



FRAMEWORK FOR THE DEVELOPMENT OF AUSTRALIA'S POPULATION STRATEGY RESEARCH PAPER

A summary of the framework recommended in this research paper is available at bca.com.au.

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Introduction

Early in 2011, the federal government will release a public issues paper to generate community discussion about Australia's first sustainable population strategy.

The issues paper will draw on advice provided to the Minister for Sustainability, Environment, Water, Population and Communities, Tony Burke MP, by three panels, each of which has been asked to approach their task from a different perspective – focused on 'productivity and prosperity', 'demographic change and liveability' and 'sustainable development' considerations.

With diverse recommendations from the advisory panels being likely, the minister faces a real challenge in helping the community to make sense of it all.

The key, we believe, is to provide Australians with a clearly laid-out framework for weighing up information and using it to make choices about Australia's future.

Following a period of confused, politically charged debate about the size and composition of our population, the need to plot this kind of decision-making pathway is all the more evident.

The Business Council of Australia (BCA) has been involved in the population debate since it the organisation was established almost 30 years ago. Our role has been to help explain the links between a larger population, a stronger economy and greater community prosperity.

The BCA's consistent position has been, and remains, that Australia will benefit from well-planned population growth. But at this stage in the development of a national population strategy, we believe our primary responsibility is supporting the community to consider and convey their wishes to policymakers.

The purpose of this paper and the research that sits behind it is to put forward a framework to help guide the development of a population strategy that aligns with the aspirations Australians hold for national and individual quality of life.

Framework for a national population strategy

The Australian Government has committed to developing Australia's first population strategy. This is an important initiative for engaging the community on the question of population growth. It is an opportunity to clarify our population trajectory and put in place the mechanisms to manage population change well.

The reality is that Australia's first national population strategy will need to do three things:

- Set out a long-range vision for Australia's population.
- Put in place mechanisms to set and vary annual migration to help us meet and keep to the vision.
- Establish a comprehensive policy package across all levels of government that ensures Australia plans for and addresses whichever population scenario we choose.

The BCA argues that the best outcome will be achieved by ensuring a well-informed and well-structured debate. This can be facilitated by putting in place a robust and comprehensive framework that starts with a set of long-term goals, objectively analyses all available population data and considers all of the economic, security, environmental and social factors that should inform a national population strategy. It should then clearly articulate a plan for managing and monitoring the preferred population path.

The rest of this document details our suggested approach. Our framework charts the following process.

Stage 1

- The starting point for any strategy is a clearly defined goal. Clearly state the long-term goals for Australia and aspirations for our way of life.

Stage 2

- Lay the facts on the table and build the evidence base:
 - Analyse historical data on population growth, including the reasons for the recent spike in growth.
 - Look at projections for long-term population growth and the degree to which growth in the population is more or less built in to current demographic settings.
 - Examine population projections globally and the changes that will occur in regions.

Stage 3

- Identify and assess all relevant economic, security, social, and environmental factors that need to be considered when making decisions about policies that will influence the future size and mix of population, and give appropriate weighting to these issues.

Stage 4

- Drawing on the data and issues analysis, determine a population strategy that will give us the best chance to achieve our goals:
 - What will be or should be our long-term population path (e.g. in 2030, 2050)?
 - What should be the annual migration parameters, and what should be the process for determining those parameters?
 - How do we best manage population growth over the decades ahead?
 - Use scenario analysis to test the sensitivity of different population trajectories to changes in the future context or the capacity of governments to manage growth.
 - Set out a plan to manage population change: how do we plan and invest for growth, and what institutions do we require?

Stage 5

- Communicate the strategy clearly, implement across governments, measure outcomes and regularly review the settings.

While the public discussion about population growth has included views on any of the options of population growth, stability or decline, in practice there is an inevitability about population growth due to demographic momentum and migration settings. There remain, however, important questions over how policy should influence the trajectory of population growth and how the impacts of changes in population can be better managed.

Framework for a national population strategy

This framework outlines the essential, but not exhaustive, elements of each stage.

1. Establish common national goals	2. Lay the facts on the table	3. Assess the future context	4. Formulate a population strategy	5. Communicate, implement and monitor
<p>Establish long-term goals for our prosperity, security, liveability, sustainability and overall way of life</p> <p>Get agreement across all levels of government</p> <p>Set timeframes for achieving the goals, e.g. 2015, 2030, 2050</p>	<p>Set out and analyse the facts</p> <ul style="list-style-type: none"> • Historical population growth in Australia • Projections for Australia’s population growth due to birth rates, life expectancy, and people who come to Australia for short periods and/or to settle permanently • Projections for global and regional population growth 	<p>Identify and assess – through consultation, professional advice and scenario analysis – all relevant issues</p> <ul style="list-style-type: none"> • Economic opportunities and challenges from growth in the Asia–Pacific region • Australia’s influence and security in a changing world • Natural environment, including water and land management, and reducing greenhouse gas emissions • Our quality of life, including transport, housing, health and ageing, and community cohesion 	<p>Decide the population strategy that will give us the best chance to meet our goals</p> <p>Three key elements to a population strategy:</p> <ol style="list-style-type: none"> 1. A long-term path for Australia’s population 2. All the interrelated population policies including migration, family support, etc. 3. Planning and investing for population change 	<p>Communicate the strategy clearly to the community and paint a picture of success</p> <p>Promote community and business understanding and support</p> <p>All governments to implement systems to manage population change</p> <p>Monitor and communicate progress in achieving common national goals</p> <p>Regular review and, where necessary, adjustment of the strategy</p>

Exploring the framework for developing a population strategy

Stage 1: State the goals clearly

The first step in the development of any strategy is to articulate clearly the goals that the strategy is designed to meet.

The goals for a population strategy should set out our common aspirations for Australia and the lifestyle that we aspire to as Australians. The goals should describe our aspirations for our future prosperity, sustainability, security and liveability. In essence they will cover what is important to us and how we would like to see our way of life progress in the future.

A common expression of a national goal is the promotion of sustainable long-term improvements in the wellbeing of its citizens.

Some of the considerations in setting these goals might be how Australians in future are able to:

- live in a confident, secure and prosperous country
- participate in and contribute to society and the economy
- have opportunities to fulfil their personal aspirations
- be productive and entrepreneurial
- live healthy lives and have access to health care and aged care
- have access to quality education
- feel safe and secure from threats
- afford a home to live in
- have a sense of belonging and feel connected to the community and the world
- have access to clean air, water and the natural environment
- live in a society that cares about others and its environment
- move around freely and efficiently
- have a good balance of time spent working, with family and in recreation
- overall, lead fulfilled and connected lives with a high level of wellbeing.

Policymakers today, and the people and groups who seek to influence them, have an obligation to future generations to promote policies that will achieve common national goals over time.

The BCA's long-term vision is for Australia to be the best place in the world in which to live, work, learn and do business, and that we should consistently rank in the top five in the OECD for GDP per capita.

Timing is an important consideration, and a population strategy needs to consider the effects of both immediate and long-term population settings on achieving our goals. Policymakers today may have diminishing influence over Australia's population levels as timelines extend into the future. Nevertheless, policies that affect annual changes in population – either directly through migration program parameters or indirectly via the suite of policies that governments can use to influence fertility rates – will add up over time to determine our long-run population growth. They should be set, therefore, within a framework that gives due consideration to how they will influence longer-term trajectory and the implications for setting complementary policies that will allow us better to plan and invest for that change over time.

Setting out and committing to a longer-term vision for Australia's population will improve longer-term planning and investment by governments. It will also help to provide business

and the community with greater clarity over Australia's direction and the confidence to plan and invest to meet their own needs.

Stage 2: Lay the facts on the table

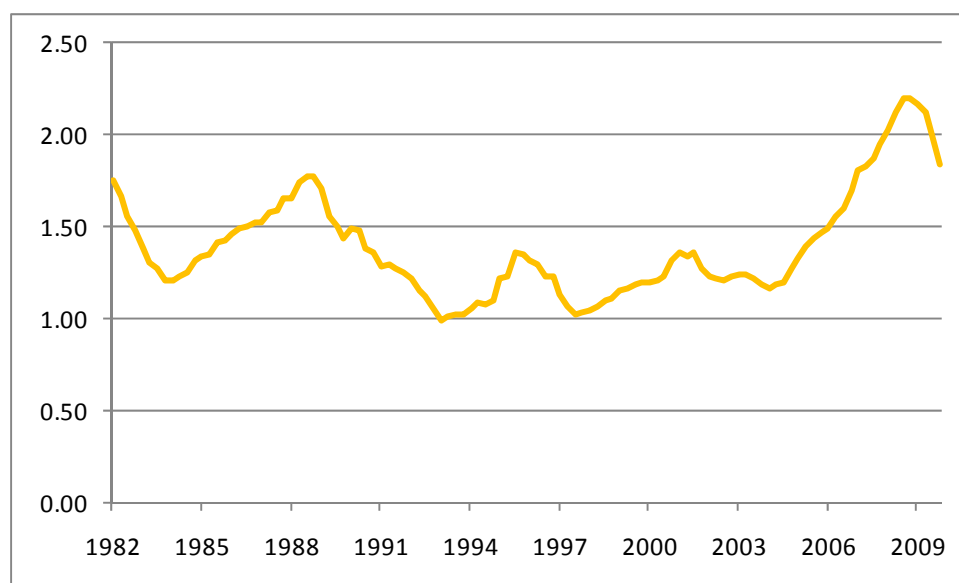
An evidence-based approach to population strategy should draw upon Australia's history of population growth and likely future population trends.

The underlying story of population growth throughout Australia's history has been one of successful integration of new arrivals and consistent expansion of the economy. The most recent spike in growth is symptomatic of several factors, including our economic success and the rising prevalence in the modern global economy of people travelling for work, study and to live. Australia is an attractive destination for those purposes.

Future projections point to continuing population growth sustained by robust birth rates and by positive net overseas migration levels that are driven to a large extent by confidence in our economic outlook.

Australia's history since European settlement has been synonymous with constantly increasing population. Australia's annual population growth rate subsided in the postwar period and has averaged 1.4 per cent since the early 1970s. The spike in the second half of the 2000s saw the growth rate rise to 2.2 per cent for the year to March 2009. The annual growth rate has since fallen to 1.8 per cent.

Exhibit 1: Recent population growth in Australia
Annual change (per cent)



Source: ABS, *Australian Demographic Statistics*, Catalogue No. 3101.0, March 2010.

Population trends can change quickly. The recent strong growth was not widely foreseen in the middle of this decade when population growth was around half today's rate.

There have been strong rises in each of the two statistical contributors to population growth:

- higher **natural increase** driven by rising fertility rates but also increasing longevity
- higher **net overseas migration** (nom) due to rising migration and the return of Australian and New Zealand citizens from overseas.

The population growth formula:

$$\text{POPULATION GROWTH} = \text{NATURAL INCREASE} + \text{NET OVERSEAS MIGRATION}$$

Natural increase captures the net addition from births minus deaths. Australia's late 2000s baby boom has seen fertility rates rise from 1.75 in 2003 to 1.90 in 2009, a level that is nevertheless still below the replacement rate (at 2.1). Annual births have risen from a long-term average of around 250,000 to just under 300,000 in 2009. Rising fertility is in part linked to economic confidence and workplace flexibility.

Net overseas migration (NOM) captures the long-term movements of people into and out of Australia. It has been positive for most of Australia's history, reflecting the contribution of migration to Australia's development. Net overseas migration includes a number of sub-groups and it is important to differentiate when seeking to understand the causes and consequences of population growth.

- **Net permanent migration:** includes migrants granted permanent residency under the skilled, family and humanitarian streams. These streams are important for meeting our humanitarian obligations, addressing skills shortages, maintaining economic growth and productivity and offsetting retirements and the movement of skilled workers out of Australia. Net permanent migration from settler arrivals was 86,398 in 2007–08. In addition, around 60,000 temporary visa holders are granted permanent residence via an onshore application each year. Together these categories have lifted Australia's permanent resident population by only around two-thirds of one per cent in recent years.
- **Long-term temporary migration:** includes migrants granted long-term temporary residency under student visas, business visas and for working holidays. These people are not entitled to remain permanently in Australia but are captured in our population statistics because they live in Australia for more than 12 months. They make significant contributions to Australia's economy and help us build trading and investment links with the rest of the world. Long-term temporary migration has provided the largest and the fastest-growing contribution to population growth in recent years – 186,528 in 2007–08. Many of these visa holders are students, contributing around 109,000 to total NOM of 277,332 in 2007–08 and directly supporting our \$18 billion education export sector. This cohort grew by 130 per cent from 2005–06 to 2007–08. Net long-term temporary migration is expected to fall sharply in the years to come due to economic factors and policy changes.
- **Australian and New Zealand residents:** The permanent movements of Australians and New Zealanders are captured under NOM. In 2007–08 they contributed a net increase of 15,766 to NOM primarily as a result of higher migration by New Zealanders.

In summary, higher net permanent and long-term temporary migration reflects in part a response to the strong demand for labour in Australia and the greater propensity of people to move around the world to live, learn and work. Much of it has come from students. Exhibit 2 breaks down population growth by component for the past five years of available data.

Exhibit 2: Australia's population growth by category, 2004–05 to 2008–09

	2004–05	2005–06	2006–07	2007–08	2008–09
NOM – Temporary	82,000	96,906	143,058	186,528	
Working holiday	9,400	14,229	16,975	21,355	
Visitors and other	21,500	16,123	20,764	23,077	
457 Business	9,800	19,217	26,424	33,354	
Students	45,300	47,337	78,895	108,742	
Other	-4,000	-8,469	-8,350	-11,370	
NOM – Permanent	71,100	78,862	85,450	86,398	
Humanitarian	13,100	12,083	12,301	9,373	
Family	25,800	27,789	29,704	30,067	
Skill	32,100	38,990	43,445	46,958	
NOM – Australian/NZ citizens	-800	4,153	12,666	15,766	
Australian citizens	-21,400	-18,944	-17,167	-20,314	
New Zealand citizens	20,600	23,097	29,833	36,090	
Other visas	-9,800	-8,469	-8,350	-11,370	
Total NOM	142,500	171,452	232,824	277,332	298,924 (e)
Natural increase		129,499	141,748	148,756	157,792
Total population growth		300,951	374,572	426,088	456,716

Source: ABS, *Australian Social Trends*, Catalogue No. 4102.0, June 2010 and commissioned data. Note: Statistics for 2008–09 will not be available until 2011. These figures use the 12/16 methodology for calculating temporary net migration.

Looking ahead: population projections

It is now clear that Australia's recent population growth rate peaked in the year to March 2009 and is on a downward trend. BIS Shrapnel forecasts population growth of 1.5 per cent in 2010–11 and 1.3 per cent in 2011–12. The Australian Government expects NOM to fall by 56,000, or 20 per cent, in 2009–10. The decline is largely due to long-term temporary migration falling as a result of economic factors and policy changes.

Longer-term projections by the ABS and Treasury, based on a continuation of current trend rates of fertility and migration, reveal a likely growth path for the Australian population to around 30 million in 2030 and then around 35 million by 2050 (see Exhibit 3). The range of possible outcomes is quite wide over that time, between 4 million and 16 million extra population from current levels, depending on fertility and migration assumptions.

Exhibit 3: Projections of Australia's population growth

	Fertility rate assumption	NOM annual assumption	Population in 2030	Population in 2050
Intergenerational Report – Treasury	1.90	180,000	28.1m	35.9m
ABS – series A	1.92	220,000	30.5m	39.6m
ABS – series B	1.8	180,000	28.5m	34.0m
ABS – series C	1.6	140,000	26.9m	30.2m
ABS – series D	2.0	0	24.0m	25.6m

Source: ABS, *Population Projections; Australia, 2006 to 2101*; Catalogue No. 3222.0, September 2008; Australian Government, *Intergenerational Report 2010*. Note: In 2008, Australia's fertility rate was 1.96 babies per woman.

A key conclusion of demographic modelling is that sustained population growth, even at the lower end of the estimates, is virtually inevitable in future. The 2010 Intergenerational Report used an assumption of NOM at 180,000 per annum in projecting a population of 36 million by 2050. Treasury's recently released advice to the incoming federal government says that even if NOM were to fall to 60,000 per annum, Australia's population would still be 29 million by 2050 – seven million higher than today.

Longer-term birth rates are difficult to project, but research by the Productivity Commission suggests the current rate of 1.9 babies per woman may well continue for some time to come.¹

Population ageing

Australia's population will continue to age due to the demographic effects of the baby boomer generation and as people live longer overall. Death rates are currently the lowest on record.²

Australia's median age has increased from 36.1 years in 2003 to 36.9 years in 2008. By 2056, under the higher population growth scenarios, it is projected to be over 42 years. Under lower population growth scenarios the median age will be higher.

That we can expect to live longer is a positive development, but it will create significant challenges for the workforce. Treasury's Intergenerational Report projects the number of people of working age for each Australian over 65 (the current retirement age) will fall from 5 today to 2.7 by 2050, even with NOM of 180,000 per annum. The lifting of the retirement age to 67 years by 2023 will help to alleviate this effect. We will need to more actively promote and recognise the economic and community contributions of Australians as they age.

Global population trends

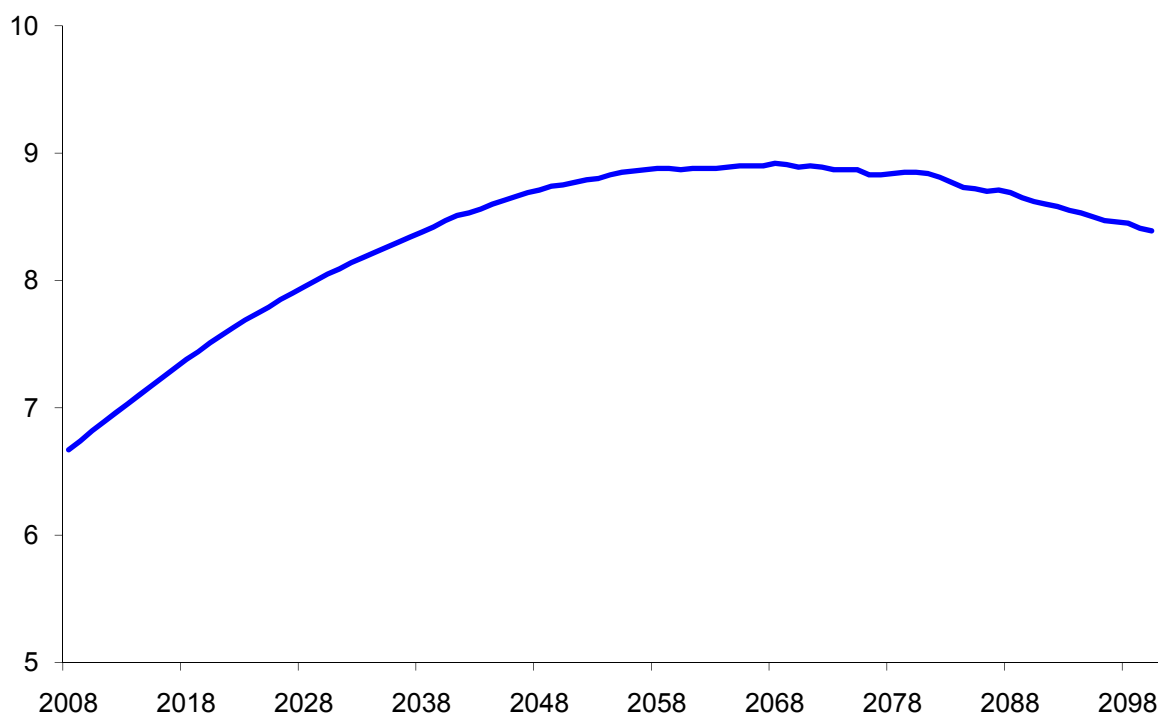
World population trends will reflect a changing external environment which, as argued in the next section, is of importance for Australia in determining its own long-term population strategy.

¹ Productivity Commission, *Recent Trends in Australian Fertility*, 2008.

² ABS, *Deaths, Australia, 2009*, Catalogue No. 3302.0, November 2010.

World population will continue to grow strongly through the first half of this century, but with birth rates declining, it is expected to peak at around nine billion in the late 2060s and then start to decline.

Exhibit 4: Projection for world population (billions)



Source: US Census Bureau.

Exhibit 4 tells a simple but important story for those concerned world population growth may be on an inexorable rise. The reality is that birth rate declines since the 1970s – falling from 4.7 to 2.6 today – are expected to drive a downturn in global population levels during this century.

A large number of developed economies such as Japan, Germany and Italy are already facing low birth rates, population stagnation and decline. Fertility rates in developed economies have averaged 1.6 children per woman through 2005–10 with 61 per cent of developed country governments considering this to be too low.

These demographic settings will shrink workforces over time. A 2005 World Bank discussion paper projected that, by 2050, without further immigration, the total labour force in Europe and Russia, the high-income countries of East Asia and the Pacific, China, and, to a lesser extent, North America, would be reduced by 29 million by 2025 and by 244 million by 2050.³

Conversely, most of the growth in population and labour forces will be in developing countries – see Exhibit 5. India will overtake China as the most populous country sometime in the next decade. Between them China and India will make up around one third of the world's population. Indonesia, Pakistan, Nigeria and Ethiopia will experience rapid population rises while at the same time working to improve per capita incomes.

³ R. Holzman, *Demographic Alternatives for Aging Industrial Countries: Increased Total Fertility Rate, Labor Force Participation, or Immigration*, World Bank Discussion Paper No. 0540, 2005, p. 19.

Exhibit 5: Population trends: Top 15 largest countries by population

Rank 2010	Country	Millions	Rank 2050	Country	Millions
1	China	1 330	1	India	1 657
2	India	1 173	2	China	1 304
3	United States	310	3	United States	439
4	Indonesia	243	4	Indonesia	313
5	Brazil	201	5	Pakistan	291
6	Pakistan	184	6	Ethiopia	278
7	Bangladesh	156	7	Nigeria	264
8	Nigeria	152	8	Brazil	261
9	Russia	139	9	Bangladesh	250
10	Japan	127	10	Congo (Kinshasa)	189
54	Australia	22	59	Australia	29

Source: US Census Bureau.

Lower global population growth overall is being driven by population policies, higher incomes, better health outcomes and greater female independence in developing countries. The United Nations reports that nearly half the governments of developing countries view their population growth rates as too high and a number of them actively seek to reduce growth.⁴ At the same time, the birth rate is expected to fall due in part to the theory of the 'demographic transition', where rapid increases in life expectancy are thought to lead women to produce fewer children.⁵

As in Australia, population ageing is occurring across the globe. By 2015, the number of people moving into retirement in OECD countries will exceed cohorts entering the workforce, a phenomenon that will continue for many years.⁶ In China one-third of the population will be over 50 by 2015 and the median age will have risen from under 20 in 1970 to 46 by 2050.⁷

Stage 3: Assess the future context

Designing a long-term population strategy in Australia's national interest requires a comprehensive and forward-looking assessment of the international and domestic landscape. It requires consideration and appropriate weighting of all relevant economic, security, social and environmental factors that will be important in determining living standards in the future.

⁴ United Nations Department of Economic and Social Affairs/Population Division, *World Population Policies*, 2009.

⁵ See F. Pearce, *Peoplequake, Mass Migration, Ageing Nations and the Coming Population Crash*, Eden Project Books/Random House, 2010, p. 48.

⁶ OECD, *International Migration Outlook*, SOPEMI, 2009.

⁷ PwC, *Talent Mobility 2020: The Next Generation of International Assignments*, PwC, 2010, p. 7.

A number of these factors are considered below – others are likely to arise through the course of a consultation with the community. The key point is that all of these factors are relevant when setting a population strategy and all should be given due consideration within an exhaustive strategy development process.

Economic factors

The common measure of economic success over time is GDP per capita. Traditional economic growth theories have little to say about the links between population growth and GDP per capita. In most economic models, the amount of capital per employee and the growth in technology provide the long-term drivers of GDP per capita for a given population.

Nevertheless, in reality the choices we make about population will affect GDP per capita for a range of reasons, some of which are not captured in economic models. These factors are explored below.

- **Strong growth in the Asia–Pacific region is driving our growth:** Unprecedented growth in our major trading partners in the Asia–Pacific region will continue for years to come. It will drive sustained demand for Australian products and create strong conditions for business investment and employment growth. China's economy is projected to surpass the US economy in size sometime in the next decade, and India could be equal in size to the US economy by mid-century. Dominique Strauss Kahn, head of the IMF, says 'Asia's time has come', and its 'economic performance will continue to grow in importance'. The expectations are that not only will there be sustained demand for Australia's minerals and energy products, but also for our services and advanced manufacturing industries as incomes rise in the region. There will be strong pressure on Australia to grow in line with the economic growth in the region. *What are the implications of sustained growth in the Asia–Pacific region for determining Australia's population policy?*
- **Global economic integration builds important connections and supports innovation:** The connections that Australians have with the countries of not only the Asia Pacific but all regions will provide us with a sound platform for our own growth. We should aim to be capturing the opportunities arising from the movement of knowledge, people, goods and capital across national borders and maintaining flexible, open markets that support investment, innovation and productivity growth. Our population level will determine the number and diversity of those connections. These connections will help us to attract capital and position ourselves on the technology frontier. A recent Lowy Institute report examines the numerous ways that diaspora can play an important role in supporting trade and investment activity, including Australians living and working in other countries.⁸ *How do we factor in the number and diversity of connections between Australians and the global economy to population policy?*
- **The growing incidence of travel for work, consumption and leisure:** Increasing economic integration and wealth are underpinning a greater tendency for people to travel across borders to live, work and learn, further adding to economic growth. Just as people now have multiple jobs throughout their working lives, some are also residing in multiple countries, particularly when young. According to PwC, 'the millennial generation will view overseas assignments as a rite of passage, an outlook that will change the way workers and organisations approach overseas opportunities in the future'.⁹ Fred Pearce in his recent book *Peoplenequake* observes that 'we are seeing the rise of the transnational

⁸ M. Fullilove and C. Flutter, *Diaspora: The World Wide Web of Australians*, Lowy Institute Paper No. 4, Lowy Institute for International Policy, 2006.

⁹ PwC, op. cit., p. 5.

citizen, without exclusive loyalty to any country'.¹⁰ Some services trade relies on people movement, such as Australia's \$18 billion education export sector. One consequence of these trends is that 'national resident populations' will have a higher and growing proportion of long-term temporary residents, with consequences for the rules of our visa programs, for infrastructure provision and potentially other areas of policy. *How can we embrace the greater incidence of travel to work, live and study and what does it tell us about managing population change?*

- **Migration will be needed to meet the workforce shortfall:** Australia's workforce is ageing and we will not be able to meet the expected demand for labour driven by strong regional growth. Skills Australia has identified a mismatch between expected strong labour demand and limits to expansion in labour supply due to retirements and skills shortages. It projects there could be 9.3 million job openings over the next 15 years – 4.8 million from economic growth and 4.4 million as replacement jobs from retirement. Skills Australia says the skills shortfall will be most pronounced in the years to 2015, probably even more so than out to 2025, and has called for the participation rate to increase from around 65 per cent currently to 69 per cent in 2025.¹¹ Realistically the gap will need to be met through both enhancing the skills capabilities of the Australian workforce and through a targeted skilled migration program. Modelling by Peter McDonald and Jeromey Temple of the labour demand and supply mismatch finds that a constant NOM of 180,000 per annum over 50 years will lead to per capita GDP being 10 percentage points higher in 2057 compared to zero NOM. Their research finds that for Australia a NOM of 180,000 per annum 'optimises the age structure impacts upon growth of GDP per capita'.¹² Other studies point to these skills shortfalls, with the National Resources Sector Employment Taskforce identifying a potential shortfall in the resources sector of the resources of 36,000 tradespeople by 2015.¹³ *What do these labour market gaps tell us about our future population needs?*
- **Training the domestic workforce needs to be part of the solution:** We have an opportunity to train our domestic workforce to meet many of these labour demand challenges, particularly in groups with low workforce participation. The training challenge will range from providing advanced skills training to addressing the low literacy and numeracy capabilities in some sections of the workforce identified by Skills Australia.
- **Skilled migrants bring additional benefits:** As well as filling skills shortages, skilled migration has further beneficial effects on the economy, even if many of those benefits are experienced by the migrants themselves. The Productivity Commission found skilled migrants are typically well educated, have high participation rates and work long hours, leading to a positive impact on GDP. While Australia has had a highly competitive skilled migration program, other countries are catching up and implementing points-based systems. Competition for the best and brightest will intensify. Younger people are better complex problem solvers where highly sophisticated technological skills are required, so a skilled migration program can ensure that an economy has enough complex problem solvers if the age profile is rising. *How do we recognise the benefits of skilled migration in setting population policy?*

¹⁰ F. Pearce, op. cit., p. 200.

¹¹ Skills Australia, *Australian Workforce Futures: A National Workforce Development Strategy*, Canberra, 2010.

¹² P. McDonald and J. Temple, *Demographic and Labour Supply Futures for Australia*, Australian Demographic and Social Research Institute, ANU, Canberra, 2008.

¹³ National Resources Sector Employment Taskforce, *Resourcing the Future*, Australian Government, Canberra, July 2010.

- **Australia's external financial position is an important consideration:** Australia, like many developed countries, has high levels of foreign liabilities. By the end of 2008–09, Australia's net liabilities to foreigners were \$694 billion, or 55 per cent of GDP. A growing economy builds the confidence of foreign investors, maximises our access to finance, keeps our borrowing costs down and allows us to continue to invest and grow. There are risks of retreating from growth suddenly, with consequences that could cause our international investment position to become unbalanced and result in flow-on effects for foreign investment, debt premiums and our currency. *What are the implications of our foreign debt and our reputation as a growth economy for decisions about population and economic growth?*
- **Dealing with a two-speed economy:** The likelihood of sustained demand for commodities will drive faster growth in some parts of Australia and attract resources from low-speed regions. Smoothing the impacts across Australia's economy by ensuring sufficient resources in those regions and sectors that are losing workers and capital has been a central concern of policymakers. *Does population policy have a role to play in addressing the challenges of the two-speed economy?*
- **Dealing with the economic consequences of an ageing population:** Rising longevity is a positive development, but it is also forcing us to deal with the challenges of an older population. Whether in the workforce or in the community, longer lives will also need to be longer productive lives if standards of living are to be maintained. The retirement age will need to be reassessed. We will need better techniques for identifying and recognising the contribution those not in the workforce make to our society (e.g. grandparents caring for children; volunteers). The experience of older Australians should be harnessed in new ways. Innovation and business creation by older Australians should be encouraged. Evidence from the United States suggests that there are more entrepreneurs in the 55–65 age bracket than the 25–35 age bracket. *What are the policies we need to address the issues that will emerge with the ageing of our population?*
- **Infrastructure and energy opportunities and challenges to growth:** Ongoing investment in infrastructure and energy provision will be critical to lift productivity in the Australian economy and sustain growth. Different population trajectories will require different prescriptions for investment in our roads, rail networks, ports and airports. New energy supplies will be needed. Australia's economy has historically benefited from access to an abundant source of low-cost energy, particularly from its reserves of brown and black coal and natural gas. The coming decades will instead be a period of transition in the energy sector and in other industry sectors that have historically been reliant on these relatively inexpensive energy sources. *Can we make the investments in infrastructure and energy provision that we need to maintain productivity growth under different population paths?*
- **Fiscal sustainability:** The health of federal and state government budgets will determine our ability to fund investments in skills and infrastructure along with providing core government services such as health, education and environmental services in the future. The Australian Government's IGR projects a structural fiscal deficit of 2.75 per cent of GDP by 2050 even assuming NOM at 180,000 per annum. Health, aged care and pension costs will assume nearly half the federal Budget by then. *What are the implications for fiscal sustainability under different population paths?*
- **Technological impacts on work and living:** The changes that new information and communications technologies, particularly wireless, will bring on the way we live and work and on residential development patterns are connected to our ability to absorb population growth, including in the regions. These technologies are also making it easier to do business and build relationships between regions and cities and also across borders. *How do new technologies impact on where people choose to live and work?*

- **Business and consumer confidence:** Policies need to be set and communicated in a way that builds confidence and minimises unnecessary uncertainty. Confidence is a crucial cornerstone of our market-based economy. Confident businesses will invest, grow and hire. Confident investors – here and overseas – will provide the financing for this to happen. And a confident community will spend, grow families, buy houses, and invest in their own education and training. *Are there implications under different population scenarios for business and community confidence to invest and plan for the future?*

Security and foreign relations considerations

- **Geopolitical shifts and our strategic relations with the region:** The population implications for Australia arising from the shift to a multipolar world and the growth in economic and political power in our region are a sensitive but necessary consideration. As Hugh White says in his recent *Quarterly Essay*, the past 40 years have seen US primacy in Asia but in future we may see any number of scenarios involving the US and Asia's larger countries. Our place in the Asia–Pacific region, the quality of our connections with the countries in our region, our influence in regional affairs and the influence that other countries exert on us are all of high importance. The choices we make about our size and how we interact with the countries around us will have a bearing on how much influence we have internationally. This will extend to important international policy challenges such as climate change policy and trade liberalisation. *How does our population size and mix affect our level of international influence? What are the implications of likely geopolitical shifts for Australia's population strategy?*
- **Self-reliance in defence:** The security of our nation is critical to protecting our freedom and our way of life. The size of the population and the strength of the economy are factors that can help to determine national security services. As former Foreign Minister Stephen Smith recently observed, this is the century of the Asia Pacific, a region that contains the world's five largest militaries: the United States, Russia, China, India, and North Korea.¹⁴ The 2009 Defence White Paper states that the principle of self-reliance should continue to drive Australia's defence policy and that we will continue to need to engage in humanitarian and peacekeeping efforts.¹⁵ *Do different population sizes make a difference for resourcing our defence capabilities?*
- **Australia's food security:** Issues around self-sufficiency in food production have been raised in the population debate due to the rising demand for food from greater population, along with the potential for food production to be impacted by changing land use including for residential purposes. This could make Australia more reliant on other countries to make up for any shortfall in domestic food production in Australia. *Are there implications for food security under different population scenarios?*

Social and community considerations

- **Access to natural space:** An important consideration for many of us in maintaining the Australian way of life includes ensuring we continue to have access to natural space such as our beaches, rivers and mountains. *What are the implications of different population levels for density, our ability to access natural space, our ability to move freely within and beyond our cities and regions, and our way of life?*

¹⁴ The Hon. Stephen Smith MP, *Australia and the Asia–Pacific Century*, paper presented to the South Australian Branch of the Australian Institute of International Affairs, 12 April 2010.

¹⁵ Australian Government, *Defending Australia in the Asia–Pacific Century: Force 2030*, Defence White Paper 2009, Canberra.

- **Liveability of our cities:** Improving the liveability of our cities and maintaining the social cohesion of our communities will be an important challenge for policymakers if our major cities grow by several million people as projected. Growth can bring dynamism, productivity and a wider range of services and entertainment options for citizens. The costs of badly managed growth in our cities, however, will be most keenly felt by residents in the form of congestion and lower housing affordability, particularly where strong growth is not properly planned and provisioned for. *How can changes in population be combined with more liveable cities and regions?*
- **Housing affordability and mix:** Different population scenarios will affect the supply and affordability of housing. A mix of low, medium and high-density living will be required to accommodate growth in our cities, which for many will lead to changes in lifestyles. *What are the implications for providing affordable, quality housing under different population scenarios?*
- **Health outcomes:** What do different population outcomes mean for the health of citizens in cities and regions and access to healthcare services, particularly given ageing and the increase in healthcare needs later in life? *What are the challenges for the healthcare workforce under different population scenarios?*
- **Fertility rates:** Fertility rates will have a significant influence on population mix and levels over time and – depending on where they sit relative to the replacement rate – may be actively targeted by governments. The Productivity Commission found fertility rates are linked to buoyant economic conditions, workplace flexibility and supportive family policies. Fertility rates have implications for health and education policies, family support and workplace flexibility. An OECD working paper says a fertility rate at least near replacement rate is a worthy objective for population policy to replenish the population and maintain a more even spread of population across age brackets. It also encourages family connections, which should help limit the call on government services later in life and offset any adverse consequences from a change in the nature of intergenerational ties from a population increasingly dominated by older cohorts.¹⁶ *What are the policy considerations and challenges that arise around different fertility rates?*

Environmental considerations

- **The quality of our natural environment:** A growing population will potentially impact on the quality of our environment quality. A strong and growing economy also provides the resources to remedy environmental degradation and invest in new environmentally friendly technologies. Most of our environmental problems should be able to be solved with technological or market solutions. The Australian Academy of Technological Sciences and Engineering has found “no insurmountable engineering, scientific or environmental barriers” to achieving a population of 30 million by 2050 “assuming that thorough analysis and planning occur and that leadership is exercised, especially by governments”.¹⁷ Nevertheless, good management by government, business and the community will be crucial for achieving environmental aims along with a strong economy to provide the resources needed to manage these challenges. *In what ways do different population levels impact on our environment?*
- **Water access and quality:** The availability of water supplies and the quality of water supplies are key considerations in Australia, particularly in our regional areas. Reliability,

¹⁶ J. Sleebos, *Low Fertility Rates in OECD Countries: Facts and Policy Responses*, OECD Social, Employment and Migration Working Paper No.15, OECD, 2003.

¹⁷ Australian Academy of Technological Sciences and Engineering (ATSE), *30/50: The Technological Implications of an Australian Population of 30 Million by 2050*, Report of a Study for the Scanlon Foundation by ATSE, 2007.

affordability and access to water supplies will depend on how effectively we can bring new supplies of water to areas of population growth. *What are the water supply considerations under different population scenarios?*

- **Lower greenhouse emissions:** The challenge of transitioning to a low-carbon economy and meeting our international carbon objectives without adverse impacts on economic growth and living standards will exist under all population scenarios. This will require effective decoupling of the growth of the economy from carbon emissions. Maintaining a strong economy will put us in a better position to fund the investments and innovations to meet these challenges. *Are there implications for reducing greenhouse gas emissions under different population scenarios?*

The above list shows how broad the issues are when considering the question of future changes in our population. Consultation should be a critical part of this phase so that all issues are raised and given due consideration and weighting.

Stage 4: Determine a population strategy for Australia

A population strategy should be designed to achieve our common long-term goals for Australia. It should set out how Australia will set long-term population parameters to best meet those objectives coupled with the broader policies needed to manage population growth.

What should be covered by a population strategy?

The strategy should cover:

- a long-term vision for a population path for Australia
- mechanisms for determining annual migration levels and for informing those decisions
- the role of natural increase and whether policies should be designed to seek to influence fertility rates
- a plan for the management of population change both in terms of:
 - planning and investing for changes in the size of the population
 - planning and investing for changes in the mix of the population, in particular due to population ageing.

The strategy should be informed by advice provided by key advisory agencies. For instance, the BCA supports information being provided by the Productivity Commission, Infrastructure Australia and Skills Australia.

Scenario analysis

Scenario analysis is a useful tool for testing the likely outcomes under different population choices and the policy priorities that would arise under each.

What might Australia's policy priorities be in order to meet the national goals under lower and higher population growth scenarios?

Higher population growth

A higher population growth scenario would be consistent with robust fertility rates around 2.0 per woman and high annual rates of net annual migration of around 200,000 or even more. This might result in a larger population of around 38 million characterised by a slowing of the demographic effects of ageing, and would maintain the relative size of Australia's economy with respect to the economies in our region.

If Australia follows a higher population growth scenario, priority policies might include:

- a defined strategy for high rates of growth and coordination across all governments that is clearly communicated to the community
- greater attention to city and regional planning to cater for city populations of 7 million or more, with expertise and resources in these areas to be expanded
- projects of state and/or national significance identified, prioritised and fast-tracked to support the pace of growth
- promoting large-scale private and public investment in infrastructure – transport, water, energy and housing – to meet growing needs
- a market-based mechanism with a higher carbon price that reduces greenhouse gas emissions at least cost, with appropriate support from government for R&D and for transitional measures
- an energy security policy that includes all energy sources, including nuclear energy

- policies and programs to support the harmonious introduction of large numbers of migrants to communities
- policies and programs to support families via tax structures, flexible workplaces and childcare services in order to maintain robust fertility rates.

The benefits of a well-managed, higher population growth path would be:

- a larger, dynamic and more diverse economy coupled with external financial stability
- well-designed cities that accommodate growth while preserving liveability and sustainability
- better-funded retirements, and importantly, the ability for retirees to access labour-intensive services in future
- more connections and stronger relationships with other growing countries in the Asia–Pacific region, greater influence over our own affairs plus the ability to provide an enhanced defence capacity
- low environmental impact due to explicit policies to place a high value on sustainability
- a more sustainable fiscal base to fund government services such as health care and education services and improvements to our environment.

The risks of higher population growth, which would be exacerbated where there is poor management, would be:

- a decline in GDP per capita if capital investment fails to keep pace with labour supply growth
- serious congestion in our cities, affecting productivity and competitiveness
- underinvestment in energy caused by uncertain policy settings and resulting in brownouts
- poor housing affordability and poor-quality housing
- degradation of the environment and a failure to meet greenhouse gas emission commitments
- a breakdown in social cohesion, especially in our cities, leading to more crime and deterioration in our quality of life
- less accessibility and greater crowding at natural attractions around our cities.

Lower population growth

A lower population growth scenario might be consistent with lower fertility rates per woman of around 1.7 and annual net overseas migration of 100,000 or less. This would result in a smaller total population of 26 million by 2050, characterised by an older population and a fall in relative size against many economies in our region.

If Australia follows a lower population growth scenario, the policy priorities could be:

- a critical need to raise workforce participation, including through raising the retirement age, to maintain levels of GDP per capita as the workforce ages
- greater support for community participation, e.g. volunteering to provide non-GDP benefits and to reduce demand for government services, again due largely to ageing
- maintaining a highly competitive and flexible economy that deploys resources to their greatest potential output

- strong focus on a high-productivity agenda to offset the expected decline in the workforce from ageing
- prudent fiscal management in the face of rising health and aged care costs and/or greater self-funding and a stronger emphasis on preventative health
- meeting national security objectives through an emphasis on the maintenance of strong relationships with key allies and to a lesser extent, self-reliance
- a market-based mechanism with a higher carbon price that reduces greenhouse gas emissions at least cost, with appropriate support from government for R&D and for transitional measures.

The benefits of lower population growth that is well managed could be:

- a sharper focus on improving productivity and competitiveness to drive headline economic growth
- benefits from greater specialisation of the workforce as a consequence of a narrower economic base
- less congested cities providing individuals in capital cities with more space and ease of movement, and easier access to natural attractions around our cities
- environmental impact should be more manageable and the effect of climate change policies on economic growth less severe.

The risks of a lower (or even declining) population growth path, which would be exacerbated by poor management, could be:

- a more rapidly ageing society with lower workforce participation and reduced GDP per capita growth
- a lessening in economic dynamism affecting the confidence of families to grow, businesses to invest and leading to 'brain drain' as Australians move offshore
- A more marginalised and less innovative society due to stagnant or declining international connections and knowledge transfers
- balance-of-payments concerns if foreign investors mark us down as a low-growth economy, making servicing our existing debt more expensive
- lower funding for key government services (e.g. education and health) due to a smaller income tax base
- malaise in our civic institutions and slow decline in the quality of our infrastructure and cities
- greater exposure to global fluctuations in demand and a lesser ability to smooth any sudden changes across our industries and our workforce
- less influence, either externally or potentially, over our own affairs, particularly given the rise in the political and economic power of other countries
- a smaller, less technologically advanced defence force
- restricted growth in our services export industries where long-term temporary visitors are restricted from spending long periods of time in Australia.

Stage 5: Communicate the strategy, implement and review

The importance of a clear approach to population policy and effective communication

Once determined, the government's population strategy should be communicated clearly to the public and community support sought. This can be done by painting a picture of the changes that are likely to occur over time and by providing confidence that they will be well managed.

The population strategy will also need to be agreed on across governments at the Council of Australian Governments (COAG) as it will be through COAG that many of the joint and overlapping policy responsibilities are identified and implemented. We need all governments to be pulling in the same direction and setting policy in accordance with a common understanding of where Australia is headed. Under the Australian model, the federal government is responsible for most of the policies that determine population growth – such as migration and family support and workplace flexibility – but it is the states and territories and local government that do the planning in our cities and regions and make the long-term investments to provide services.

Businesses and communities will also make better long-term decisions if they are provided with a clearer understanding of the direction of government policy on population growth. Uncertainty or sudden shifts in government policy on population growth lead to uncertainty, confusion and a decline in confidence that can spread through private decision making and produce poor outcomes.

Implementing a population strategy

The population strategy should drive key parts of the government's growth agenda and help frame a number of important sectoral policies.

These should include:

- a national population policy, including the government's migration programs
- an infrastructure plan
- a skills/training plan
- a workforce participation and retirement plan
- better cities planning
- environmental sustainability (at least cost)
- social policies for social cohesion, health and ageing.

Monitor success and periodically review the strategy

A set of indicators should be conceived against which the population strategy can be assessed and reported on regularly to check whether Australia is on track to meet our common national goals. These could include:

- quality-of-life indicators
- GDP per capita (versus other OECD countries)
- better cities indicators
- infrastructure service level indicators
- community attitudes to population changes
- environmental stocktake.

The strategy should be periodically reviewed for progress against these indicators or for any significant changes in the factors detailed in phase three.

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