Qld) while others are short-term responses to economic fluctuations. Most recently, Queensland and Victoria have been the only two states to continue to experience a net gain from interstate migration. Queensland's gain has doubled from 20,000 in 2001 to 40,000 in 2002, while Victoria's gain has been in the 5000-7000 range annually.

NSW had the largest net interstate outflow of population rising to almost 30,000 in 2002 (ABS 2002). Victoria's gains from internal migration are a recent phenomenon, commencing in the late 1990s, and are attributed to employment related factors (ABS 1999). Similarly, a survey of people who moved to Queensland found the main reasons were employment related, followed by location/lifestyle (Queensland Government Statistician's Office 1996).

Internal migration selectively affects particular population groups, with heavy losses of young adults, particularly females, from rural to metro areas being a trend over the past three decades (Glover et al 1999). There is also a trend of migration by older people (mainly retirees) as well as young families from metro areas to coastal towns for lifestyle reasons, as indicated above.

Internal migration movements show significant differences in income levels between metro and non-metro movements. Immigration to large urban areas is predominantly by higher income groups, contrasting with a substantial flow of low income groups into non-metro areas – particularly retirees and welfare and other income transfer recipients. Lower regional living costs, particularly housing costs are considered to be a significant factor for these groups. However socio-economic disadvantage is not distributed uniformly across either urban/rural areas or areas differentiated according to their remoteness. Country towns and rural localities have only 25.8% of the population but 39% of all areas in poverty. There is a clear concentration of the poor in non-metro areas; rural and regional poor are a fast growing group in Australia (Stimson et al 2002).

### **Overseas Migration**

In 1999-2000, 45% of Australia's population growth was from net overseas migration. New South Wales had the largest share of net overseas migration (41%), followed by Victoria (38%) and Queensland (16%). The contribution of net overseas migration to total population growth ranged from +61% in NSW to -17% in the ACT.

At June 2000, overseas-born residents numbered some 4.5 million, that is 24% of the total population. Over the period 1995-2000 the number of overseas born residents increased by 8%, from 4.2 million to 4.5 million. This was greater than the rate of total population growth, which increased by just 6%. **Although more than half the overseas-born population lived in either NSW or Vic, WA actually had the highest proportion in its population – 28%.**

The direct impact of overseas migration has been greater in Australia's major cities than in provincial towns or rural areas. By 1996, 80% of the overseas born lived in cities of 100,000 or more inhabitants. Over the 1947-96 period the proportion of immigrants living in 1,000,000 + cities increased from 11.6% to 29.1%. In the same period, the proportion of immigrants living in provincial cities and towns declined from 13.5% to 12.3%. In rural areas the decline was greater – from 25% in 1947 to 7.4% in 1996.

Recently arrived migrant groups, especially those from Asia, show a high propensity to settle in major cities and have only small populations in non-metro areas. Other groups, particularly from the UK and New Zealand, have a significant percentage living outside capital cities.

However the majority of these latter groups tend to be located in areas near metro centres, the coastal areas of SE Qld and SW of WA, large regional centres and irrigated agricultural areas. The pastoral zone and dry farming areas have below average levels of overseas-born residents.

State and territory governments have raised concerns about the uneven pattern of settlement of overseas migrants, particularly in relation to the continued growth of the Sydney metro area, and the extra demands and stresses placed on natural resources and the physical infrastructure.

Castles et al (1998) have shown that while most immigrant groups do now have a tendency to live in major urban areas with over 100,000 population, the location patterns of different groups between

and within metro areas have changed over time. For example, prior to 1971 Melbourne received the largest number of immigrants, but Sydney then took over as the primary immigrant city. During the 1950s and 1960s large numbers of migrants were attracted to Adelaide and South Australia by job opportunities in manufacturing industry. Subsequent economic restructuring and decline in manufacturing employment has resulted in a massive drop in the number of migrant settlers in that state.

There is a further concentration of particular migrant groups in particular locations but this clustering has been shown to be a transitional phenomenon. Castles et al (1998) noted that initial settlement decisions are strongly affected by the location of family, spouse and others from the same ethnic background. Subsequently, as new immigrants learn English, find jobs and obtain housing, they move out of the original area; this pattern continues as the second generation become further dispersed. Notions of ghettos and ongoing residential segregation, sometimes popularized in the media, find weak support in the research literature (Forrest 2002).

Overall, the pattern evident is:

- **Higher but still falling fertility in non-metro areas;**
- **Inland areas experiencing loss of working age population to the capital cities through internal migration,**
- **Coastal areas attracting retirees, low wage workers and welfare dependents through internal migration from the capital cities; and**
- **The East and West Coast metro areas attracting the bulk of overseas migrant arrivals.**

This implies some quite mixed economic consequences from the demography observed. This is therefore examined in the next section.

## 2.4 ECONOMIC DIMENSIONS OF REGIONAL CHANGE

### Industry Structure Linkages

In relation to employment, rates of increase in employment in recent decades have been greater in non-metro areas than metro. Some of this can be attributed to the fact that employed people may live in a rural or regional community, but commute considerable distances to a metro area for work. This increased mobility has also resulted in an extension of the area where farm dwellers can seek off-farm employment.

Due to structural changes occurring during the decade 1986-1996, the overall picture of employment growth masks some very real sectoral differences. For example, while there were gains of around 30% in jobs in trade, finance, administration, retailing and services, these were offset by declines in agriculture (11%), utilities (10%) and in manufacturing and mining (1.5%).

Between 1986 and 1996 the service industries were the major sources of employment growth in inland and remote Australia, with the fastest rates of growth in property and business services, as well as in tourism, retail, restaurant and accommodation services.

There was also increased employment in health, community and education services, partly from demographic changes, partly from increased aged and Aboriginal populations, as well as from developments in government policy.

Over the same period there was also substantial growth in the manufacturing industry, at a time when manufacturing employment was declining in metro Australia. The food and beverage industries have been the leaders in employment growth in inland and remote areas, linked to opportunities in domestic international markets. Inland areas have cost advantages in land and premises and the ability to process raw food products within optimal time periods.

Mining has become almost as important as agriculture to employment in remote Australia. In remote areas, mining employment in 1996 was 85% that of agriculture. However, mining employment is actually more variable than agriculture because of the limited life spans of resources, rapid changes in technology and shifts in market demand.

Employment growth was strongest around the largest towns (ie urban centres with more than 20,000 people). These towns tended to have more diversified economies than other areas in inland regions, and generally attracted many people through internal migration from elsewhere in the same region. This higher than average growth in population contributed to further business growth and employment opportunities, in areas such as housing, construction and services.

Income opportunities generated from employment are a major factor behind relocation between regions across Australia, while the amenity value of services and environment are an important reason for migration to coastal regions.

In four states (NSW, Vic, Qld and SA) **intra**-regional migration in inland regions exceed the loss of population from these regions. Employment and population increased in the group of areas around the largest centres in land regions in NSW and Vic by drawing on population from the smaller centres in the region. Employment and education opportunities appear to have been the main reasons for moving<sup>ix</sup>.

In summary, between 1986 and 1996, **manufacturing and service industries were major sources of employment growth in inland and remote areas, while agriculture was a major source of decline**. Employment growth was linked with population changes, migration, local amenity value and increase in incomes. In many inland communities, changes in transport, communications and utilities industries have led to substantial declines in employment in these areas.

### **Regional Labour Market Outcomes**

A recent Reserve Bank study of labour market adjustment in regional Australia (RBA 2002) during the period 1986-1996 has analysed the wide variation in employment growth rates across LGAs, and found that stronger rates of employment growth were associated with industry structure, proximity to labour, capital and product markets, and the level of regional amenity. **Internal migration was the dominant channel through which regional markets adjusted to different employment conditions**.

Specifically, out-migration accompanying employment decline was stronger amongst regions with initially high unemployment rates and low regional amenity. Regions with initially low rates of

unemployment and high regional amenity experienced stronger rates of in-migration in response to rising employment.

Underlying these broad national trends, were some surprising variations which can contribute to a better understanding of the inter-relationships between population, employment and economic activity in different regions of Australia. The study mapped the changes in rates of unemployment and employment growth across SLAs<sup>x</sup> in 1986 and 1996 and identified four broad categories of region:

Type 1: falling employment and rising unemployment

Type 2: falling employment and falling unemployment

Type 3: rising employment and falling unemployment

Type 4: rising employment and rising unemployment.

The regions in types 1 and 3 showed the expected inverse relationship between employment growth and unemployment rates. The large number of regions in type 2, where unemployment rates fell and employment also fell were considered to have labour markets which adjusted more through a combination of falling participation rates and out-migration. There was also a large number of regions (type 4) where rising employment was associated with rising unemployment rates and these were considered to have labour markets which adjusted more through a combination of rising participation rates and in-migration.

The Reserve Bank concluded that differences in the strength of the migration response to economic shocks determined the path of unemployment. The regions in type 2 (falling rates of employment and unemployment) tended to have a proportionally larger fall in population than those in type 1<sup>xi</sup>; regions in type 4 (increased unemployment with growing employment) tended to have a proportionally larger increase in population than those in type 3<sup>xii</sup>.

Thus regions with more diversified industry structure are expected to be less exposed to industry-specific shocks and hence may experience more rapid employment growth than regions with a narrow industrial base. Diversified regions may also benefit from agglomeration economies which enable them to take advantage of inter- and intra-industry linkages.

The Reserve Bank found that the size of a region's population may also affect employment growth, where there is critical size below which particular services cannot be maintained. When population falls below this level, some firms may be forced to exit and take employment out of the region. It also found that regions with higher levels of human capital tend to experience more rapid growth over the long run. Regions with skilled labour forces may have more success in attracting firms to their regions, may be more likely to take advantage of economic opportunities, and may be favoured by skill based technical change.

Explicit policies of regional development can directly influence regional growth or decline. Government decisions about where to locate public services and utilities have the potential to influence the growth path of particular regions.

### **Emerging Regional Inequality**

More recently than the Reserve Bank study, National Economics (2002) has examined the latest overall figures on regional equality and concludes that trends at the margin are increasingly

disturbing. Overall Australia has done well relative to most countries in minimising the impact of globalisation on the post tax/transfer distribution of income. The highly targeted and flat rate social welfare system and high share of progressive taxation in total taxes has helped achieve this outcome. However the changing demography discussed above is introducing new forms of inequality viz. locational inequality. At the state level this is somewhat muted. The Australian redistribution system associated with the Commonwealth Grants system helps to ensure this. Instead it is at the level of regions themselves that the real problems may be emerging.

In particular, the National Economics study finds that while the distribution of employment by region has shown a small improvement since 1998, the regions covering 20 per cent of Australia's population with the worst employment received only 11.6% of the employment created since 1998. By contrast the regions covering the most advantaged 20 per cent of the population have claimed:

- 43% of income increases since 1999
- 41% of the increase in the value of housing since 1996

Associated with this is the finding that people aged 15-34 are almost three times more likely to earn more than \$50,000 a year in the core metro regions as those who live in Australia's lifestyle, rural or production zone regions. Equally those aged 55 plus who leave the metro areas for lifestyle regions tend to be those with low incomes and weak employment prospects or retirees reliant upon public support. Lifestyle regions have witnessed an 80% growth in Disability Support Pension recipients, compared to 30% in core metro areas since 1991. At the same time non-affordability of housing has grown fastest in the metro fringe areas which will suffer most in any future housing market corrections in Australia. The "net flow of funds" which is a measure of the consumption capacity of regions has also shown a considerable deterioration in regional equality.

National Economics conclude that "Australian regions in general are continuing to diverge in terms of income and wealth. If the trends continue at the current rate it will not be too long for Australian claims to be a land of equality to have a hollow ring" (p.ii). **The conclusion is that growing regional inequality is evident in Australia.**

### **Government Budget Outcomes**

While the Commonwealth determines immigration policy and approves applications for migration to Australia, it is the States and Territories that are ultimately responsible for providing the services used by migrants (and the general population). The requirement to provide additional services for new migrants affects all states, and is a particularly important issue for the NSW Government (Premier of NSW 2002), as that State currently receives over 40% of all new migrants to Australia. To gain a better understanding of this issue, DIMIA recently commissioned a study to examine the financial impacts of migrants on the States and Territories (Access Economics 2002). The study modelled the impact over 10 years of an additional 1,000 migrants going to each State.

**The budgetary impact of immigration was positive for all States.** However, some States had a higher positive impact than others, and the degree of impact varied with the type of visa category under which the migrants were to be admitted. The financial impact of migration was found to be the most positive for the Northern Territory<sup>xiii</sup>; the impacts on Victoria, Queensland, and NSW were all above States' average. WA and SA experienced the smallest positive impacts. These differences were considered to be the result of variations in policy and efficiency: the lowest impact states generally provided above average levels of service and/or imposed lower than average state taxes on their populations (including new migrants).

In relation to categories of migrants, those in the business skills category were found to have the strongest beneficial impact, followed by other skilled migrants. Family migration was, on average, “barely positive” (Access Economics 2002), while additional migration in the humanitarian category has a negative impact. The main reason for the different impacts is the stronger tax capacity of skilled migrants, particularly business, and their relatively low usage of State services.

A Commonwealth Model, showing the impact of migration on the Commonwealth Budget was previously developed by DIMIA and the Department of Finance in the early 1990s. The results of the States model was combined with updated data for the Commonwealth Model, and showed that the whole-of-government impacts are positive with the strongest beneficial impact at the Commonwealth level. This reflects the fact that the Commonwealth’s services to migrants are in the areas of income support, which are more heavily utilised in the early years of settlement, and then later offset by the increasing income tax revenues obtained from migrants over the ten year period of the study.

**Overall both states and the Commonwealth governments are net fiscal beneficiaries from immigration. Migrants generate more revenue than they take in outlays, though the Commonwealth is especially so favoured relative to the states.**

## 2.5 CONCLUSION

This chapter makes clear the potential policy importance of immigration for Australia, given Australia’s changing demography. However policy crafted to this end will need to take account of a complex regional picture. In particular, despite most overseas migration going to Sydney and Melbourne, population growth in the other capitals and in regional Australia remains higher than in the cities of migrant arrival. Higher fertility and, most importantly, internal migration and emigration explain this outcome, though Brisbane and Perth do also attract a respectable share of the overseas arrivals, especially relative to their size.

**Outside the East and West Coast capitals the issue is not only that of population decline, though that is an issue in certain areas. Rather it is that they are missing out on a reasonable sharing for regional centres and other capitals of the new young skilled workers and business migrants that at present concentrate in the key major cities.** These migrants help underpin the higher incomes and more attractive employment prospects in our global cities. The core metro areas attract the skilled young people from the regions too, creating further problems there.

Indeed there is strong evidence of a growing inequality emerging in Australia and of this operating primarily at the regional level, due to population change allied with the nature of the modern Australian economy.

**Overseas migrants generate public revenues at both State/Territory and Commonwealth levels to more than pay their way. As such they are attractive to all governments. If that benefit can be tied more to its wider locational distribution, then an even more suitable outcome beckons.**

In some cases topographical or other reasons (eg environment or unemployment) may nevertheless mandate a desire to minimise such settlement. A distribution system for new settlement will need to be sensitive to such regional differences. **Migration should be directed to where it is welcomed and beneficial.**

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## CHAPTER THREE: REGIONAL LINKED POLICIES IN AUSTRALIA

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Australian Commonwealth and State governments have had a long involvement in promoting regional development, although the nature and purpose of regional development has had varying definitions. Some policies have had the aim of developing a particular region by targeting capital works or infrastructure provision, or by assisting specific firms or industries to establish or relocate there. Other policies have aimed to reduce disparities between metro and regional Australia by dispersing population and economic growth away from metro centres.

**In general, to sustain economic growth, government policies need to be able to raise the productivity of a region or lower its costs to overcome any inherent locational disadvantage or to enhance existing advantages.** Policies that serve to create an economic climate conducive to growth and investment across all regions and for all industries, are likely to deliver benefits both regionally and for the wider economy (OECD 1997). The aim is to work on the region's potential for development, not on development itself.

The forms of policy available for this purpose and their use and experience in Australia are outlined in this chapter. They are considered in order of degree of government intervention and involvement for general regional policies. Immigration-related policies are then considered separately.

### 3.1 REGIONAL DEVELOPMENT EXPENDITURE AND PLANNING SCHEMES

In the 1970s the Commonwealth was directly involved in funding major land development projects to create regional growth centres at Albury/Wodonga and Bathurst/Orange. Despite investment of millions of dollars, the expected economic and population growth was not realised and the projects were terminated, with land stocks being sold off (Productivity Commission 1999). Only in recent years has there been significant increased growth in Albury/Wodonga, as part of the broader trend of growth in large country towns with diversified employment structures and service industries.

In 1994 the Commonwealth established the Regional Development Program, aimed at facilitating regional leadership through the creation of structures called "regional development organisations". Many State and local governments were concerned that these structures were set up to bypass or marginalise them, but, more significantly, there was scepticism about the ability of these regional organisations to achieve any measurable benefits to business or the communities, and the program was abolished in 1996.

A further ongoing approach by state governments to assist regional development has been regional infrastructure support including roads, dams and irrigation networks, and the supply of associated services at prices considerably below the costs of their provision (Productivity Commission 1999). Large infrastructure projects such as the Ord River and Snowy River irrigation schemes, have driven the pattern of regional development in these areas. Social infrastructure, including schools, hospitals, universities and TAFE are also sometimes consciously used for regional policy ends.

More recently environmental enhancement has become a lever in regional policy too. Governments have responded to growing community concern to protect the environment by setting aside land for nature conservation reserves (national parks) and developing remedial programs to repair environmental damage. While there are reduced opportunities to use reserved lands for agriculture, mining or forestry activities, nature reserves do provide a strong impetus for the development of eco-

tourism services, and for attracting people seeking “lifestyle change” to settle in nearby towns and localities.

**State government regional development schemes are more numerous than those of the Commonwealth, albeit on a smaller scale. They have also generally been considered ineffective in promoting economic development in the targeted regions** (EPAC 1991). The Productivity Commission (1999) considered that the lack of success of comprehensive regional development policies was due to their inability to counteract the broad long-term economic forces affecting country Australia.

### 3.2 ECONOMIC AND SOCIAL INFRASTRUCTURE PROVISION FOR REGIONS

Since infrastructure is arguably the bedrock of capability for regions, governments have from time to time sought to focus on infrastructure provision as a regional development vehicle. This has been interpreted as covering economic infrastructure such as the essential services of utilities (gas, electricity and water), transport and communication. It has also been extended to cover "soft" infrastructure in the form of education and health.

This commitment is a useful one, but it has often been lacking in proper implementation. As a recent ACIL Tasman (2003) report emphasises, there is insufficient infrastructure planning and total spending on infrastructure is falling behind economic activity and population growth. The result is that there are major infrastructure shortages evident in and around our capital cities, with a severe negative impact on competitiveness and ability to support business.

At the same time regions in rural and regional Australia are also suffering from lack of planning and investment in infrastructure, though in different ways. Where population is in decline the problem is that of maintaining access to efficient and affordable infrastructure. For areas that are benefiting from competitive advantages in new or revived economic activities, lack of planning and investment is constraining their ability to grow.

**The common picture is that infrastructure policy as a regional development policy mechanism has much potential but is currently flawed by the lack of integrated strategies, including the necessary linkages to population change across regions.**

### 3.3 INCENTIVES AND ASSISTANCE FOR REGIONAL INDUSTRY

State governments have often turned to policies based on attracting a specific firm or industry to a region through the use of incentives, as a means of attracting population.

A 1996 review (Industry Commission 1996) of a number of such initiatives found that often the benefits were overstated compared to the costs, they imposed a considerable tax burden on state taxpayers and local ratepayers, and on the economy as a whole. **The resultant advantages were considered to be only marginal and temporary at best, and the policies had the effect of shuffling employment between regions rather than increasing it overall.**

Where the incentives did not improve the competitiveness of a region or its attractiveness to investors, any attempts to terminate the industry assistance met with considerable political difficulties. The competition between jurisdictions based only on financial incentives rather than enduring economic advantages of location was seen in the end as not producing sustainable

investment in an age of footloose capital. This problem was seen to apply at both the national and state level.

### 3.4 MICRO-ECONOMIC REFORM AND THE REGIONS

Not surprisingly, review of regional issues by the Productivity Commission (1999) led to the view that the best way forward for sound regional growth was to “get the fundamentals right”. This is interpreted as meaning ensuring that unnecessary government regulatory impediments and supports were removed so that capital and labour could flow freely to locations that reflected true economic costs and benefits.

Particular attention was drawn to the need for wages to be more flexible so that they could more accurately reflect regional cost advantages. Over the past decade the wage system has become increasingly flexible through the introduction of enterprise bargaining and a reduced role for centralised wage determination. Reforms to the labour markets should make it easier for rural and regional Australia to respond to economic shocks by changing work practices and improving productivity. Thus regions implementing such reforms would become more attractive to investors and hence to population in-migration, according to the Productivity Commission.

Similar flexibility and enhanced commercial focus was also seen as a benefit of other National Competition Policy and micro-economic reform initiatives. Their unpopularity with regional voters was seen as a failure to explain the advantages of such policies adequately. There is a truth to that, particularly as many of the benefits are diffuse and long-term and the costs concentrated, visible and short-term. But it also true that in **"getting the fundamentals right" not enough programs for re-assurance and re-adjustment were put in place** either.

### 3.5 FACILITATION POLICIES FOR REGIONS

At the next level of policy intervention, governments can facilitate private decision-making in order to promote regional development. A few examples include:

#### ***Assisting in the provision of information***

Governments can assist in providing firms and individuals with accurate information concerning the benefits or performance of different regions, or by making available resources to local government to undertake such information provision. This would be a particularly important component of any program to attract and/or sponsor skilled overseas migrants to settle in a regional area.

#### ***Self-help initiatives***

Local governments and regional development organizations can play a useful role in facilitating regional development and improving a region's capacity to adjust to changing economic circumstances. For example, the La Trobe Shire Council has proposed an energy park to provide industrial consumers with lower cost power supplied directly from the region's electricity generators. In other areas, country towns have set up banks in response to branch closures by major banks.

#### ***Improving policy coordination***

The policies of different levels of government (or sometimes a single government) can interact in a way that means they pull in different directions. For example there may be inconsistency between policies that consolidate or withdraw services from regional centres and policies to promote regional development. In some cases city-based development approval processes may be inappropriate for

regional conditions. Pollution standards, such as vehicle emissions, designed for densely populated urban areas may be less relevant for rural communities.

State and local governments currently use planning tools to influence the type, location and density of development, to limit urban sprawl and to protect open space and environmentally sensitive areas. But the intention of planning can be distorted or negated by the use of revenue raising tools which support conflicting developments; for example, in some areas, high rise and townhouse dwellings are taxed at higher levels than single family dwellings, thus discouraging investment in higher density developments and reducing the density of development; the basis for calculating charges for services such as water and sewerage may result in inner city residents paying more than the marginal cost, in effect subsidising the use of services in the outer suburbs, and providing an incentive to locate further out<sup>xiv</sup>.

Overall, regional-specific schemes in Australia seem to have had mixed effects in substantially altering regional outcomes – except where they have facilitated flexibility and have enhanced basic economic capability.

### 3.6 OVERSEAS REGIONAL POLICIES

The most comprehensive approaches to regional policy are now to be found in the European Community. The growth of the Community and the disparities within and across countries have produced ongoing concern for regional policy, with major successes such as Ireland's growth as a Knowledge economy ascribed in significant part to such policies.

The avenues enunciated for these policies have been to emphasise:

- networking assistance across jurisdictions
- resource assistance and co-ordination of activities
- removal of infrastructure bottlenecks
- institutional co-ordination eg universities and business

Moreover the European experience has shown that local/regional government must be empowered in the process. They must be acknowledged partners with other levels of government, well integrated into decision-making systems and have access to resources sufficient to make a difference.

It follows from the nature of the regional experience and its dependence on, and strength in, physical proximity and social interaction, that **the absence of local empowerment will be fatal to successful regional advance in the modern knowledge economy.**

This said, it is a further lesson from American experience compared to European approaches that local empowerment may not just be a matter of levels of government, but may require partnership with the business community and broader civil society.

### 3.7 REGIONAL LINKED MIGRATION PROGRAMS

Beyond the general regional policies approaches discussed, there is a group of policies directed at regional development in Australia that use the immigration powers of the federal Government. Various state-specific and regional migration programs have been developed to help State and Territory governments and regional authorities to attract an increased number of skilled and business migrants.

These programs have two broad stated objectives: to address skill shortages throughout Australia and to encourage a more balanced distribution of new migrants away from metropolitan areas to the regions.

States and Territories have themselves selected the designated regional areas to benefit from skilled migration under these schemes, and it should be noted that both Victoria and South Australia have included their capital cities, as have Tasmania, NT and the ACT.

There are several different programs currently operating, targeted at three broad groups of intending migrants: those with family already living in regional Australia, those seeking employment, and those seeking to establish a business. The main programs and their key elements are listed below. Since the first such explicit programs were established in 1996, there have been several changes to categories, making it difficult to track clear trends, and creating some confusion for sponsors and intending applicants.

All programs are voluntary, and all feature a lower “pass mark” for entry, ie applicants are not required to meet the full points test (business applicants have a lower financial threshold), but must meet certain basic requirements such as maximum age, level of qualifications, functional English, occupation recognised on the Skilled Occupations List, and recent work experience. The levels of these requirements can be varied at the discretion of the Department, on advice from State/Territory governments.

- ***Regional Sponsored Migration Scheme (RSMS)***

This scheme is designed to help employers in regional or low population growth areas of Australia who are unable to fill skilled vacancies from the local labour market. Participating employers must operate a business that is in an area covered by the RSMS – basically all of Australia apart from Sydney, Melbourne, Brisbane, Perth, Gold Coast, Newcastle and Wollongong.

Over the period 1997-98 to 2001-02, a total of 4,123 visas were granted in this category, with most going to South Australia and the rest shared between all the other States and Territories. Of those going to SA, 88% have settled in Adelaide (JSCM 2002).

- ***State/Territory Nominated Independent Scheme (STNI)***

This scheme enables States and Territories to nominate skilled-independent category applicants who are willing to settle in states/territories where their skills are in demand. The scheme has low utilisation, with only the South Australian and Victorian governments being major users. Over the period 1997-98 to 2001-02, a total of 538 visas were granted in this category, with over 98% shared equally between Victoria and South Australia.

- ***Skilled - Designated Area Sponsored (SDAS)***

Under this category, families living in designated regional areas of Australia can sponsor skilled close relatives to migrate and settle in these areas. This scheme operates in the same areas as the RSMS, but unlike that scheme, the SDAS imposes no formal requirement for the migrant to settle in the designated area where their sponsoring relative is located. The former Regional Linked Visa has been incorporated into this category. Over the period 1997-98 to 2001-02, a total of 2,972 RL&SDAS visas were granted, with the majority (about 60%) going to Victoria.

- ***Skilled – Australian Sponsored***

This category is similar in operation to the SDAS above, and is designed for potential skilled migrants whose sponsor lives outside the designated areas of Australia. This category was formerly known as “Skilled Australian Linked” (SAL), and had further bonus points for those applicants whose sponsors lived in a designated area. Over the period 1997-98 to 2001-02, a total of 7,661 SAL visas with further bonus were granted, with over 50% going to Victoria, and about 20% to South Australia.

- ***State Sponsored Business Skills (SSBS)***

States and Territories can sponsor business skills applicants applying to migrate as business owners. There is also a provision for sponsoring business skills applicants as senior executives. Over the period 1997-98 to 2001-02, a total of 462 visas were granted in this category, with most going to Victoria and Tasmania (around 20% each), with the others evenly spread across the remaining states, apart from the NT which had only eight.

- ***Regional Established Business in Australia (REBA)***

This category allows people temporarily in Australia on Business (Long Stay) visas to apply onshore for permanent residence if they have successfully established a business venture in a designated area of Australia. Over the period 1997-98 to 2001-02, a total of 94 visas were granted in this category, with most going to Tasmania (about 45%) and South Australia (about 25%).

**Overall, the total number of persons entering under all of these schemes is quite small (17,000 from 1996 to 2001) when compared to total settler arrivals averaging around 80,000 per annum during that period. The majority (about 40%) went to Victoria, and South Australia took the second-highest share (about 25%) (DIMIA 2002).**

These numbers include not just the skilled applicant, but all their accompanying family members. Chart 5 shows the total visas issued for each state and territory for the period 1996-97 to 2001-02, while Chart 6 shows the considerable variation in the numbers of visas granted in each category.

Chart 5

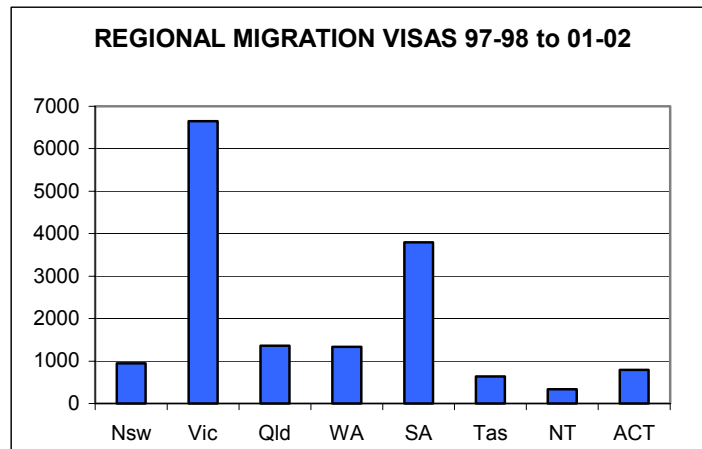
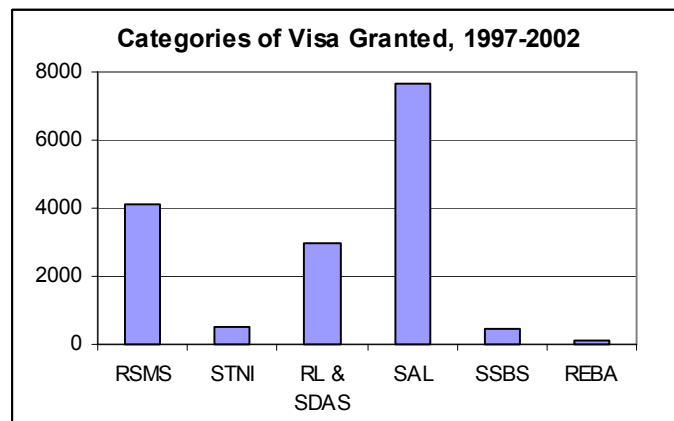


Chart 6



Source: DIMIA 2002

To describe these programs as “regional” is misleading, as many of the states included their capital cities in their so-called “designated areas”, with the result that the great majority of migrants entering under these schemes actually went to Melbourne and Adelaide. **The schemes have clearly failed to meet the objective of encouraging a more balanced distribution of new migrants away from metro areas, though they have not fed migrants into Sydney.** This effect may also be exacerbated by the lack of controls under some of the schemes, whereby migrants selected under them are not obliged to settle in the designated area.

However, these schemes are also relatively new, and there is not yet any information available on their impact on those areas that have been utilising them. It is possible that with better promotion, a more explicit regional focus, and streamlining of visa type and conditions, these types of schemes could attract greater numbers of skilled migrants and their families to needy areas of non-metro Australia<sup>xv</sup>. Proposals for enhancing employment, business, and diversity in selected regional localities through targeted skilled migration are put forward in chapter 4<sup>xvi</sup>.

As the Joint Standing Committee on Migration noted, the settlement of new migrants could only be a minor component of any strategy to deal with population growth pressures and regional development (JSCM 2001). Thus the existing State-specific migration mechanisms described above, and the proposed new regional migration policy initiatives put forward below, are best seen as a complement to the overall economic and social development strategies of the States and Territories.

Moreover, the key drivers of the economic and social changes which are affecting regional Australia are the long term global economic forces such as declining world agricultural and mineral commodity prices, changing technology, rising incomes and changing lifestyles (Productivity Commission 1999).

Nevertheless international migration will continue to be a significant feature of the global labour market, particularly where skilled people seek to move from low-wage countries to higher-wage countries such as Australia (or away from unstable political areas.)

**Thus Australia still has the continuing opportunity to select and direct potential migrants to those regions and localities best able to benefit from migrants' skills as one part of regional policies.**

### 3.8 STATE GOVERNMENT POPULATION POLICIES

Most recently State governments have begun to explicitly embed their migration objectives and regional population concerns in broader population policies. In particular, at the conclusion of the National Population Summit on 25 February 2002, all States and Territories issued a communiqué that supported the development and implementation of a national population policy (VOMA 2002). It called for an integrated policy framework, stressing that immigration practice should not operate in isolation but be incorporated within the broader context of achieving the strategic objectives of a national population policy. The States proposed that a follow-up Summit be convened in 12 months time, to review progress and developments.

**A number of states are in the process of also developing individual regional and/or population policies**, with wide variations in scale and focus depending on the particular circumstances of the state. Two contrasting approaches, that of NSW and that of Tasmania, are illustrated here. The NSW policy is being developed in response to the perceived need to direct population growth, especially new overseas migration, away from metropolitan Sydney. Tasmania, on the other hand, is seeking to reverse the net loss of population to the State that has occurred over the past five years. The sense of the direction of these State policies can be gauged by comparing these two cases - with the others emerging individually along a spectrum in between.

#### ***Case Study: New South Wales***

In the case of New South Wales, a formal submission to the Federal government was made on these issues (NSW 2002). This submission on migration settlement has a strong emphasis on dispersal of population and economic growth away from the Sydney metropolitan area and into the rural and regional areas of the State. The statement puts forward the view that the impact of increased overseas migration in addition to the natural population of the Sydney area is placing a major strain on the environment, infrastructure and services. NSW receives over 40% of all new migrants each year, of whom it estimates 94% settle in the Sydney basin (and 96% in the Greater Sydney region encompassing Newcastle and Wollongong).

The policy statement identifies a number of “key influences” affecting a migrant’s choice of location (in descending order of importance) viz:

- 1) family support networks;
- 2) community support networks;
- 3) offer of employment or sound employment prospects;
- 4) infrastructure, including access to housing and other services;
- 5) lower cost of living.

NSW has put forward a five-point plan with the following features, designed to address the factors which influence a migrant’s choice of location:

- 1) taking a planned approach to attracting migrants;
- 2) better marketing of rural and regional NSW to prospective migrants;
- 3) providing incentives to settle in rural and regional areas;
- 4) improving initial settlement services, other services, infrastructure and support; and
- 5) working with the Commonwealth to improve existing regional specific migration to better suit the needs of NSW.

The State called on the Commonwealth to support the NSW proposed efforts to take a whole-of-government approach to diverting migrants to rural and regional areas where there are skill shortages or opportunities for business development.

The NSW and Commonwealth Governments subsequently established a joint Working Party on Migration to Sydney and Regional NSW. It was to prepare a report on options to divert the level of skilled and business migration from Sydney to regional NSW and reduce the level of temporary and permanent migration to Sydney. An agreed public report had not been concluded by April 2003.

### ***Case Study: Tasmania***

Since the mid 1990s Tasmania has experienced a decline in population numbers, particularly due to out-migration of young adults in the 20-34 age group. In 2001 the Tasmanian Government released a report on population issues, and on the policies that the State has put in place since 1998 to reverse the population decline and restore growth. The emphasis has been on a comprehensive approach, through improved economic performance and jobs growth.

The centrepiece of the State’s policies is an Integrated Development Plan and Financial Strategy, with the main components being:

- business migration program, international business relocation and investment attraction missions;

- competitiveness strategy;
- new investment and industry sector publications;
- arts policy;
- harnessing tourism;
- international student strategy;
- industrial reform; and
- a new Multicultural Policy.

A key feature of this package of initiatives is the focus on diversity and lifestyle issues, such as encouraging the development of the tourism and arts industries, and attracting overseas and internal migrants as well as the return migration of young Tasmanians who had left for the mainland. The attraction of Tasmania's pristine physical environment is also being actively promoted for both tourism and migration (national and international). Other strategies include lowering costs of establishing and running a business, and promoting job security through the creation of more permanent full-time jobs in the public sector.

In relation to international migration, Tasmania has deliberately chosen to target the marketing of business opportunities to potential migrants from South Africa initially, with recent expansion to South Korea. This marketing strategy includes a dedicated migration website, and a series of State Government missions to South Africa and Korea, providing information and direct contacts for potential business migrants. The fact that Tasmania has received the largest share of business migrants under DIMIA's regional migration initiatives: SSBS 94 visas (20% of total granted); REBA 43 visas (45% of total granted) shows that this strategy is working.

As a result of detailed industry audits undertaken, the Tasmanian government considers that it is able to identify the types of business migrant who can provide the most benefit to the State, and has obtained Commonwealth agreement to the processing of Tasmanian business migration visas in Hobart, rather than Sydney. At present 90% of intending business migrants enter as temporary residents, establish a business and then later convert to permanent residence. The report indicates that retention rates are high, and migrant businesses also benefit from the broader business-friendly projects being implemented as part of the State's overall development strategy.

### 3.9 CONCLUSION

Pro-active regional development policies have often been judged as ineffective in Australia. Sometimes this judgment is ideological. But where programs do not foster regional capability and responsiveness, poor results can often be shown to follow.

**Migration-related regional settlement policies are relatively new for Australia. They do show in-principle promise for meeting the criterion of enhancing capability and flexibility in regions.** Dedicated programs for this, however, have involved only small numbers. Nevertheless where pursued assiduously (eg Tasmania), greater potential is evident.

Certainly a new spirit of commitment is evident among State and Territory governments to develop broader population policies for their own jurisdictions and to co-operate to produce better coordinated national outcomes.

In this context, one task ahead is to see if the promise discernable in the existing rather restricted regional immigration schemes can be enhanced further. That is the task of the final chapter (Chapter 4).

In addition, a review of some overseas experience as further background is provided at Appendix A. This material suggests that further development of such policies is both likely, and likely to be increasingly productive. Particular ideas include:

- setting regional location targets (Quebec)
- linking refugee dispersal to housing assistance (Netherlands)
- providing pro-active migration promotion and assistance internationally (Quebec).

Further detailed international interchange of experience over time will be particularly helpful and should be a focus of future initiatives. An initial overview is given in Appendix A.

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## CHAPTER FOUR : NEW REGIONAL MIGRATION INITIATIVES

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It is believed that the Australian people recognise the value of a healthy migration program that forms a key element of nation building for the country.

There are however some conditions that need to be met to sustain that support. One is the strong maintenance of the bona fides of the entry program, including firm and clear border security arrangements in place. Another is the fair and balanced distribution of migrant arrivals in the Australian community.

Government has done much to ensure program bona fides both under Labor and its successor. There has been put in place an array of schemes to assist in improving regional distribution of migration arrivals. These are helpful, but numbers involved are small. More is needed on the regional front. In particular the concerns expressed by figures such as NSW Premier Bob Carr have a major influence in qualifying the perceived benefit from what has been in fact one of the world's better migration programs.

The Joint Standing Committee on Migration in the Commonwealth Parliament reported in September 2001 year on these matters in its report "New Faces, New Places: Review of State-Specific Migration Mechanisms". The Committee provided useful discussion and recommendations regarding the detailed operation of the existing schemes. The Government has moved to accept most of these recommendations in 2002 and this commitment is welcomed.

However the Committee did not provide wider review of Regional Migration Incentives. Instead Minister Ruddock indicated at the time of the announcement of the new migration program levels for 2002-2003 that he would review further ways to shift migration more to regional locations. Subsequently Mr Carr put a "five point plan" to the Minister for consideration in improving regional migration but an impasse seems to have been reached<sup>xvii</sup>.

A current Review of Australia's Skilled Labour Migration and Temporary Entry Programs is being undertaken by the Joint Standing Committee on Migration of the Australian Parliament, including reference to "Settlement patterns for new arrivals including the role played by State and local authorities", to report sometime in 2004.

To support a healthy and balanced Migration Program for Australia through well-targeted and effective regional migration initiatives, the following further forms of initiative could be considered:

### **1. VIGOROUS COMMITMENT TO REGIONAL MIGRATION**

#### **1.1 ADOPT A CLEAR AND BINDING MINIMUM SHARE OF 45% OF MIGRATION TO GO TO THE REGIONS**

The adoption of a performance target would demonstrate a serious commitment that is to be based on outcomes and not just upon rhetoric or even best efforts. The target must at least equal the regional population share, as appropriately defined.

For these purposes Regional Australia may be defined as any Statistical Division with a population of less than 350,000. In addition larger population centres where population growth is under half of the national average would be eligible for inclusion in the quota.

By these criteria the target should be set at 45% of the total migration program for its first triennium. This benchmark becomes an explicit component of the performance evaluation for the senior Immigration officials in an outcomes/output framework for management by Government. Where annual shortfalls occur officials would have Ministerial agreement to adjust the points settings as advised within an agreed range and/or specified conditions for regional-related entry, to ensure attainment of target. The means to deliver this are realistic and are discussed below. A transition period of three years is suggested.

It would also be appropriate to provide incentives for relevant state officials to perform too. One approach is to include target increases for regional settlers in their performance agreements, with these increases benchmarked against the national average, to control for Federal actions being outside state control

It is sometimes said that geographical targeting policies can only be "marginal" and that overall migration cuts are the only solution for crowding in areas such as Sydney. This is fundamentally mistaken on several grounds. The first is that Sydney is not especially demographically or financially disadvantaged by its receipt of a disproportionate share of migrant arrivals. Sydney also experiences disproportionate emigration overseas and interstate, such that its population growth is less than the Australian average. The second is that carefully tailored changes in entry programs have been shown to have produced very large responses, eg overseas student points. The same can apply to regional criteria.

What is required is that adequate weight be given to the regional criteria in the various dimensions of entry selection and appropriate incentives to administer that effectively. In the presence of a large excess demand for entry, diversion will not be too hard and will not require major dilution of entry standards, since they are excessively high.

**ACTION: Give a clear Government commitment to a minimum migration share for the regions. This should be at least pro-rata to regional share of the population and with delivery guaranteed by building the necessary target outcomes into the performance agreements of officials at both federal and state levels.**

## **1.2 GUARANTEE THAT REGIONAL MIGRATION PROGRAMS WILL BE BASED ON REGIONAL PARTNERSHIP**

Regional knowledge and regional empowerment are essential pre-conditions for regional migration initiatives to operate. This has not worked well in the past in Australia. Top-down policies both from Canberra and from State governments have meant grass-roots knowledge and commitment have been inadequately appreciated.

Fortunately in Immigration there does exist a network of Regional Certifying Bodies that can be used much more extensively to advise and support regional migration activities. These bodies are drawn from State Government departments, Regional Development Boards and local community and business organisations and cover all areas of Australia meeting the present regional definition. Sydney, Melbourne, Brisbane, Perth and the Gold Coast should remain outside this network, though Wollongong and Newcastle should be included. Renamed as Regional Migration Committees,

expanded in membership to include unions and post-secondary education institutions, and given more than certifying roles, these bodies could provide a bedrock for better regional partnership.

Central to this partnership is recognition that if the Commonwealth Government commits to a 45% regional share of migrants much more must be done by way of state and regional reciprocation to assist in the promotion, nomination, arrival and settlement processes. At the regional level, the function of the Committees will be to determine desired local migration levels and patterns and assist in the process of encouraging newcomers to move to and stay in regional locations. The focus will be on employment opportunities, recognition of qualifications and experience, support programs, language training, community orientation and integration, accommodation and recreation access, and marketing. <sup>xviii</sup>

Some specific overseas schemes do exist which are ripe for consideration. For example from Canada:

- Provincial and local governments pay a bonus to financial institutions organising successful business migration applications to their areas
- Provinces have the delegated authority to set their own differing occupational and business entry requirements for migration within the general minima laid down by the federal authorities.
- Individual provinces and cities pro-actively market themselves for migrants in carefully targeted locales such as Argentina, South Africa, India, and include substantial post-arrival incentives eg business loans on a commercial basis.

To illustrate these approaches further, a financial bounty scheme would fund Australian financial institutions that through their overseas offices facilitate business migration. These would be new businesses that establish themselves in regional areas for a minimum period of verifiable operations, before the bonus is paid to the financial institution. The incentive is on the financial institutions with their excellent knowledge of business and business prospects to screen proposals well so as to ensure good business prospects, within the entry standards required by migration processes. The bonus funding would come from the state or local governments. Studies show the high pay-off to the national and regional economies from migrant businesses (Access Economics, 2001). They more than pay their way, so fully refunding seed funds of the type indicated.

**ACTION: Reform the Regional Certifying Body network to embrace broader responsibilities, including promoting local migration initiatives and exercising new delegated functions as Regional Migration Committees**

### **1.3 ENSURE THAT COMPLEMENTARY INFRASTRUCTURE POLICIES ARE IN PLACE TO ACCOMMODATE REGIONAL DISPERSION OF MIGRATION**

Success in regional dispersion will depend crucially upon another partnership also being guaranteed viz the provision of complementary infrastructure capital. If economic and social infrastructure are not in place then the payoff to regional migration is badly inhibited. Yet Australia's record on infrastructure co-ordination has been dismal. Integration across jurisdictions and across sectors is very poor indeed. In the case of immigration the fundamental problem is that the Commonwealth makes the inflow decisions, the states make the infrastructure decisions and regions wear the actual daily consequences of both. It is a field ripe for mis-match and buck-passing.

It is not assisted by the failure of governments of all persuasions to recognise that public borrowing for capital investment (as opposed to operating expenditures) is indeed absolutely sound and responsible public finance, especially in areas such as migration where numerous studies show that it more than pays its way financially for government.

In his third "Headland" speech before the 1996 election John Howard promised that his government would establish a National Infrastructure Council to help address such problems. This was evidently not a "core promise" as no action ensued in the following seven years. Nevertheless this is an idea that deserves resurrection and extension and it is one that Labor has supported while in Opposition. A National Infrastructure Council drawing on the full range of stakeholders should be established. Regional representatives would be prominent in this process.

Most recently the Review of Commonwealth-State Funding (2002) has suggested that there is a case for giving more weight to the delivery of services to areas of concentrated low employment and of concentrated residence of unskilled migrants in the allocation of Commonwealth grants among the states and in the allocation of state-level investment in services and transport infrastructure. A National Infrastructure Council would provide a balanced forum for deliberation on these matters.

**Action: Establish a National Infrastructure Council to ensure co-ordination across Australian levels of government in relation to pro-active policies that influence population levels and location characteristics and to develop responsive policies that relate to their impacts on the economy, society and environment.**

## 2. ENHANCE GENERAL IMMIGRATION PROGRAMS FOR REGIONAL BENEFIT

Opportunities exist for substantial improvement in regional migration outcomes through the adjustment of general entry provisions as well as through the provision of dedicated regional programs. For some time the Howard Government saw expansion of migration as impossible because it maintained that this would involve a lowering of the quality of entry.

External advice to the business community from Applied Economics in regard to revamping the points system however argued this was false. For example the inclusion of points for settlement potential based on prior studies in Australia, as recommended in business submissions, has allowed a major increase in both migrant numbers and skill levels to the national benefit. Indeed, an increase in points cut-off levels has been needed despite expansion of entry numbers.

Equally it is the case that the points cut-off for skilled entry is well above the average for the Australian population as a whole. Adjustments are quite feasible where made for other improvements for the national benefit, eg in settlement patterns, without seriously compromising national skilling standards.

This is an efficiency enhancing variation of policy since it links points levels to marginal social cost and benefit and not merely financial cost and benefit. Some further particular options that deliver on this principle and opportunity follow.

## **2.1 PROVIDE POINTS FOR PROPOSED REGIONAL RESIDENCE WITHIN THE INDEPENDENT SKILLED MIGRATION ENTRY POINTS TEST AND PROVIDE A NEW ASSOCIATED TWO STAGE (TEMPORARY-TO-PERMANENT) VISA**

The present regional Australia programs enable skilled applicants who do not meet the points test pass mark to gain permanent entry through various special separate sponsorship arrangements. These existing dedicated programs (discussed elsewhere) should be complemented with an initial tapered weighting of up to 20 points in the independent skilled category for those applicants prepared to locate in regional Australia in the absence of prior sponsorship.

This new scheme would seek to cater to the genuine independent migrant who is willing to make a commitment to regional Australia. It would not restrict movement except to require an ongoing regional residential commitment for an initial period. Permanency of residence would be granted at the end of a three-year period upon presentation of valid documentation of the maintained residence. Such documentation is of the kind required for a wide range of residence-based programs or benefits, with penalties (including deportation) available for false representation.

To reduce uncertainty, the conversion to permanency would be conditional only on maintained regional residence (and absence of criminal activity) and not more onerous "settlement success" factors such as sustained employment. In the business area where temporary-to-permanent arrangements have been introduced it is known that performance criteria that can be quite outside the control of the settler have severely compromised the ongoing success of the scheme.

Precedent for such a scheme is readily found in other areas of temporary or conditional visas, eg rural doctors, marriage. Thus selected overseas medical practitioners are admitted provided they practice only in regional areas. Equally, intending settlers entering under recent marriage provisions are given temporary visa status until a period elapses to attest bona fides. The visa then can convert to permanent. As indicated, a two stage visa has recently been introduced for regional business migrants, effective 1 March 2003, with business performance obligations attached.

With additional regional points added to the points entry score system there would be appropriate adjustment to the overall pass level to keep numbers at the planned total Program levels while shifting the balance more to regional entry. If there is a shortfall on the regional quota then regional points can be increased. Work will be needed on the rebalancing required and the proportion of entrants relying upon such points should be tracked and their outcomes monitored under the longitudinal databases established for immigration program evaluation. These matters are the essence of the proposal above, that the performance pay of officials be partly linked to satisfactory administration of such factors.

A tapered weighting is suggested to allow points to be customised to the likely regional capacity for successful absorption eg 10 points for low unemployment region, 15 points for high employment growth region, and 20 points for high employment growth and low unemployment level regions. This classification could follow that established for regional labour markets by the Reserve Bank (2002). Such gradation is standard in most dimensions of entry points for other criteria such as age and education, and is much simpler to administer than some other elements already found in the points selection system such as occupational shortage criteria.

**ACTION: Introduce tapered points for non-sponsored independent skilled regional migration and create a corresponding temporary-to-permanent visa guarantee for those who rely upon these points for entry.**

An additional option should also be adopted to allow for other short-term/temporary arrivals who seek permanency post-arrival. This scheme would operate along the lines of the new visa being trialed in the UK, whereby highly skilled persons who enter under standard temporary entry arrangements may later decide to apply for permanent residence. They may have entered under categories of entry with no specific regional element, but in applying for permanency the points test that would then apply would include weightings for a maintained record of two years of regional residence, education or employment.

The proposal is distinct from the two-stage visa notion where a conscious commitment to a region is made at time of initial entry and conversion to permanent takes place upon fulfilment of regional residence conditions. Rather, there is also an option for entrants who come without an initial settlement or regional settlement intention or commitment but change their intention after a period in Australia. A time limit or diminishing credit system could be applied.

A precedent has already been established for this approach in Australia itself in the overseas student area where bonus points apply for regional residence and study in applying for permanent residence. The principle should also be generalised so that bonus points apply for any prior residence, work or study in a regional area. It is sensible to credit prior Australian activity as a positive settlement factor.

It is equally sensible to add a regional supplement to this system in relation to the location of that activity. This would allow direct permanent visa entry by crediting regional association in particular. This approach does not oblige regional residence, but it would increase the probability of such residence by skewing the entry pool that much more towards people with previous documentable regional networks and connections. This can only be good for regional Australia.

**ACTION: Create new visa arrangements incorporating regional bonus points for applicants seeking permanent residency from eligible temporary visa categories, or after earlier temporary residence in Australia and subsequent departure.**

### **2.3 REDUCE COST THRESHOLDS FOR ENTRY STANDARDS FOR REGIONAL LOCATION**

Where financial thresholds apply for entry, as with business migration and contributory aged parents, the financial hurdles should be discounted for those entering under regional criteria or for regional locations. This reduction in threshold requirements should be calculated to reflect the lower costs of conducting business and of living in regional areas. Uniform monetary criteria have been condemned in like areas by the Industry Commission and the logic fully carries over to this area of policy. The policy goal of equity should require equal real standards not equal nominal standards.

Thus, for example, the capital requirement for business migrant entry for that regional scheme (and for direct application by prospective business migrants) might be reduced by 20% below the level required for non-regional business migration, reflecting the lower costs of business establishment in regional locations. Again a tapered structure could be adopted if a uniform regional rate hid substantial regional sub-variation.

**ACTION: Adopt differential lower monetary thresholds for regional applicants in migration general entry categories.**

#### **2.4 ELIMINATE PERFORMANCE CONDITIONS IN TWO-STAGE REGIONAL ENTRY EXCEPT FOR REGIONAL RESIDENCE**

The introduction of two-stage visas in Australia to date has been flawed by the interweaving of regional and business performance criteria before conversion of visa from temporary to permanent is approved. Conversion should be guaranteed independently of business success since the conflation of the two criteria acts as a major disincentive to regional migrants, by introducing factors that may be beyond their control. Settlers can control meeting the residence requirement, the other is much more risky and uncertain.

There is no good reason why a business performance criterion should only apply for regional business migration, as opposed to other business entry. It is also a very difficult criterion to police except in the case of bankruptcy. A guarantee of visa conversion rather than mere prospect is needed for regional business migration to fully prosper. To introduce other performance criteria unrelated to regional location for this locational category is bad administration.

**ACTION: Abolish business performance conditions in two-stage regional visa processes, and only require that the residential condition be met under regional schemes.**

#### **2.5 REVIEW REGIONAL CRITERIA IN OTHER ENTRY PROGRAMS**

Just as special arrangements exist for regional business for temporary business entry, the same principle can be applied for other entry programs. One example would be the Working Holiday Maker Program. Reviews of this scheme show that it fills valuable shortage areas, often of a casual low-paid kind in seasonal and hospitality industries, and does not threaten basic local employment and training. Visa holders are also restricted as to the time they can work and as to the number of employers they may have while in Australia. It would be possible to restrict some or all of that work to regional areas. Work outside those areas would be a breach of visa.

Review should extend to humanitarian programs where location of facilities and regional preferences for welcoming such new residents would help direct the program, and to family re-union programs where shorter waiting periods or other priority entry might apply for aged parent entry for regionally located sponsors. Australia takes two types of onshore refugee and humanitarian entry. The priority but smaller group comprises those in greatest need, as identified by the UNHCR. The second and larger group comprises special humanitarian entrants, which already uses a criterion of Australian-links. It is suggested for the latter group that a greater weight be given in selection to those whose Australian associations are regional.

The potential to adjust aged parent entry and business entry to also allow for regional support cost criteria has been mentioned above.

**ACTION: Adjust work conditions in the Working Holiday Maker category, Australian linkages in the Special Humanitarian categories and funds criteria in Aged Parent and Business Migrant categories to favour regional criteria. Review other entry programs for similar adjustment where feasible, with a full review to be completed for public report to the Minister and consultation by the Minister with stakeholders via the National Infrastructure Council.**

### 3. REFORM DEDICATED REGIONAL PROGRAMS

The existing regional schemes have been useful but deliver their effect in an unbalanced and limited way. In all they have only processed 20,000 persons over the last seven years to the end of 2002 across six distinct programs (ie around 500 per program per annum). One key reason given is that they are complex and clumsy requiring major investments of bureaucratic time by all stakeholders. Consolidation and simplification is warranted. This view is often rejected by officials, who point to timely and simple administration of applications received. But the impression of "red tape" still remains amongst potential clients and until that is dispelled, under-utilisation of these options will prevail. Two key changes are needed as follows:

#### 3.1 RESTRUCTURE THE EXISTING DEDICATED REGIONAL MIGRATION SCHEMES.

The existing seven separate dedicated regional schemes with their proliferation of bureaucratic acronyms, which mean little for most clients (viz. RSMS, STNI, SDAS, SDAS, SAS, REBA) can be restructured into one overall Regional Sponsorship Program comprising two basic schemes as follows:

- Employer and Government Sponsorship; and
- Family and Community Sponsorship

Each scheme would cover business, skill, family and humanitarian dimensions, though with differing distribution.

**ACTION: Simplify the dedicated regional migration program structures to operate as one program area with two forms of scheme: employer and government, and family and community.**

#### 3.2 STRENGTHEN PRO-ACTIVE OUTREACH BY OFFICIALS

Stronger outreach is essential by the Department of Immigration, Multicultural and Indigenous Affairs to business and community groups so as to provide user-friendly packages of material and well-staffed and professional dedicated advisory services, particularly for regional locations. Government must also recognize the efficient information-broker role industry and community associations and regional development associations can play in this process.

This requires active project officers on the road to business and community organisations, addressing business and community conventions, informing trade and other organisation magazines, preparing multi-media materials, and developing and conducting overseas promotions including assisting stakeholders in developing their strategies and activities.

Activities could also include co-ordination with related agencies. An example might be negotiating with Invest Australia to sponsor visits to Australia for prospective regional business migrants-as the Atlantic Provinces themselves do in Canada. The relevant officials should also be pro-active in monitoring similar schemes in other countries, enhancing community and employer on-line databases and application and decision systems.

The approach could encourage and co-fund regional towns' websites listing opportunities for prospective migrants, integration and information services, language training options, settlement assistance, information regarding cost of living, education systems etc.

**ACTION: Establish pro-active outreach by the Immigration Department to business and community organisations for promoting sponsored regional migration schemes. There should be regular annual reporting of these initiatives to Regional Migration Committees for feedback and response.**

This chapter provides an overview of the key elements of regional immigration programs and projects in Canada and Northern Europe.

## 1. CANADA

Canada's immigrant population is overwhelmingly concentrated in the three large cities of Vancouver, Toronto and Montreal, which together accounted for 78% of the total immigration inflow<sup>xix</sup> in 2000, and it is trying to reverse this trend by channeling more immigrants into regional areas. Similar to Australia, Canada has identified a need to meet strategic skill shortages and fulfil specific economic development goals through specially targeted regional migration programs. The key elements of these programs are set out below, with examples from selected provinces.

### *Provincial Nominee Programs*

These programs allow each province or territory to enter into an agreement with the federal government to establish their own migration program, and to nominate a certain number of immigrants, based on their ability to become economically established in Canada. Each province determines its skill shortages and sets its own general categories for prospective immigrants. Applicants are assessed against the province or territory entry criteria, then recommended to the federal government which carries out health and security checks and issues permanent migration visas. A provincial recommendation under this category usually speeds up the migration processing compared to federal-only categories.

The **Province of Quebec** has the largest and most developed program –“Regionalisation of Immigration in Quebec”- which commenced in 1992 and is ongoing. The Province has its own Department of Immigration, with a number of directorates set up in regional centres to help link immigration with development plans, and involving municipalities in the management of the program. The municipalities identify local labour needs and determine which migrants they would wish to attract, as well as providing integrated settlement services. The Quebec Immigration Department maintains a website which provides detailed information for prospective and new migrants (both individuals and businesses), including an online application facility. Quebec also conducts information sessions for prospective migrants in potential source countries including France, Belgium, Argentina, Mexico, Peru, Colombia and Venezuela. In 2000 a total of 35,000 immigrants arrived in Quebec, with 5,200 (or 13%) settling outside Montreal under the regional program. The Province has the ambitious goal of attracting 40,000-45,000 new migrants in 2003, with 25% of these settling outside Montreal.

The **Province of Manitoba** has developed a pilot municipal nominee program, which features direct international recruitment. This model is being closely monitored to assess its potential for broader implementation, particularly for those regional municipalities which are seeking to stabilise their populations. The general selection criteria for Manitoba include the requirement to have an occupation on the province's shortage list, a valid job offer, relevant experience/training, and evidence of settlement support after arrival. Business owners must meet minimal financial requirements in relation to personal net worth and business equity investment, demonstrate successful business experience, have visited the province (or plan to) to explore business opportunities. Manitoba has also developed a specific initiative to recruit Filipino nurses, with provincial government staff traveling to the Philippines to interview and test candidates. Those selected receive a licence to practise nursing in Canada, and an employment contract with a regional

health authority. Overall, Manitoba attracts 1,000 nominees per annum through its nominee program.

**British Columbia** has a shortage of doctors and nurses in rural areas, and has established a targeted migration recruitment program called “Health Match BC”. It has set up an interactive website which operates as a free recruitment service for rural communities and practices, job search assistance for intending applicants, professional examination procedures, and an online migration application facility. The scheme is promoted particularly to health professionals in the USA, UK, Australia, New Zealand and South Africa.

The **Saskatchewan Nominee Immigration Program** runs a scheme for farm owners and operators. It is aimed at people with proven experience in farming, who have substantial capital available to invest and who have made a signed offer to purchase land for a farming operation in Saskatchewan. In 2002 a total of 60 nominated immigrants (including farm owners) arrived in Saskatchewan.

**The Canadian programs, like the Australian regional linked programs, have not yet attracted significant numbers of migrants away from the popular metropolitan centres. However they do demonstrate that regional initiatives, particularly those aimed at specific professional/skill groups can achieve modest success. Certainly Quebec shows the benefits of a proactive provincial program** overall and indicates the potential for a non-metropolitan target. Some of the operational measures adopted by Canadian provinces are put forward for Australian consideration in Chapter 5 below.

## 2. NORTHERN EUROPE

Due to concerns about the high concentration of immigrants in large European cities, governments have initiated dispersal policies for asylum seekers and refugees. Such policies are currently in place in the United Kingdom, the Netherlands, Sweden, Germany and Belgium. A selection of these is presented below. By way of comparison, in the year 2000 Britain had 81,000 refugee applications, Germany 65,000, France 37,000 and the Netherlands 36,000<sup>xx</sup>.

### *United Kingdom*

In June 2000 it was estimated that at least 85% of asylum seekers lived in London. To alleviate pressure on London, and the South-East, the government has implemented a policy to disperse asylum seekers to various locations in each one of 12 British regions. Eligible asylum seekers can apply for accommodation and support on a “no choice” basis, outside of London and the South East region. The central government provides “support packages” for the dispersed asylum seekers, and selects suitable locations, based on criteria such as the availability of existing ethnic or multicultural communities, appropriate housing, and the availability of voluntary and community sector support.

The overall performance of the scheme has been less successful than anticipated. In 2000, only 9,000 entered the dispersal system compared to a target of 36,000. In addition significant local reluctance to dispersal was experienced in many areas. The three major dispersal regions were Yorkshire and Humberside, North West and West Midlands, with the top three towns being Birmingham, Manchester and Liverpool. Of the 9,000 people who had joined the program in the first year, the Home Office was unable to indicate how many were still in their original location 12 months later, the private sector companies contracted to allocate housing were accused of dumping people in slum conditions, and the cost had increased by 18% in one year, to 694 million pounds sterling.

An earlier, but smaller, program to disperse 2,500 Bosnian refugees to regional locations found that London remained the largest cluster, and that it was expensive to operate – 10 million pounds over five years.

The government is now proposing an improved dispersal program with the following features:

- creation of 8 accommodation centres in regional Britain, using former military bases or holiday camps;
- centres to be open, but those leaving to lose entitlement to benefits;
- voucher system for food and other essentials;
- people to be allocated to centres on the basis of the language spoken.

### ***Sweden, the Netherlands and Germany***

Both **Sweden and the Netherlands** have a tradition in refugee dispersal from the 1980s (Sweden) and 70s (Netherlands). Sweden has experimented for some time with refugee settlement as a free choice while the Netherlands was experiencing a secondary migration from dispersal areas to large towns. In the “Whole of Sweden” strategy introduced in 1985, there was little room for personal choice of location but after initial placement there were no restrictions on the right to locate. Sweden found that about 40% of refugees left their initial location within 5-6 years and moved to larger cities. In the Netherlands, 25% of refugees have tended to migrate internally to the four largest cities – Amsterdam, Rotterdam, The Hague and Utrecht.

In Sweden, the central government enters into agreements with individual municipalities to accept refugees for settlement in return for a basic per capita grant for housing and support services. As the grant amount is relatively modest, it is more attractive for small communities than larger towns and cities to accept refugees. Municipalities themselves participate in refugee selection, and specify the settlement services that they will provide, which can include language training, job search and income support. Funds are redirected when a refugee chooses to move to another part of the country. Those refugees with relatives or friends to assist them can live where they wish.

In the Netherlands the government sets the number of asylum seekers/refugees to be located in each municipality, based on population size. Asylum seekers are first assigned to a reception centre on a “no-choice” basis. Once a determination has been made, a refugee is issued with a residence permit and given one housing offer in a regional location. If the offer is rejected, the refugee cannot remain in the reception centre and must find their own accommodation wherever they wish to live. This plus the urban density of the Netherlands seem to have produced quite low relocation to the larger cities.

In 2001 **Germany** had an estimated 116,000 refugees and asylum seekers. Asylum seekers are dispersed to locations throughout Germany, in proportion to the population of the receiving Lander or districts. They are housed in asylum centres, often consisting of community housing. While their applications are being processed they must remain in the district to which they have been allocated, but once they receive a residence permit they are free to settle anywhere.

**While the European approach to these issues to date has focussed on refugees and has not been concerned for general migrants, they do illustrate the common concerns in some European countries about over-concentration of significant numbers of refugees in a few large cities and the use of dispersal policies as a response to this. Results vary but the potential for well-designed incentive/sanction schemes to facilitate non-metro location for such migrants is evident.**

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## ENDNOTES

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<sup>i</sup> This report was commissioned by the Chifley Foundation from Applied Economics (Canberra) Pty Ltd, Economic Consultants. The principal authors were Glenn Withers and Marion Powall with assistance from Kate Golebiowska.

<sup>ii</sup> National Economics, 2002, *State of the Regions*, Melbourne, p.7.7

<sup>iii</sup> National Economics, 2002, *State of the Regions Report*, Melbourne, p.1.8

<sup>iv</sup> Such a policy direction would seem to accord with broad public opinion in Australia. See "Migrants Should Be Diverted: Poll" Sydney Morning Herald, August 6, 2003. Sydney opinion was especially favourable to geographic targeting, though Victorians were much less supportive.

<sup>v</sup> Indeed it is interesting that as Government immigration program numbers have risen in recent years the projection series highlighted by the ABS have become less cautious eg ABS Population Projections 3222.0 released on September 2 2003. which uses a series "A" now based on 125,000 net migration.

<sup>vi</sup> Also see Treasurer, 2002, *Inter-Generational Report*, Budget Paper, May

<sup>vii</sup> Australian Bureau of Statistics - Statistical District (SD).

<sup>viii</sup> Australian Bureau of Statistics - Local Government Area (LGA).

<sup>ix</sup> In determining any future policy directions in this area, it is useful to be aware of the various advantages and disadvantages of metropolitan concentration versus regional decentralisation. These are reviewed in the State of the Environment report (State of the Environment Council 2002), the CSIRO report (2002), and recent academic literature on the economics of cities (Quigley 1998).

<sup>x</sup> Australian Bureau of Statistics – Statistical Local Area (SLA)

<sup>xi</sup> 9.6% decline compared to 7.1%

<sup>xii</sup> 16% increase compared to 15.8%

<sup>xiii</sup> By year 10, NT experienced a \$3m positive net operating balance impact per 1,000 additional migrants, compared to the average of just under \$1million. This high result was considered partly a result of the relatively high per capita levels of Commonwealth grants received by the NT, which compensate for large fiscal disabilities in those budget areas unaffected by migrants.

<sup>xiv</sup> See P.Abelson, G.Withers and M.Powall, *Financing Urban Infrastructure*, Urban Development Institute of Australia, Conference Paper, NSW, 13 September 2003

<sup>xv</sup> Some fine-tuning changes to the existing regional schemes were negotiated during 2002-03 including for the Skill-Matching Data Base, residence length and sponsorship arrangements for doctors in regions, and overseas student and business visitor provisions. And there has been some increase in regional visas over 2002-03, though no breakdown by schemes has been provided as of mid-September 2003. These improvements are welcome but much more remains to be done.

<sup>xvi</sup> A further direction that is possible is for states and regions to tie their more general development schemes to regional immigration through initiatives such as Settlement Loan programs that can assist both internal and external migrants to specific areas through loans that pay for travel and relocation, and business establishment expenses. A Canadian Federal Government Scheme to this end has a 90% repayment rate. An improvement on this could come from an income-related loan scheme where repayment was income-contingent in the manner of the HECS scheme, so that government shares in the pay-off as well as incurs write-offs. Such a scheme could operate in conjunction with private finance and business assistance.

<sup>xvii</sup> "Ruddock, Carr clash on immigration levels", *Weekend Australian Financial Review*, August 16-17, 2003, p.4

<sup>xviii</sup> A good discussion of the possibilities here is to be found in J-C Morin and B. Godkin, *Regional Dispersion and Retention of Newcomers*, paper presented at the Second National Settlement Conference, Calgary, March 14 2003. This paper was produced by a collaboration of the Settlement Sector and Governments in association with the Voluntary Sector Initiative Project

<sup>xix</sup> The total annual intake of migrants to Canada in 2000 was 226,837.

<sup>xx</sup> United Nations High Commission for Refugees (UNHCR).