

THE IMPACT OF IMMIGRATION IN THE TRADES' LABOUR MARKET

■ Bill Mitchell

This article examines the state of the trades' labour market and argues that importing trades-qualified labour worsens the prospects of the long-term unemployed. The contention is two-fold. First, importing trades-qualified labour is damaging to the local labour force who are presently unemployed, and is likely to permanently increase the level of long-term unemployment. Second, importing trades-qualified labour is unnecessary, both in the short-term, due to the parlous state of the trades' labour market, and in the longer-term. This is because a combination of a national training strategy and workplace reform is a more efficient way of dealing with skill shortages than immigration.¹

The effects of nearly a decade of policy-driven structural change and increased exposure to international trade mean that the current economic growth phase will require much less labour than previous phases. The rapid expansion of labour-intensive manufacturing which occurred in the 1960s is unlikely to be repeated. In this context it makes little sense to promote high-technology industries (with implied low labour requirements) while implementing labour force growth policies. These policies including allowing firms to sponsor migrants through the Employment Nomination process or permitting tradespersons to migrate here through the Independent or Concessional categories as is currently the case.

SKILLED IMMIGRATION AND LONG TERM UNEMPLOYMENT

Proponents of high immigration say it improves productivity by reducing the skill shortages which are alleged to occur with economic growth. They say that immigration enhances the labour-market matching process and makes the economy more flexible and efficient.² Two arguments support this claim. First, migrants are considered more mobile and more willing to accept stigma-laden jobs.³ Yet, Withers concludes that 'there is found to be little average difference in mobility between migrants and Australian-born, particularly after the early years after arrival... [and] ...on balance there seems to not to have been an overall improvement in job-matching'.⁴ Second, by bringing in skills which are in short supply, migrants increase growth and stimulate competitiveness. Yet, as we will show, the possibility of large shortages in the skilled trades is now remote.

The pro-immigration studies ignore the impact of immigration on long-term unemployment. Unemployment can occur if the labour market fails to adjust to the new patterns of labour supply and demand resulting from industrial development. If this type of unemployment is persistent, it is correctly termed structural. However, structural unemployment can also arise during the downturn in the business cycle if the unemployed lose their job skills due to idleness and fail to participate in the training opportunities that accompany increased activity in the upturn. Ideally, with expansion,

unemployed workers will be offered employment with on-the-job training opportunities attached. In addition, entry positions will be available for young, inexperienced persons leaving formal training.

Persistent recession nullifies this process. The general skills of the displaced workers atrophy and their job-specific skills can become obsolete. School-leavers (including apprentices) who spend a long period unemployed also become difficult to employ. If a recession overlaps graduations, the most recently trained persons will be preferred to the pool of unemployed remaining from previous years.

Skilled migration causes problems here. Migrants with ready skills who do not have the disincentives that employers associate with prolonged unemployment and welfare dependence become an attractive source of labour to firms. If firms use migrant labour instead of training the local unemployed workers, then the long-term pool of unemployed remains above the levels that might normally follow the upgrading process.

If skilled migrants are brought in during the downturn, as occurred in 1990/91 when 10,348 tradespersons migrated here, and in 1991/92 when 8,387 arrived, then this worsens the structural problem in the upturn. This is because many more who would have received employment/training opportunities remain at the back at the queue, carrying the stigma of long-term unemployment.

By February 1993 the Australian Bureau of Statistics (ABS) Labour Survey estimated that, of the 107.7 thousand unemployed tradespersons, 50.2 thousand had been unemployed for more than six months. And, of those, 26.6 thousand had been

unemployed for more than a year. The reabsorption of these wasted skills must be given priority over any quick migration fixes.

THE LABOUR MARKET FOR TRADESPERSONS

The number of persons aged between 15 to 69 with trade qualifications, and their distribution across specific trades, is published in the ABS *Labour Force Status and Educational Attainment, Australia*. The latest issue available is for February 1992. Some additional adjustment is required to recognise the career paths typically followed by persons in each trade.

Many workers with trade qualifications are employed in activities not requiring their qualifications. Some have changed occupations by choice. For others, it may be that the occupations were too narrowly structured to allow a career path from manual through to management positions within the same trade, thus prompting movement out of the trade. In other cases, workers have been bumped down the occupational hierarchy into lower-paid, less-skilled positions due to inadequate levels of demand in their chosen trade. These workers should be counted as part of the labour supply for the trade in which they are qualified.

Drawing on the most recent 1989 publication of the ABS, *Career Paths of Persons with Qualifications, Australia*, Mitchell⁵ presents evidence to account for the movement and location of tradespersons over time. Given the actual stocks of trades qualifications, we subtract those not in the labour force and those who are working but who have never used their trade qualification, and include those who are not currently working in the trade but who occasionally use their

Table 1: Adjusted labour supply by trade (000s), February 1993

Trade qualification	Estimated labour force	Adjusted labour force	Total employment	Unemployment
Metal	275.9	256.6	210.4	46.2
Building	299.0	288.3	246.6	41.7
Electrical	183.0	174.9	194.5	10.4
Food, drink	108.4	102.5	104.3	-1.8
Printing & allied	43.9	41.6	41.4	0.2
Automotive, mechanical	228.7	217.5	130.2	77.3
Other trades	239.6	226.0	218.9	7.1
Total	1378.2	1307.4	1126.3	181.1

Source: ABS *Labour Force Status and Educational Attainment, Australia*, Feb. 1993, Cat. No. 6235.0; ABS, *Career Paths of Persons with Trade Qualifications, Australia*, 1989, Cat. No. 6243.0

trade skills. This method can be used to derive an 'adjusted stock of trades qualified persons' which represents a reasonable measure of the supply of labour in each trade.

Table 1 shows the adjusted stock of trades-qualified persons as at February 1993. It is calculated by taking the actual labour force in each trade category for February 1993 and netting out the percentages of workers in 1989 who had never worked in the trade for which they were qualified. The estimated level of unemployment of

181.1 thousand tradespersons is considerably higher than the ABS labour Force estimate of 107.7 thousand. This is because our labour force measure is based on trade qualifications, whereas the ABS measure is based on the occupation of workers in their last full-time job. For the purposes of assessing the number who could work in a particular trade if needed, our measure is more appropriate.

Table 2 reports the estimates of unemployment (excess supply) for the years 1987 through to 1993 using our

Table 2: Unemployment by trade (000s), February 1988 to February 1993

Trade qualification	1988	1989	1990	1991	1992	1993
Metals	16.3	7.7	36.2	40.6	41.0	46.2
Building	34.6	-5.2	14.5	27.1	37.5	41.7
Electrical	-18.1	-25.8	-24.6	-19.0	-5.2	10.4
Food, drink	-19.8	-17.7	-37.1	-11.3	-17.1	-1.8
Printing & allied	-2.0	-5.4	-3.3	-4.8	2.3	0.2
Automotive	55.5	46.5	50.9	65.4	79.3	77.3
Other trades	22.0	14.5	-25.7	-3.1	2.0	7.1
Total	84.4	12.9	12.2	50.9	135.2	181.1

Source: ABS, *The Labour Force, Australia*, February 1992, Cat. No. 6203.0, adjusted by author

Table 3: Skilled vacancies in trades in quarter ending February

	1987	1988	1989	1990	1991	1992
Metals	1394	1501	1924	1443	325	83
Electrical	826	930	1163	857	291	62
Construction	1209	1406	3214	1345	263	76
Printing	386	380	497	298	288	59
Motor vehicles	938	1050	1417	857	291	72
Food, Services	1122	1132	1285	1171	578	235
Woodworking	255	357	491	234	102	40
Total (includes balance of trades not shown)	6311	6984	10263	6468	2269	666

Source: Department of Employment, Education and Training, *Skilled Vacancy Survey*, various February editions

method of estimating qualified labour supply. These numbers are approximate indicators of actual excess supplies in the relevant trade.

Labour demand is the sum of employment and unfilled vacancies. The relationship between demand and supply is indicated in the balance between unfilled vacancies and the number of unemployed. Table 3, which draws on DEET Skilled vacancy estimates, reveals the seriousness of the current imbalance between the two, with most trade groups showing extreme states of excess supply.

The thousands of tradespersons arriving since the recession began have added to the difficulties faced by unemployed tradespersons.

There has been no systematic pattern in the composition of skilled migrants entering Australia over recent years which can be linked to the state of the Australian trades' labour market. For example, despite the serious surplus of metal tradesmen, 922 fitters and machinists, 105 sheetmetal workers and 267 boiler makers migrated in Australia in 1991/92. The figure for metal tradesmen was considerably more than the 684 electrical

tradesmen whose services were far more in demand at the time.

CONCLUSION

The foregoing analysis shows the depressed state of the tradespersons' labour market. With some exceptions, most of the trades have large stocks of skilled workers who are available for work but who are not being utilised. There does not seem to be a case to sustain continued migration in these trades. Yet, at a somewhat lower level than in the early 1990s, we continue to allow entry to tradesmen through the Independent and Concessional categories. Nor is it likely that skill shortages will occur in most of the trades as recovery ensues, given feasible output growth rates.

The Australian labour market is now undergoing award restructuring which is already improving our productivity. In part, award restructuring aims to maximise the existing talents of the workforce, as well as expanding skills to meet the future needs of businesses. It also promotes skill-related career paths. These will work to keep workers participating in skill formation throughout their working lives thus

limiting the losses associated with workers abandoning their primary training.

To allow businesses to return to the past pattern of recruiting talent from abroad, with its accompanying neglect of training and better utilisation of the skills held by the existing workforce, would cut right across this award restructuring effort.

Australia's future prosperity does not rest on the import of skilled labour. We have abundant reserves of our own but have failed to fully exploit this 'in-house' advantage. Further, substantial numbers of skilled tradespersons are currently long-term unemployed. Skilled migration will reduce their chances of being

reabsorbed back into the productive workforce. For some, it might be the difference between working or never working again. How can we waste people like this?

References

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- ³ B. Hughes, *ibid.*
- ⁴ G. Withers, *op. cit.*, p. 10.
- ⁵ W. Mitchell, *op. cit.*

THE USE OF THE ORANI MODEL IN THE IMMIGRATION DEBATE

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INTRODUCTION

Since 1985, three influential studies on the economic effects of immigration have been based on the ORANI model of the Australian economy.¹ The results have generally been interpreted as showing that the economic effects of immigration are favourable.

Critics of the use of ORANI (for example, Wooden²) argue that the model's results are too dependent on assumptions either built into the model or imposed on it for particular experiments. In this paper, the Baker-Committee for Economic Development of Australia (Baker-CEDA), Centre for International Economics-

Committee to Advise on Australia's Immigration Policies (CIE-CAAIP) and Centre for International Economics-Bureau of Immigration Research (CIE-BIR) studies are examined with special attention to the influence of critical assumptions.

THE BAKER-CEDA STUDY

The Baker-CEDA study aims to assess the effect of immigration on GNP per household. CEDA constructed a preferred scenario which included an annual immigrant intake of 100,000 over the period 1985 to 2001, compared with a control scenario of 50,000 immigrants per annum. Two ORANI simulations were performed using the preferred scenario. One used