



# Australia's POPULATION FUTURE

A POSITION PAPER

PREPARED FOR THE BUSINESS COUNCIL OF AUSTRALIA  
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## EXECUTIVE SUMMARY

In 2004, twenty million people call Australia home. How they age, locate, reproduce and die, and whether they are joined by others through migration, are basic processes that will underpin our future, in the same way they have been a major force in shaping our past and present.

Over the past 40 years, half of Australia's GDP growth has been directly attributable to population growth. Migration in turn has contributed to around 50 per cent of Australia's population increase over that period.

Still, there is ongoing debate about Australia's population future and the role that sustained immigration can or should play in it.

Promoting informed debate, particularly around the benefits of sustaining population growth and immigration, is the aim of this publication.

While the demographic trends and challenges we face are widely recognised – in particular the ageing and shrinking of Australia's population base and workforce - their economic implications are less well understood.

Without changes to our population policies, we know that Australia's population is likely to decrease in the medium-term future. We also know that in the decade 2020 to 2030, Australia's working age population will grow by just 14,000 a year. This compares to 180,000 new workforce entrants each year currently.

Advances in information and communications technology have brought Australia closer to the rest of the world.

These advances have helped shape arguments that interconnectedness with the global economy can overcome Australia's comparatively small population and distance from major global markets, and sustain economic growth.

However, as the paper highlights, latest research shows the growth of the global knowledge economy has actually increased the importance and costs of distance to relatively small economies like Australia's.

As a result, managing our population challenges - in particular, the need to attract skilled migrants in an increasingly global and knowledge driven economy - will be important issues underpinning our future prosperity.

At the same time, a well-constructed population policy also measures the costs of population growth to make sure they are controlled or limited. As this paper advocates, there are a number of issues and principle that a comprehensive population policy needs to address.

Specifically, the policy or policies should:

- be proactive and explicit;
- establish a clear population growth target (while recognising the target may require adjustment over time);
- outline the structure of population growth (what proportion are skilled, what are the distribution patterns in terms of age, family structure, geographical spread etc);
- capture all the drivers of population growth;
- recognise population is an issue for all tiers of Government, as well as business, unions and community groups;
- inform and complement policies in other areas such as education, infrastructure and the environment; and
- recognise broader equity and human rights objectives.

Based on the implications of Australia's demographic trends, its unique characteristics in terms of size and location, and taking into account new economic thinking, the BCA advocates the following:

### BCA RECOMMENDATIONS FOR A NATIONAL POPULATION POLICY

- Maintain Australia's population growth at least of 1.25 per cent increase a year through natural increase and migration focused on skilled immigration. This will see Australia's population grow to 35.6 million by 2050;
- Establish a National Population Council – bringing together governments, business, academics, unions and community groups – to improve coordination, focus and buy-in on population policy;
- Establish a similar Infrastructure Advisory Council to plan and develop long-term facilities such as roads, hospitals and schools in the right places to accommodate population growth;
- Review and adjust family support policies to maintain and increase birth rates. The policies include:
  - improved work-family practices; and
  - reviewing childcare, housing, leave and social welfare policies to ensure that they support family and workforce participation.
- Introduce policies to support an increase workforce participation, in particular by older workers and parents.

## INTRODUCTION

Australia's growth in output and productivity has improved substantially since the mid 1980s. This has been the payoff to a prolonged period of reform that has helped restructure the institutions and practices of business and government in Australia.

There is a need now for a new stage of policy development directly focused on our future. Above all this means explicitly dedicating ourselves, as a small, democratic, industrial power in the Asia Pacific region, to enhancing our capability to respond to the challenges of economy, society, environment and security, and to do this through renewed investment in the skills, knowledge and resources required for the twenty-first century.

We have moved strongly towards being a more open and flexible economy, having freed ourselves from many past constraints. There are more domestic and international impediments to confront, but sustained growth also requires new and better attention to equipping the nation to compete.

One major challenge before Australia now is the issue of population. Along with globalisation and technological change, demographic change is one of the three major forces altering the way we all live around the world. To respond to this, a dynamic population policy is essential.

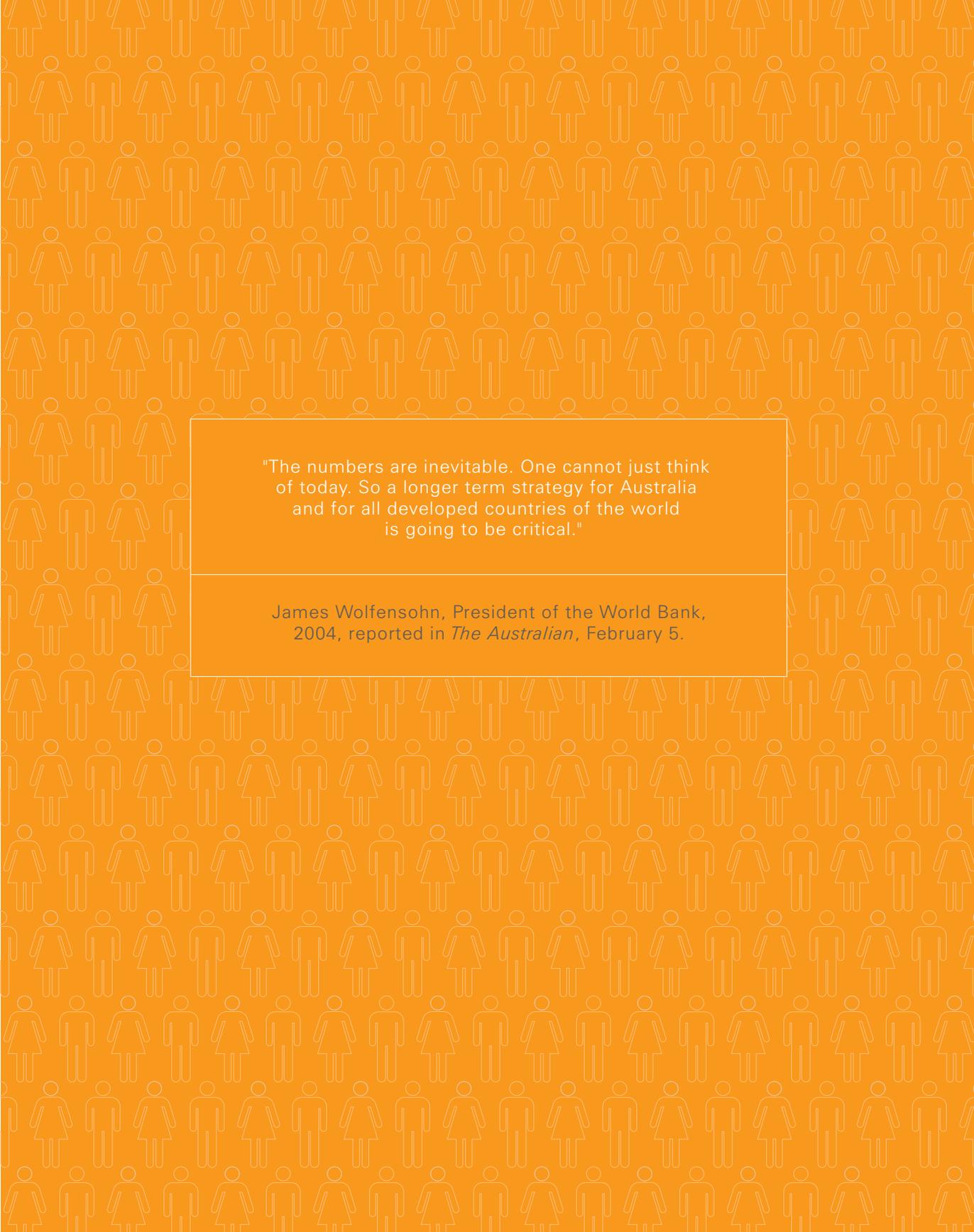
This paper outlines the nature of the demographic pressures facing Australia, assesses their implications and details how policy must respond.

## THE DEMOGRAPHIC IMPERATIVES

For the first time in 200 years Australia is facing the prospect of population decline. If the birth-rate continues to fall, even to levels common already in much of Europe (themselves still dropping), and if net migration does not increase (and outflows are rising), we could peak at a population of just under 21 million by 2030 and decline quickly after that.<sup>i</sup>

Tasmania may have a declining population from 2015, to be soon followed by South Australia. The working age population currently grows by 180,000 per year, but for the decade from 2020 it will grow by only 14,000 per year. The present six working age persons per one aged will become three per aged by 2031.

A renewed focus on population concerns in the major industrial societies is not uniquely Australian. Such issues are the stuff of political debate now around the world: IT worker migration, overseas student retention, workforce decline, retirement income costs, aged health care, asylum-seekers and such like have surfaced as ongoing and prominent policy concerns throughout all of the industrial countries.



"The numbers are inevitable. One cannot just think of today. So a longer term strategy for Australia and for all developed countries of the world is going to be critical."

James Wolfensohn, President of the World Bank,  
2004, reported in *The Australian*, February 5.



UN Secretary-General Kofi Annan has recently suggested, for example, that: "Migrants need Europe. But Europe also needs migrants. Without immigration the population of the soon-to-be 25 member states of the EU – 452 million – will drop to under 400 million people by 2050. Were this to happen, jobs would go unfilled and services undelivered. Your economies would shrink and societies could stagnate."<sup>ii</sup>

Australia has a younger population profile than many industrial countries, it has long experience of managing migration and it is increasingly aware of the demographic changes coming.<sup>iii</sup> It is therefore in a better position than most to get policy right in this area.

In the non-industrial nations, while some countries and especially some African nations have severe pressure from population growth, the overall prospect is now for total population to peak and then decline during this century. Indeed, it seems that world population will peak in 2070 at nine billion. By 2100 it will have fallen to 8.41 billion and will keep falling.<sup>iv</sup> In all cases

the cause is common: women's work, education, rights and contraception have produced a fall in fertility below replacement. The transition will not be easy to manage, as the growth of young populations in parts of the Third World will for a time be very large, but the end of the threat of a "population bomb" is in sight for the globe. Increased affluence and enhanced social justice have wrought the magic that was required.

For Australia, population has long been a major force determining the shape of our nation. It will continue to be so. In the post-World War era alone half the increase in population has come from migrants or the children of migrants. Twenty million Australians live in this country as of December 2003. How they age, locate, reproduce or die and whether they are joined by others through migration are basic processes that will underpin our future, as they increasingly do for other countries.

This paper reviews Australia's demographic trends and the consequences of population change, and examines possible policy response in this area.

## POPULATION DRIVERS FOR AUSTRALIA

The forces that change our population are natural increase and migration. The former of these, natural increase, is the outcome of the balance of births and deaths. A total fertility rate of 2.2 (births per woman) would be required for the population to replace itself. Yet Australia has dropped well below this level for over twenty years. It is only the large number of baby-boomers who were in their child-bearing years (but now moving beyond) that held total birth numbers up. There is now an emerging prospect of collapse in population increase for Australia.

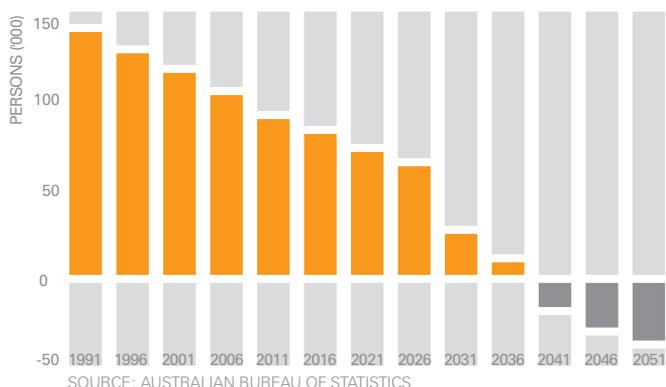
Figure 1 shows the impending drop projected by the Australian Bureau of Statistics. Population decline is in prospect despite increased life expectancy. The drop in births outweighs the demographic effect of extending out the death rate. The average male now lives to 75.0 years and the average female can

expect 80.9 years of life. This is increasing by a year for every five calendar years. So the future Australian population will be an ageing one.

The prospects through to mid-next-century are for a major projected escalation in aged dependency for Australia. The bigger impact will not emerge for 20 years or more, but the demographic parameters that will drive the outcome are in place.

The remaining major ingredient in the population size formula is migration. Modern Australia has been created by migration. But the contribution varies, with migration sometimes down, as it was during the Whitlam Government and the first Howard Government, and sometimes up, as it was in the Hawke Governments and the third Howard Government. The tri-ennial migration program target range for Government announced in 2003 is 100,000 to 110,000

**FIGURE 1  
THE COLLAPSE OF NATURAL INCREASE:  
AUSTRALIA 1991-2051 (BIRTHS MINUS DEATHS)**



settlers annually for the period to 2005-2006. This is up from 85,000 in 1998 but is still less than early post-war numbers which reached 150,000 in the early 1950s, and clearly current rates are well below those of the 1950s relative to the size of the total population.

Temporary entry has increased substantially in recent years on top of settler arrivals, with over five million short-term arrivals and departures annually. Emigration, particularly of bright young Australians, has increased dramatically, and now exceeds 50,000 a year.

Within the population, higher education participation levels, growing welfare support levels and substantial increases in early retirement have limited the capacity of any given population to provide high

rates of workforce participation. In relation to participation itself, if we compare Australia directly with best practice in other benchmark we still have lower tertiary education participation and lower workforce participation among women and older individuals.

Table 1 shows this comparison for the other major Anglo-American countries (US, Canada, UK) and compares Australia with best practice labour force participation in those countries for each age group for those aged 25 plus (ie post tertiary). Were we to move to match their participation, our workforce would increase substantially. Essentially Australia is missing 628,124 workers. This comprises 146,339 males and 481,786 females.

**TABLE 1 LABOUR FORCE PARTICIPATION CHANGE TO BEST PRACTICE : AUSTRALIA**

	Australian LFPR 25+ (%)		Best Practice LFPR 25+ (%)		Implied Added Workers	
	Men	Women	Men	Women	Men	Women
25-29	90.1	74.3	92.3	80.5	15,806	44,224
30-34	92.1	67.4	93.8	79.3	12,256	87,052
35-39	91.3	70.2	92.9	79.9	11,827	71,222
40-44	91.1	74.2	92.3	81.6	8,574	54,724
45-49	89.3	75.4	91.2	79.7	12,986	29,371
50-54	85.0	66.3	86.6	74.1	10,601	49,806
55-59	70.7	49.5	77.2	61.7	33,522	60,834
60-64	46.6	21.4	56.6	42.5	40,766	84,553
					146,339	481,786
					<b>Grand Total</b>	<b>628,124</b>

SOURCE: OECD LABOR STATISTICS

It is important to recognise that the location of the population can also be as important as population and workforce totals. Key trends in this respect are mobility and location:

- 80 per cent of Australians live on the coastal plain and 40 per cent live in Sydney and Melbourne;
- 47 per cent of people change residence at least once within a five-year period;
- 40 per cent of immigrants seek to settle in Sydney.

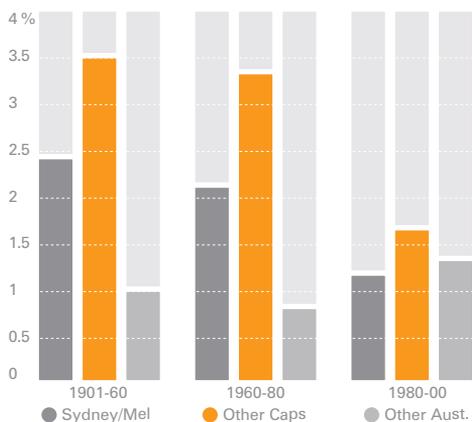
In the past, growth in the “sunshine capitals” has outpaced that in Melbourne and Sydney over a very long period (Figure 2), but all capitals have grown at the expense of rural and

regional Australia until the last two decades of the last century when a move to newer coastal locations such as the Gold Coast and Sunshine Coast produced newer settlement patterns. Interestingly, Sydney has long grown at the national population growth average or less, despite its status as a preferred migrant destination.

For the future, if recent growth rates are extrapolated forward to 2051, Queensland and Western Australia will increase their share of Australia’s population from 28.9 per cent now to 37.7 per cent, while Victoria, South Australia and Tasmania will decline from 35.5 per cent to 27.8 per cent (though there has been some important recent improvement in the relative position of these states). New South Wales and ACT will remain steady, with a change only from 35.5 per cent to 34.4 per cent, with the Northern Territory expanding despite recent net losses.

Overall, population in Australia has ceased to replace itself and it has experienced fluctuating net migration. The likely outcome under present trends is slowing of population growth in the short-term, possible actual decline in population in the medium-term future and a steady ageing of the population in the longer-term. The “Sunshine Belt” seems likely to gain more people than the industrial states, though coastal location seems likely to increase as a distinctive characteristic of Australian settlement. Workforce growth through increased participation will be problematic in the absence of policy or behavioural changes.

**FIGURE 2  
POPULATION GROWTH AUSTRALIA  
1901 - 2000**



SOURCE: GARNAUT, 2002

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**‘A population of 6-12 million  
would give Australians enormous  
flexibility in dealing with  
environmental and other problems’**

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BIOLOGIST TIM FLANNERY, 1994

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**‘A population of 50 million  
will boost the economy, promote  
national stability and increase  
Australia’s influence’**

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FORMER PRIME MINISTER MALCOLM FRASER, 1997

## THE IMPORTANCE OF DYNAMIC POPULATION GROWTH

In Australia, population debate remains prominent. Yet compared to most countries Australia has a modest population in relation to its occupancy of one of the earth's continents. Visitors from more densely settled nations sometimes express surprise at the existence of substantial restrictionist opinion. Yet strongly held views regarding both restriction and expansion are found in Australia.

A basic issue for policy therefore is whether a higher population is desirable. But this is far from the only issue, however prominent. Further questions follow regarding the characteristics of that population and the availability of suitable and acceptable policies. Nevertheless, numbers are a threshold concern to address and the most important consideration is the need to recognise the importance of dynamic growth in population numbers for the Australian economy, society and national security.

The case that population enhances economic vigour was strongly expressed by Lord Keynes, when he said it was largely because of migration that the US economy became what it is today, with capacity rapidly being pressed so that there was more investment. The certainty behind investment was there and it was therefore larger, more rapid and more confident.

Looking first at economic size alone, success in holding back decline in fertility and/or in expanding net migration would offer options for population and GDP by 2050 such that differences in sustained migration rates over some decades could dramatically alter the economic weight of the Australian economy (Table 2).<sup>9</sup>

**TABLE 2  
MIGRATION OPTIONS FOR AUSTRALIA:  
GDP EFFECTS**

	Population (mill.)	Real GDP (\$US bill.)
Restriction (zero net migration)	20.0	1011.1
Present Policies (status quo)	24.8	1320.1
1% population growth	31.5	1676.7
1% migration growth	37.9	2017.4

A one per cent migration rate target, such as has been adopted by the Canadian Government, would add about \$US1,000 billion more to Australia's GDP by mid-century than would a zero net migration target of the kind adopted in the past by the One Nation party and the Democrats in Australia.

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"Using trade data, we find that a third of all goods-producing industries are characterised by increasing returns to scale."

Antweiler & Trefler, *American Economic Review*, 2002

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Similarly the Federal Government's Inter-Generational Report tabled with the 2003 Budget calculated that real GDP would be up 10 per cent by 2042 if net migration was increased to 135,000 per year rather than 90,000. The Report also saw an annual improvement of around two per cent in GDP per capita for 2002-2042 under higher migration and a reduction in the aged-to-worker ratio of six per cent by the end of the period. Higher migration would also be the biggest single contributor to reduced Government Budget pressure, ahead of the benefits of higher labour force participation by older workers, lower unemployment, higher productivity and lower health cost growth.

Of course there is nothing compelling about population size for its own sake, as the Inter-Generational Report acknowledges. Rather, what must be recognised is how much other benefits flow from such increases in population size, if that is managed well.

The most obvious benefit is that of production economies for firms, coming from larger production runs within plants. A range of studies for manufacturing have long documented the importance of unit cost reductions that can accrue in larger production runs. Some of these can be gained from market scale acquired through international trade rather than local market size, but this trade option does not apply for non-traded

goods and, especially, it does not allow for costs of distance and transport further inhibiting market access through trade. Studies of European manufacturing along these lines found on average that if the size of an industry is quadrupled, output per worker and per unit of capital employed is doubled.<sup>vi</sup> Reaching such minimum efficient scale is assisted by population size.

It is also the case that for goods and services not traded internationally, population size spreads the costs of public goods and networks such as public administration, transport and utilities and allows for more domestic competition so reducing the domestic prices of these services. Where international trade is possible, market penetration is enhanced by these domestic benefits, which are shared by all, including exporters.

What is also important about population size is that larger markets generate further pay-offs from "spillovers". These take two basic forms: "knowledge externalities" and "thick market" benefits.

The knowledge spillover from population size is that more production generates more ideas about improving production, including through "learning by doing". This may be no more than the accumulation of lots of small improvements and can embrace all steps in the value chain from factory to client service. But it is increasingly recognised that this is where so much value creation actually originates.

These are knowledge spillovers and they can also take the form of the benefits that come from the interactions between many firms and many people in a large market. For example, while much knowledge is usefully codified and accessible by books, the internet and education and training, much other knowledge is tacit and transmitted by informal physical interaction between people. The synergies are great as workers move between firms, formal and informal interactions take place between people with productive knowledge and people capable of identifying and using that knowledge. Formal and informal interactions occur among investors, researchers, board members, managers, workers, consumers etcetera.

Such spillovers are greater the larger is the size of the group that interacts. And most of the ideas and insights generated can be shared widely, since it is hard to exclude others from some sharing of that knowledge. The process is one of increasing returns, though not without ultimate limit.

The second form of spillover can be appropriated more readily but it is no less valuable. These are the “specialisation and variety spillovers” which are benefits of “thick markets”. These accrue through fostering greater specialisation and hence market availability of specialised inputs such as particular skills and intermediate goods and through the existence of niche output markets which increase the range or variety

### FIGURE 3 THE POLICY PARADIGM SHIFT

#### OLD GROWTH ECONOMIC POLICY PRIORITIES

**Nationalistic focus** (means that there is a loss of gains from trade because of protectionism)

**Physical capital** (means that business capital investment soon runs into diminishing returns)

**Exogenous technology** (means payoffs depend upon luck and are not linked well to business needs)

**Resource allocation** (means benefits gained are one-off and not ongoing sources of growth)

#### NEW GROWTH ECONOMIC POLICY PRIORITIES

**Global integration** (allows the nation's businesses to pursue gains from trade)

**Business, human, social and infrastructure capital investment** (ensures importance of each is recognised and allows ongoing spillover benefits across businesses ie. gains in multi-factor productivity)

**Endogenous innovation** (means that ongoing improvement, commercialisation and finance is recognised and hence growth is more sustainable)

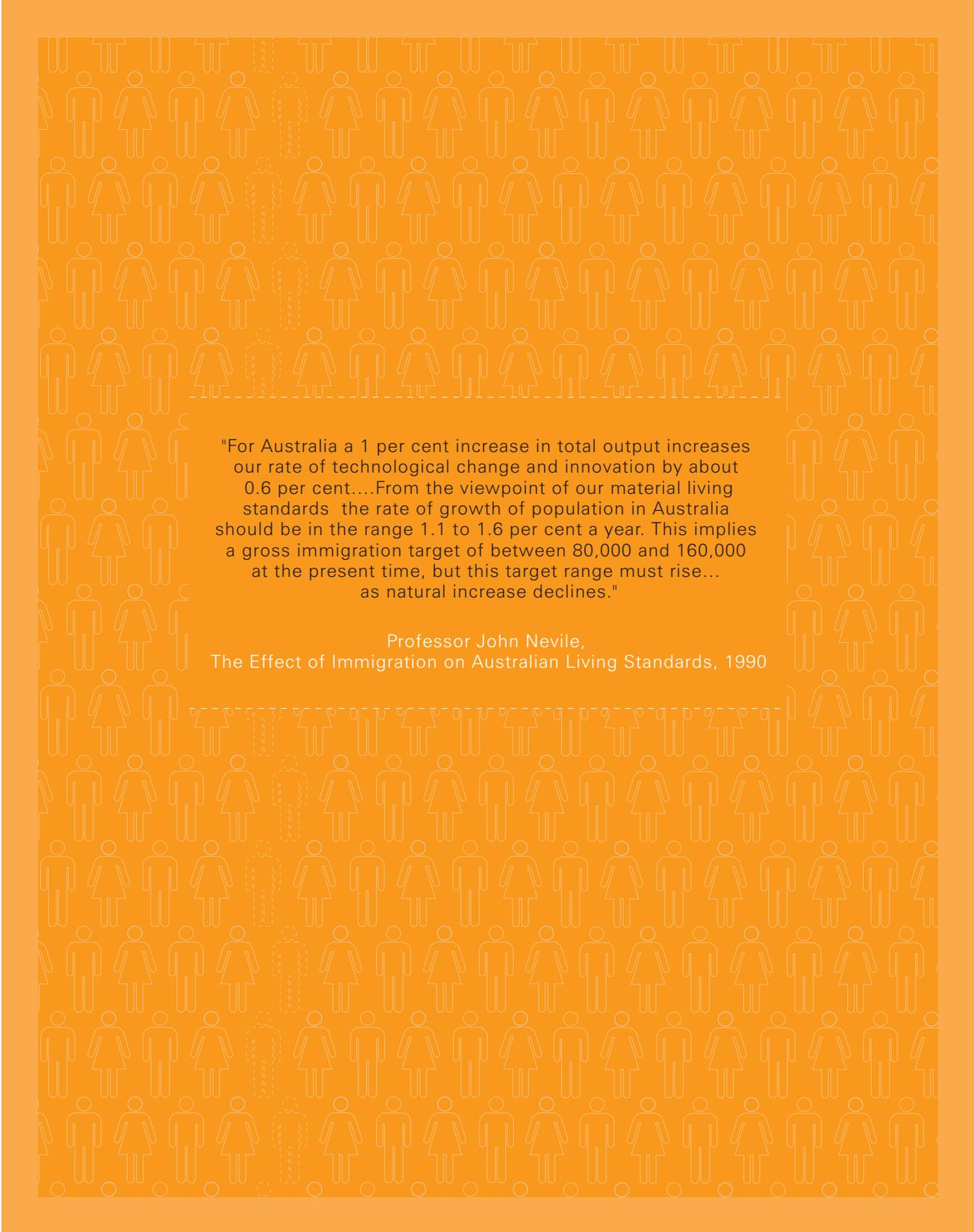
**Entrepreneurship and structural change** (means that ongoing recontracting takes place, on a continuous enhancement basis)

of services and products that are available, including ones especially tuned to local needs, circumstances and preferences.

These ideas come together in a whole new way of looking at growth of the economy called "the new growth economics" (Figure 3). Corresponding to the emergence of the new global knowledge economy, this approach to growth emphasises the central role of knowledge and the generation of new knowledge through innovation and entrepreneurship. More mechanical production systems based on low labour cost give way to more customised and more rapidly changing wealth creation, and a growing population is increasingly being recognised as a valuable contributor to such a process. This is not to say that economic growth alone is an automatic guarantor of happiness and well-being. Indeed in some quarters the view is being proposed that materialism and "economic rationalism" may be actually producing unhappiness and reduced national

well-being (Hamilton 2003). But this critique ignores the wider role of the 1970s social liberalism era and the complex effects it too has had on modern social well-being in areas of personal and social relationships and aspirations. It also ignores the systematic evidence available that loss of income is a source of great unhappiness for most. Income growth is still widely desired, not least because it makes possible a whole range of other individual and family options and choices in life, and for the community collectively, that are not possible in its absence.

If alternative measures of national progress such as the Australia Institute's own Genuine Progress Indicator (GPI) are examined more closely, they are actually seen to track GDP rather well once initial base adjustments are made for the negatives of growth, with only anomalies such as the contestable treatment of depletion of current Australian oil reserves explaining any serious divergence.<sup>vii</sup>



"For Australia a 1 per cent increase in total output increases our rate of technological change and innovation by about 0.6 per cent....From the viewpoint of our material living standards the rate of growth of population in Australia should be in the range 1.1 to 1.6 per cent a year. This implies a gross immigration target of between 80,000 and 160,000 at the present time, but this target range must rise... as natural increase declines."

Professor John Nevile,  
The Effect of Immigration on Australian Living Standards, 1990

## THE TYRANNY OF DISTANCE

These considerations of economic outcomes and population size are particularly telling for Australia because of our distance from the main locations of industrial and intellectual activity in the world. We are a small population inhabiting a large land mass remote from Europe, North America and North-East Asia. More than 75 per cent of the world's spending on R&D is generated in three countries: USA, Japan and Germany.

The problems of remoteness are well embedded in our own consciousness because of Geoffrey Blainey's book *The Tyranny of Distance*. At times isolation is a wonderful advantage. It can increase security and it can mean that we develop ideas and attitudes as a nation that are distinctive or different.

But these positives come at a cost that is being increasingly quantified in independent international research:

- Eaton and Kortum (1994) found that, according to patent citations, more than 50 per cent of technology diffusion is within-country technology diffusion rather than across countries;
- Redding and Venables (2000) find that market and supplier access explain 15-36 per cent of variation of per capita income between countries; and
- Blum and Leamer (2002) estimate that exporting a good to a country 1000 miles away is equivalent to an import tariff of between seven and 17 per cent depending on the type of good.

In some fields and activities the disadvantages of distance are undoubtedly diminishing as the internet and other global communications increase knowledge transmission. But this is helpful in some fields only and in some ways only as it does not diminish the importance of tacit knowledge. Also the composition of global production and demand, especially in the more advanced economies, has changed to favour products where local technology or other local knowledge benefit predominates.

So-called "gravity models" of international and inter-regional trade show no evidence in their empirical work for a decline over time in the elasticity of trade with respect to transport cost or distance (Hanson 2000). Indeed, recent work by London School of Economics and Yale researchers finds that "The economic importance of distance seems to grow with time: whereas a 1 per cent distance is associated with a 1.2 per cent reduction in bilateral exports in 1970, it is associated with a 1.5 per cent reduction in exports by 1990" (Schott and Redding, 2003). In other words, Australia's distance from the rest of the world is as important today if not more important, from an economic perspective, despite advances in telecommunications and transport.



"Whether the threat to our national sovereignty is through trade sanctions or through military pressure, there is only one sure way in which Australians can be confident that our sovereignty will not be successfully challenged, namely sustained population growth and rising prosperity"

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Hugh Morgan AC,  
Australian Institute of Company Directors address,  
1998.

Arguments that other small countries manage well enough and small population is no impediment misses an essential truth: proximity does matter. Finland, Ireland, Netherlands, Switzerland and the like are small successful countries. Yet Helsinki is 1,500 kms from Bonn, 6,900 from Washington and 7,800 from Tokyo, while the distance from Canberra to these is 16,500, 16,000 and 8,000 kms respectively. The other small countries are close to large affluent markets. Schott and Redding show that a common border adds even more to trade on top of proximity. Australia as the island continent has no common borders and is at the far end of the globe.

Australia has the lowest population density for an industrial nation, with cities that can be thousands of kilometres apart, raising costs internally in terms of transport, infrastructure, marketing, and coordination.

To compensate, Australia can exploit its natural endowments, as it does with its agriculture and minerals industries, and it can build its human endowments, as it has done in the past, but should do much better today. In particular three features stand out in population matters to assist in offsetting the tyranny of distance:

- **Population Size.** We should continue to increase our own population through policy to support fertility and lift migration. In particular, our migration system and experience leads the world. That advantage and reputation should be capitalised on. With astute policy, reasonable inflow is quite obtainable and manageable.
- **Population Location.** We locate ourselves in large cities and that too is important for conquering distance, so that we may reap the benefits of urbanisation. Overseas studies estimate that increasing city size adds substantially to productivity. For example, in the USA doubling population density increases labour productivity by six per cent and total factor productivity by four per cent.<sup>viii</sup> The topography of Sydney basin does mean some countervailing pressure on urban amenity is felt there more than other cities, however, better policy, including migration diversion is quite feasible.
- **Population Skills.** We need to focus on building the skills of our own people hand in hand with acquiring the skills that many newcomers bring. An increased priority for education and training for Australians is becoming evident in government debate, and Australia has also shown that it can place skill at the core of its immigration policy and indeed is coming to recognise the importance of skilled expatriate Australians ("the diaspora") as well.

Skilled and lively people living in growing and vibrant population centres are the best revenge against the tyranny of distance. They are also the best answer to the easy argument that population size is a problem not a blessing, a view often accompanied by the invocation: "just look at Bangladesh". But, equally, just look at the United States with a large population, or Chad with a small population. Large population is a boon provided the society equips and motivates its people well. The interaction of those people then spins off to the advantage of all. An advanced country such as Australia is in a position to ensure that this happens. Then we can aspire to support the greatest happiness of the greatest number.

It might seem that distance has blessed Australia by our being remote from the sources of major potential world conflict: the Middle East, Kashmir, Taiwan, the Korean Peninsula. There is clear value to isolation in these respects. But it is also difficult to avoid wider regional and global defence engagement from time to time and there is a need to engage in wider trade, economic and humanitarian affairs through the many fora for global and regional discussion and decision.

In this context it is readily arguable that a further major gain from population growth is that of greater global engagement and influence on our terms, rather than those of others. Our national sovereignty is highly dependent on our population growth in that sense.

Population then is one way that we might be more confident of retaining our sovereignty, an issue that security developments both globally since September 11 and in our region since the Asian financial crisis have perhaps brought home more than might have been the case some years back.

On the global stage, present demographic and economic trends presage a shift in influence away from Europe to Asia, with China emerging as the only power able to rank with America around mid-century. America itself remains the only industrial country with fertility that has not fallen below replacement. Under these trends, the major middle nations will be India, Korea, Japan and Indonesia. If Australia itself lifts its population to a higher trajectory (and/or improves economic performance further) it could emerge as equivalent to major European nations and to middle Asian nations by mid-century. Under present settings, however, Australia will slip from sixth to eleventh in economic size in the Asia-Pacific by mid-century.

To put the situation in stark terms, the Fraser vision of Australia in 2050, cited above, would have our regional weight as illustrated in the top component of Figure 4. The Flannery vision, also cited, would have it as illustrated in the bottom of Figure 4. The figure projects population and per capita GDP for the countries of the SE Asia region out to 2050. UN population projections and trend average income growth of the last

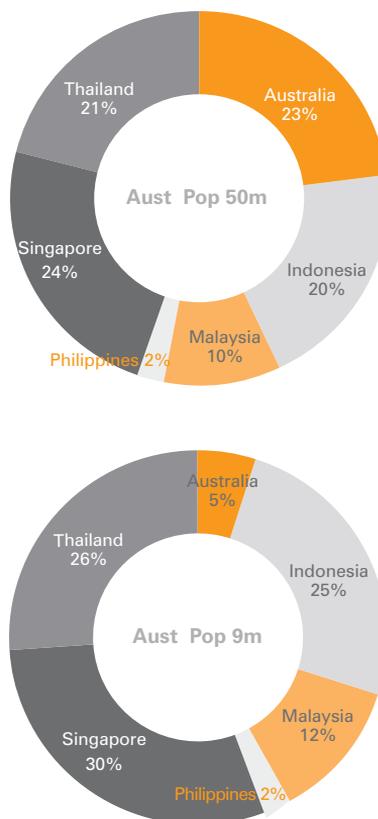
two decades are used. The only difference between the two charts is the alternative population scenarios for Australia. The chart indicates that population may clearly be an important determinant of regional impact in the future for Australia.

Beyond geo-politics there are further examples of other global dimensions of the migration gain, for example, the great success that business migrant firms have had in integrating us into the international markets: ten times the value of exporting compared to equivalent sized domestically generated firms (according to Access Economics (1998)).

Critical-mass innovation and state-of-the-art capability in defence itself, requires access to a global talent pool that migration can help bring in to Australia, and which the United States has tapped so well. Population numbers in the form of total taxpayers also underpin meeting the budget cost of the increasingly expensive technologically advanced effort in defence. As Corden (2003) has recently emphasised: "All one can say is that defence, whether forward defence, defence against terrorism, or whatever, costs money, and the need is unlikely to increase with population, but the capacity to pay for it will."

Turning finally from economic and security gains to social gains, it is arguable that we can design population growth policy that can assist with reducing some core social problems. In particular, the problem of demographic ageing has been mentioned.

**FIGURE 4  
GDP SHARES IN THE SOUTH EAST ASIA REGION IN 2050, UNDER ALTERNATIVE AUSTRALIAN POPULATION SCENARIOS**



In Australia, we have more capacity to address these issues because our population ageing has been a slower process than in Europe and Japan. This gives us the time to put further proper policy settings in place. We have made a good start with means-tested welfare, age-rating of health insurance and compulsory superannuation. But if we allow population to grow under present trends, between five and ten per cent extra of our GDP will have to be diverted within four decades over and above what we spend now in support of health and retirement incomes of the aged, in the absence of new policies.<sup>ix</sup>

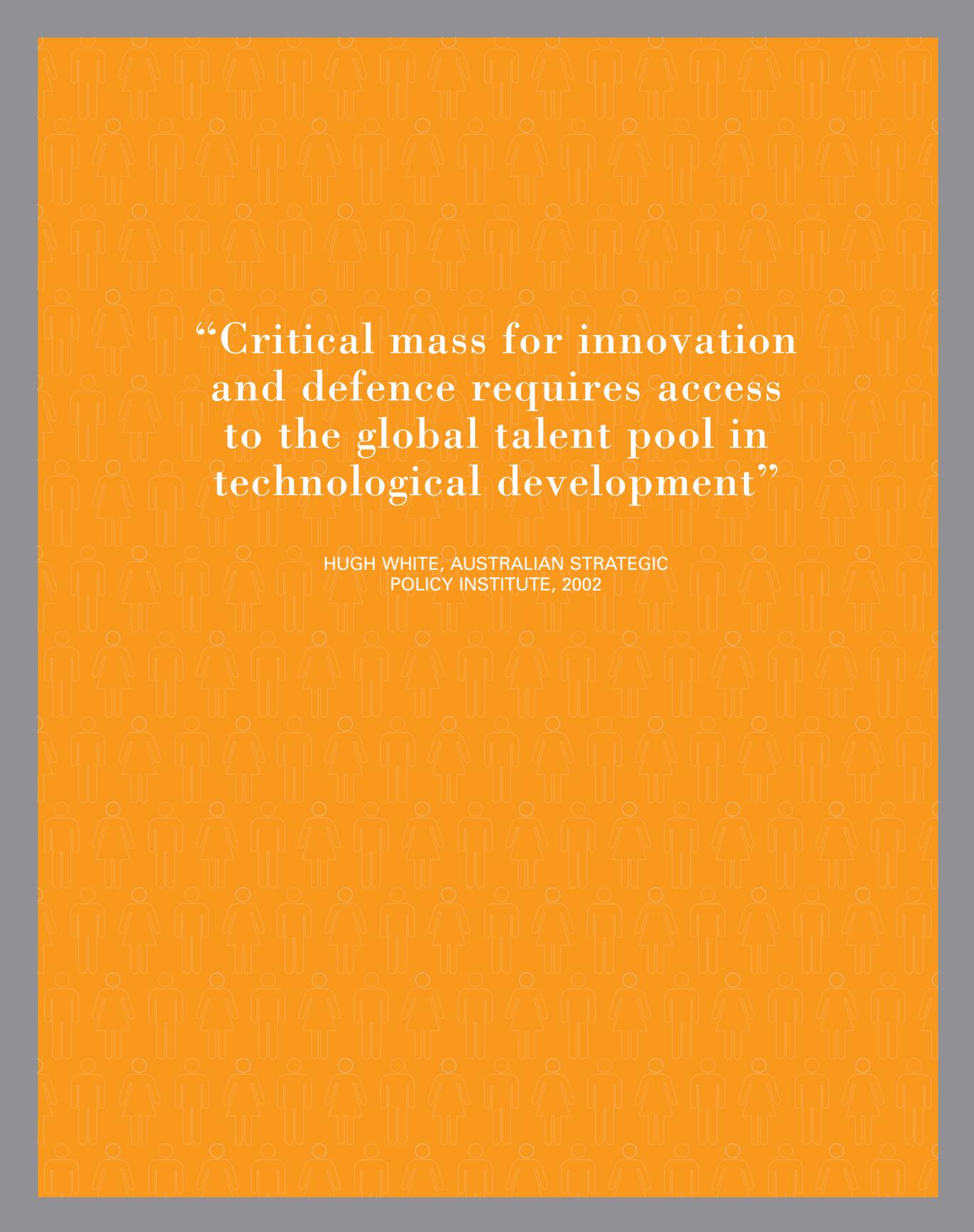
By one calculation, a one per cent population growth could halve this compared to zero population growth, saving some \$25 billion in outlays (Withers 2001). This is \$25 billion, for instance, that could be diverted to education or the environment, or a range of other investments in our future. A contrary view that migrants will add to the net burden of social outlays is sometimes expressed, but has no empirical basis. The Inter-Generational Report, for example, finds to the contrary that net migration of 135,000 per year, rather than 90,000, would reduce the aged ratio in the population by six per cent. Access Economics (2001a, 2003b) documents the massive public transfers from workers to the elderly, so that it is difficult to see how a role for immigration in reducing costs of ageing can be dismissed, once detailed projections are examined sensibly in budget terms.

## POPULATION COSTS

What about the down-sides to population growth? The major ongoing concerns are ecological and social, but it is important to recognise that some prominent and reputable public commentators such as Peter Walsh and Fred Argy have in the past expressed concern also over adverse economic consequences of migration-driven population growth. Possible negative impacts on the balance of payments, national savings, inflation, and unemployment have been suggested.

Such effects do indeed seem on the face of it to be plausible. For example, adding more workers to a labour market with ongoing unemployment may seem self-evidently to add to the unemployment. However, once the direct and indirect effects of both migrant-associated spending and migrant-associated production are added up, there is no detrimental macro-economic outcome to be found in any of these areas in relation to past levels and patterns of Australia's post-war migration. There are now numerous thorough and well-attested empirical studies showing this and without serious contradiction in any case for Australia (see surveys by Junankar et al. 1998 and Withers 2003). Indeed some research shows important gains such as improved employment prospects for the local long-term unemployed (Cobb-Clark 1999).

Going beyond economics, there is a clear need to consider concerns over possible major environmental costs of population expansion.



**“Critical mass for innovation  
and defence requires access  
to the global talent pool in  
technological development”**

HUGH WHITE, AUSTRALIAN STRATEGIC  
POLICY INSTITUTE, 2002

Certainly Australia is a dry, fragile, and ancient continent and environmental sustainability therefore has to be a crucial dimension of future policy settings. But, in relation to population, it is helpful to first put that in perspective.

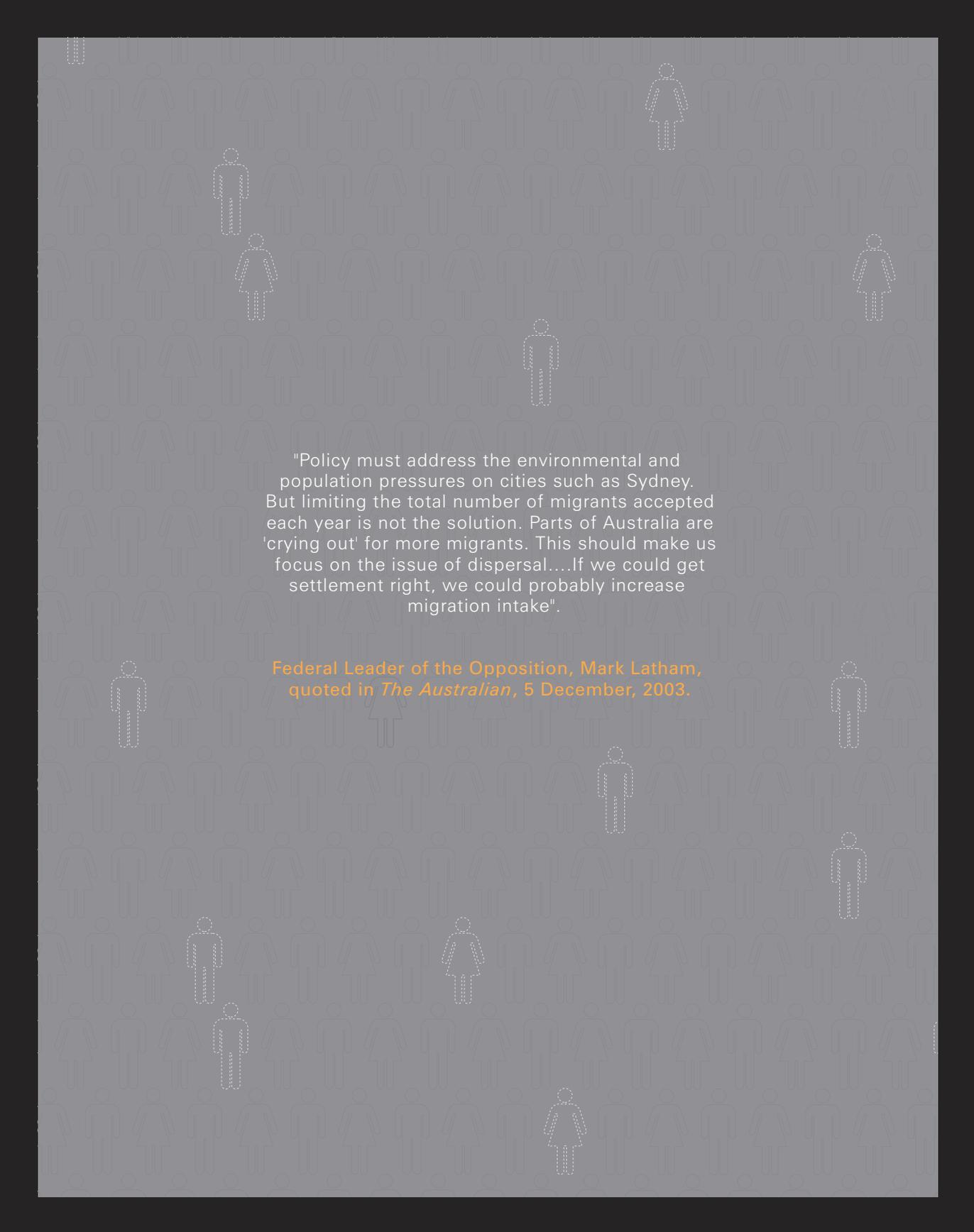
The fact is that if the total world population is divided into families of five with each family allocated an Australian quarter-acre block, world population would not fully occupy the land area of New South Wales. Naturally, no suggestion of that as an aspiration could ever be seriously put, but the calculation is a useful antidote for some rhetoric which states that Australia is soon going to be "full up" merely because of migrants coming in at our historical rates. It would require the migration of a significant share of the world's population ie many millions, not 85,000 or even 185,000 persons per annum.

Arable Australia alone, that is the portion of Australia that is agricultural land and used as such, has an area greater than all of France and Japan combined and those countries maintain much larger populations than Australia's, in spite of the fact that very significant parts of their land in turn are not arable, especially in Japan.

The Commonwealth Parliament's 1994 Inquiry into Australia's "Carrying Capacity" chaired by Barry Jones reported that the coastal plains of the Northern Territory are a soil-climate biophysical homologue of Southern China. That is, they replicate the conditions of Southern China in physical terms, and yet Southern China, of course, has 500 times the population of that area of Australia and is now a region of sustained economic growth at double and triple Australia's economic growth rates.

In water, often a concern, there is also a different perspective possible. Renewable water resources in Australia are twice those per capita of the USA, and 80 per cent is used for agriculture, which is driven by world prices not domestic population. This is not to say at all that dry land salinity is not a major national problem. It is, but it is not a problem to be sourced in the main to the size of the population. The same applies to many other resource use and depletion issues, at least as regards traded commodities. Use levels are determined by world markets, not by local population levels, and by domestic pricing policies (Chisholm 1999).

Where clearer links from population to environment do exist is in the pollution and congestion that emerges from human activity. This seems most evident in the case of Sydney, Australia's largest city and the destination for almost half of new migrants. Yet even here the superficial facts deserve qualification in the light of direct review of the evidence. Sydney, in fact, loses almost as many people through out-migration as it gets from immigration each year. Each week 900 arrive, but 840 leave. And reducing inflow will reduce outflow, as there is a functional relationship. If migrants support a strong housing market, then mobile locals realise their assets and relocate. The basic reason Sydney has been growing is in fact natural increase – though this is now declining. At the same time, as well as some 45,000 settlers, Sydney hosts 2-3 million short-term arrivals each year.



"Policy must address the environmental and population pressures on cities such as Sydney. But limiting the total number of migrants accepted each year is not the solution. Parts of Australia are 'crying out' for more migrants. This should make us focus on the issue of dispersal....If we could get settlement right, we could probably increase migration intake".

Federal Leader of the Opposition, Mark Latham,  
quoted in *The Australian*, 5 December, 2003.

This is not to say there are not important urban problems of crowding and pollution to be dealt with. But they should be addressed by direct urban and environmental policies not by blunt population growth controls. Direct measures have the distinct virtue of inducing more environmentally responsible behaviour by all residents. Thus, in Sydney's case, some policies on redirection of migrant settlement might be appropriate, such as bonus points for regional location for which there is substantial precedent, for example rural doctor provisions. But this would best be done as a circuit breaker, until urban planning and infrastructure policy is improved to match future projected population growth for the city.

Sydney's economic growth will continue, given its position as Australia's most cosmopolitan and vibrant city. But it needs to better plan for the growth that will still be there, and which could be higher without reduced amenity under improved policies.

The same conclusion applies with the link from population to greenhouse emissions. It is the case on a national basis that the more people the more emissions (Turton and Hamilton, 1999). However, where the population growth derives mostly from migration, much of this represents displacement of impact from one country to another. Per capita resource use does vary as between source and host countries, but not really so much for the skilled and professional migrants mostly chosen for Australian entry. The preferred and efficient policy bias therefore is to target the individual behaviour of all, that is per capita emissions.

It is for these reasons that the major recent CSIRO study of population and the environment (CSIRO 2003) also concluded that all reasonable population trajectories had costs and benefits but were manageable with sensible policies. The study's conclusions were that:

- sustainability for Australia needs more than simply attempting to manage future levels of immigration and population;
- we must take a long hard look at our infrastructure, lifestyle, energy usage, international trade, and technology;
- the real challenge in the population and resources debate is how we reduce the volume of energy and materials we consume, while still maintaining our standard of living;
- we can be optimistic about Australia's immediate future, but direct population effects will be significant in several major areas including fisheries resources, stocks of oil, and air quality;
- all scenarios for Australia considered by CSIRO show continued growth in a range of key sectors of the economy until at least 2020; and
- this gives us a window of opportunity, in which we can ensure that we will be able to meet the standards of innovation and efficiency which are necessary for a sustainable future.

"It is not appropriate (and indeed simplistic) to use population as the only policy option to address environmental concerns whilst maintaining environmentally damaging technological, lifestyle and economic arrangements into the future. There are a wide range of technological, behavioural, pricing and settlement planning strategies (52 identified) that could be applied to address the four major population-related environmental issues."

The Australian Academy of Technological Sciences and Engineering,  
Population Futures, (2000)



Finally, moving beyond environmental concerns, there is the important issue of social cohesion. Public opinion polls consistently show majority opposition to migration – fuelled population growth and, especially, to ethnically diverse migration beyond Anglo and European sources. And this may be the main concern in the end over high population growth in Australia. In the past quarter century its impact has been muted by long periods of bi-partisan support at the leadership level for higher immigration levels than broader public opinion would seem to prefer.

But even this might not be quite the exercise in elite decision-making that it is made out to be for example by Betts 1988. For instance, Murray Goot (1993), the most prominent academic analyst of public opinion in Australia, says that public opinion on the rate of immigration is actually very “soft”. It is almost that what you get out of it is what you put into it, and hard feelings on immigration, except for a very small core of people, are not present (Evans and Kelley, 1998). Indeed, in the Newspoll survey of public ranking of national issues immigration is typically one of the least in importance out of each of the issues put to respondents (except briefly at the time of Tampa before the 2001 election), as is seen in Table 3.

**TABLE 3**  
**RELATIVE IMPORTANCE OF FEDERAL**  
**ELECTORAL ISSUES 2003**

Nominated Issue	Rank	Very Important (per cent)
Health and Medicare	1	85
Education	2	82
Environment	3	64
Family	4	62
Welfare	5	62
Leadership	6	59
Unemployment	7	59
Taxation	8	53
Defence	9	47
Interest Rates	10	47
Inflation	11	41
Women's Issues	12	40
Immigration	13	36
Industrial Relations	14	31
Indigenous Affairs	15	27

SOURCE: NEWSPOLL, OCTOBER 2003.

It is more likely a general fear of change, rather than particular issues like race and immigration, that is the real problem for most in those areas that were expressing some concern about such issues, for example, those supporting the One Nation Party in the later 1990s.

It is also important to point out that the very discomfort experienced by a need to change, can be a source of great national benefit too. Increasingly, management researchers and economists are finding strong relationships between productive diversity and economic performance.<sup>x</sup> New thinking coming from different approaches, if well managed, can have high synergies.

Differing ethnic or birthplace backgrounds can be a source of such difference. One recent US study found that sporting teams that integrated first in terms of black-white integration gained a major scoring advantage over their less-integrated opponents in baseball and basketball in the USA! The authors attribute this to racial integration as innovation. (Goff et al, 2002).

Similarly, recent work in the USA by Florida (2002) has been influential already in policy formulation in many cities, states and countries. Florida uses cross-city data for the USA to show how the high productivity growth and high innovation locations are driven by agglomeration, skill and by cosmopolitanism. Social, cultural and ethnic diversity come in as key additional explanators of high growth and productivity, on top of traditional explanators

such as education and infrastructure. Precisely the same results have been found for Australian cities and towns by National Economics (2003) in replicating Florida's work for Australia as has similar work for Europe (Florida and Tingali 2004). The argument and evidence is straightforward: size and diversity attracts creative capital.

This creates a political issue where some electors and electorates oppose diversity. But unless that opposition can be managed, there will be great cost in restricting high tech and creative industry growth, which are the main sources of 21st century value-added. Table 4 shows the simple correlation co-efficients for 64 Australian local government areas between regional high-tech achievement (high tech output share) and higher education qualifications (talent), share of overseas born (ethnicity) and share of "artistically creative" occupations (bohemianism). Each is seen to have a strong correlation with high tech outcomes as Florida postulates, where 1.00 is perfect correlation and 0.00 is no correlation.

**TABLE 4  
HIGH TECH CORRELATIONS,  
AUSTRALIAN REGIONS, 2003**

	Talent Index	Ethnicity Index	Bohemian Index
High Tech Index	0.73	0.61	0.80

SOURCE: NATIONAL ECONOMICS (2003)

## PRINCIPLES FOR POLICY

To guarantee that benefits of demographic change are obtained while costs required are controlled or limited, leads directly to the notion of seeking a well-constructed population policy for Australia.

A population policy is one whereby government influences and responds to population change in order to advance Australia's national goals of economic prosperity, social progress, ecological sustainability and national security.

The actual content of such a policy may need to vary from time to time with changing circumstances, many of which naturally cannot be well forecast or anticipated. However, there are a number of general issues of policy principle that can be specified. This section of the Position Paper sets out those principles. The next section then considers the current parameters that apply those principles, to ensure that the resultant policy is both principled and practical.

The basic principles that should govern population policy are as follows:

### **A pro-active population policy is needed**

Governments invariably have to respond to the consequences of population change. The size, age-structure, location, family patterns of people significantly affect how Governments operate in everything from pensions and schooling to roads and divorce courts. The response may be more or less informed and

more or less co-ordinated or clever. But it will happen and all that should be added in relation to reactive policy is to ask that it be done well.

An explicit population policy must go beyond the inevitable in asking additionally that Government consciously seek pro-actively to influence the size and structure of the population in the national interest. This is not to say that Government will determine this all itself. Much of what happens in matters of population is very appropriately beyond the ambit of Government and is squarely the responsibility of individual Australians themselves. But Government does many things that do condition these choices and recognition of this seems essential. Population policy needs to be more than merely the sum of its parts.

### **A preferred population path should be adopted**

A single optimum population figure that represents the population size most appropriate to Australian national objectives far out into the future cannot usefully be specified for purposes of implementing a national population policy. The basic problems are that: such a figure varies with changing circumstances such as technology and behaviour of the population itself; the demographic transition required to achieve an optimum must be realistic; and that population structure, as well as the size, are integral to achieving necessary outcomes in the public interest in this area.

The background of the slide is a repeating pattern of stylized human figures in white outline on an orange background. The figures are arranged in a grid, alternating between male and female symbols. A semi-transparent grey rectangular box with a dashed white border is centered on the slide, containing text.

"The view that both water supply and environment effects are not serious constraints on reasonable population growth, is conditional. The conditions are that water will be properly priced and that environment problems (externalities) will be dealt with appropriately directly ....for example intelligent town planning (including the planning of new suburbs and new cities) and constraints on coastal development."

Professor Max Corden,  
Inaugural Richard Snape Lecture, 2003

The latter of these concerns is dealt with separately below. The other concerns are met by specifying a desired population growth path for the country that assumes no fixed or arbitrary end-point and which is subject to ongoing revision as the underlying conditions linking population to outcomes for the nation alter.

Australian experience shows that a population policy without a clear statement of what it does prefer by way of numbers will not be taken seriously, contentious as gaining agreement on those numbers may be. And the acceptance of a sensible policy is important. Australia did have a past population policy whereby migration significantly added to population under conditions of labour and industry protection such that the economy became sclerotic. A modern population policy must be predicated on an open and flexible economy.

#### **Policy should encompass population structure as well as numbers**

As well as size, the location and demographic characteristics of the population impact significantly upon the achievement of national goals and must also be incorporated. A population of 25 million largely concentrated in the south-east of Australia may have very different implications than the same population more evenly distributed. The other demographic characteristics relevant to population policy are the age and family structure of the population. Their importance for everything from workforce size to housing industry starts is evident.

Other characteristics may be suggested too, especially labour force participation, education and skills. But to extend the scope of population policy further in these directions risks rendering population policy too broad and unwieldy. These other closely related characteristics, while of crucial importance, are best left to comprise complementary policy specification as discussed below, except where they come under immigration and cannot be separated from selection criteria there.

It should be emphasised that labour and education policies are complementary policies and not substitutes. For example, skilled migration does not substitute for domestic skill formation. The two must go hand in hand. Similarly, success in increasing labour force participation is one-off and not a source of ongoing further work-force expansion thereafter, in contrast to migration which must complement it in the longer haul.

#### **Population drivers to be included must be comprehensive**

Just as numbers alone are insufficient for a population policy of worth, so a policy that relies only upon immigration to achieve its ends will be inadequate. This is because, even in terms of numbers, the role of emigration and of fertility and mortality are all crucial in determining population outcomes. Each of these are subject to both direct and indirect influence of Government.

In many instances, for example, with mortality, demographic considerations as opposed to health considerations may be an inappropriate policy motivation. But even there, intimate knowledge of trends, their causes and consequences is required for sensible population policy to operate.

For instance, much has been made of recent claims that there is no “brain drain” from Australia (Birrell, 2000). It is less understood that this “no net drain” outcome is obtained only because of an expansive skilled immigration program that is offsetting substantial trend increases in skilled emigration from the native-born. Policy must therefore not only take account of these rapidly growing outflows but can move to consider ways of tapping the resultant “Aussie Diaspora”. It is estimated that a million Australian-born now reside overseas (Hugo et al, 2003).

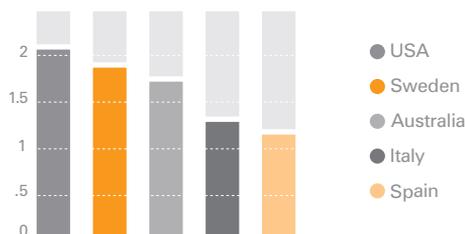
Similarly, with temporary movements across Australia’s borders now exceeding five million per annum, and with many of these lengthening in stay and becoming permanent, such flows must also become part of population policy and be consciously structured to maximise the national benefit.

In addition, it can be the case that other factors may more effectively alter population and its implications than immigration alone, as is

sometimes argued for fertility and labour force participation. This is particularly the case in relation to addressing the challenges of population ageing. It is often the case that a combination or package of measures in a range of areas may better deliver outcomes. It is important to recognise that many areas of population policy are so sensitive with different groups in the population that a multi-faceted approach better allows the pursuit of balance and the demonstration of even-handedness.

Of course the drivers must be suitable and amenable for policy influence. This is most obviously the case for immigration. But it applies to other areas also. For instance the correlation of fertility with differing indirect policy settings does indicate that even there some role can be played by government (Figure 5).

**FIGURE 5  
COMPARATIVE FERTILITY RATES**



SOURCE: UNITED NATIONS POPULATION DIVISION

**Population policy must be a matter for all Governments and other stakeholders**

The Australian system of Government is a federal system embodying specified powers for the Commonwealth and with other powers being the prerogative of the States. The States in turn have delegated many functions to Local Governments. The multi-faceted nature of population is such that all levels of Government exercise powers relevant to population policy, both in its conduct and in its consequences. Thus the Commonwealth Government may control and decide immigration entry, but States must provide schooling and hospital services to the expanded population.

In the case of fertility policy, each of Local, State and Federal Governments fund or deliver the child care services, which studies show are important in family formation decisions. Some mechanisms exist to deal with some of these issues across levels of Government, for example, COAG, Grants Commission. But their adequacy for the purposes of population policy must be revisited to judge capacity to deliver on this need today and into the future.

Partnership is also needed with other stakeholders. Employment generation and working conditions, for instance, are central

to attracting migrants, retaining our own residents and supporting family formation. Business and unions have key roles to play here. Community groups have analogous roles to play in assisting with humanitarian and family issues for our population. Co-operation among social partners has the very major benefit of affirming the legitimacy and validity of the population policy that results, rendering it less susceptible to populist hijacking.

**Complementary policies and commitments in Education, Infrastructure and the Environment are essential**

There is indeed a genuine danger that population expansion on its own would run into diminishing returns – reducing the economic payoff and exacerbating environmental and other costs. Attention to the structure of the population change (for example migrant selection by age, language and education) is one way to offset such effects. And there is mounting evidence from “new growth economics”, discussed above, that population can generate important increasing returns via its stimulus to technology and innovation. But the returns are positive and most enhanced when the expanded population is not only well-structured but well-equipped.

This means that the education, plant and equipment and infrastructure needed by the larger population must be provided with the population growth. A country such as Australia is in a position to capitalise on population growth precisely because it can manage its population structure better than most and because it does have the affluence to expand the complementary areas of investment. These complementary areas should certainly stress the national investments in activities essential to economic gain for example plant and equipment. But the investments are often a source of social progress as well, for example, education and training, and they should include investment to support ecologically sustainable development.

The policy complementarity needed will vary from State to State where different approaches may be appropriate. For example, if Commonwealth migrant entry policies are adopted to induce new migrants away from Sydney this will allow the NSW Government time to improve its urban settlement and infrastructure policies. Other States with different topography and policy history will emphasise other policies.

**Broader equity and human rights objectives must be centrally embedded in population policy**

Australia's international commitments and role as a good global citizen and its own decency as one of the world's longer-standing and most stable of liberal democratic communities, dictate that it must implement a national population policy with full respect

for basic human rights and principles of non-discrimination. That we as a society would not seek to impose restrictions on the number of children in a family, or to require compulsory sterilisation, or to embed racial or religious criteria in our migrant entry policy may seem self-evident. However, the price of such liberty is vigilance and care is needed to ensure that this is the case and is not taken for granted. It is not too long ago that women did not receive equal pay for equal work and that non-whites were excluded from Australia. For these reasons reiteration and implementation of this principle is essential.

How this applies to onshore asylum-seekers is a test of this principle, which the nation is grappling with and for which easy answers are lacking. What is clear is the importance of a meaningful humanitarian component in our immigration intake as a commitment to our global citizenship.

It also means some clear concern for our own disadvantaged in the population settings we pursue. Aboriginal and Torres Strait Islander issues, particularly in health, are high priority matters. In a population policy context, issues such as the number of children in jobless families, the concentration of higher fertility amongst the poor, the importance of ensuring women have the choice that men have viz both career and children must find reflection.

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"Whatever fertility policy Australia has it must be... one which is based on an equitable distribution of costs between the richer and poorer, the childless and child-bearers and between men and women"

Professor Graeme Hugo, BCA Papers, 1999

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"No one population scenario represents an unalloyed good...each creates its own opportunities and challenges that need resolution at the policy table."

CSIRO, Future Dilemmas, 2003



## POLICY SETTINGS

In the light of the principles specified, it is possible to give resolution and greater precision on the form that a new national population policy should take in the overall national interest. This ensures that the population policy devised is both principled and practical. The following parameters propose some basic benchmarks:

**(i) Population growth in Australia should be maintained at no less than its historical rate of 1.25 per cent per annum.**

This is the rate which Australia experienced over the last two decades of the twentieth century. It is commended here as a base for three reasons:

- this rate was politically feasible across Governments of various political complexions and attitudes toward population growth;
- Australia clearly demonstrated its capacity to assimilate, absorb and capitalise from that rate of population growth; and
- independent research shows that such growth optimises the benefit to living standards and to social savings. Anything much lower and economic dynamics are lost. Anything too much higher and absorptive capacity is challenged.

This trajectory may be revised as and when improved evidence of benefit and cost emerges. For instance, Nevile's earlier work (Nevile 1990) suggested that 1.35 per cent would be optimal. The important requirement is that changes be smooth and that long-run consistency is pursued. All the evidence is that the short-term macro-economic effects of

population change are relatively balanced, so altering population policy is unhelpful for stabilisation policy. Population policy should be set for the longer-term and kept steady for its economic and social pay-off to be maximised.

**(ii) A population growth path of no less than 1.25 per cent should be achieved by adopting a balanced combination of natural increase and migration approaches.**

Natural increase concerns for population policy should be focussed on fertility, and migration approaches should be focussed on immigration. Mortality should be a matter of health policy, not population. Under present trends, the following goals are appropriate for fertility and immigration:

- seeking to stabilise fertility in Australia at a total fertility rate no lower than 1.65. The present rate is 1.75 and falling. It is accepted that it will not be possible to reverse past and present declines, but policy changes could help stabilise fertility at around 1.65 or higher;
- adjusting immigration intakes to those levels needed to achieve the base 1.25 per cent steady growth path adopted for total population, though with any changes in levels required for these purposes to be part of the population smoothing process specified. A population growth rate of 1.25 per cent implies a total population of 35.6 million by 2050;

- if fertility were to stabilise at 1.65 by 2005, migration levels should rise from net overseas migration in 2002/3 of 112,000 to 150,000 in 2005/6. This is the goal suggested by present trends; and
- new retention and linkage policies need to be developed by both Federal and State Governments to induce bright young Australians to remain, return or remain connected to Australia. Emigration should not exceed 40 per cent of immigration, as a target.

**(iii) Achievement of the fertility objective requires primary policy focus upon family support policies such as:**

- enhancing and supporting work-family strategies and policies; and
- reviewing child-care, housing, leave and social welfare policies to ensure that they are supportive of families and workforce participation.

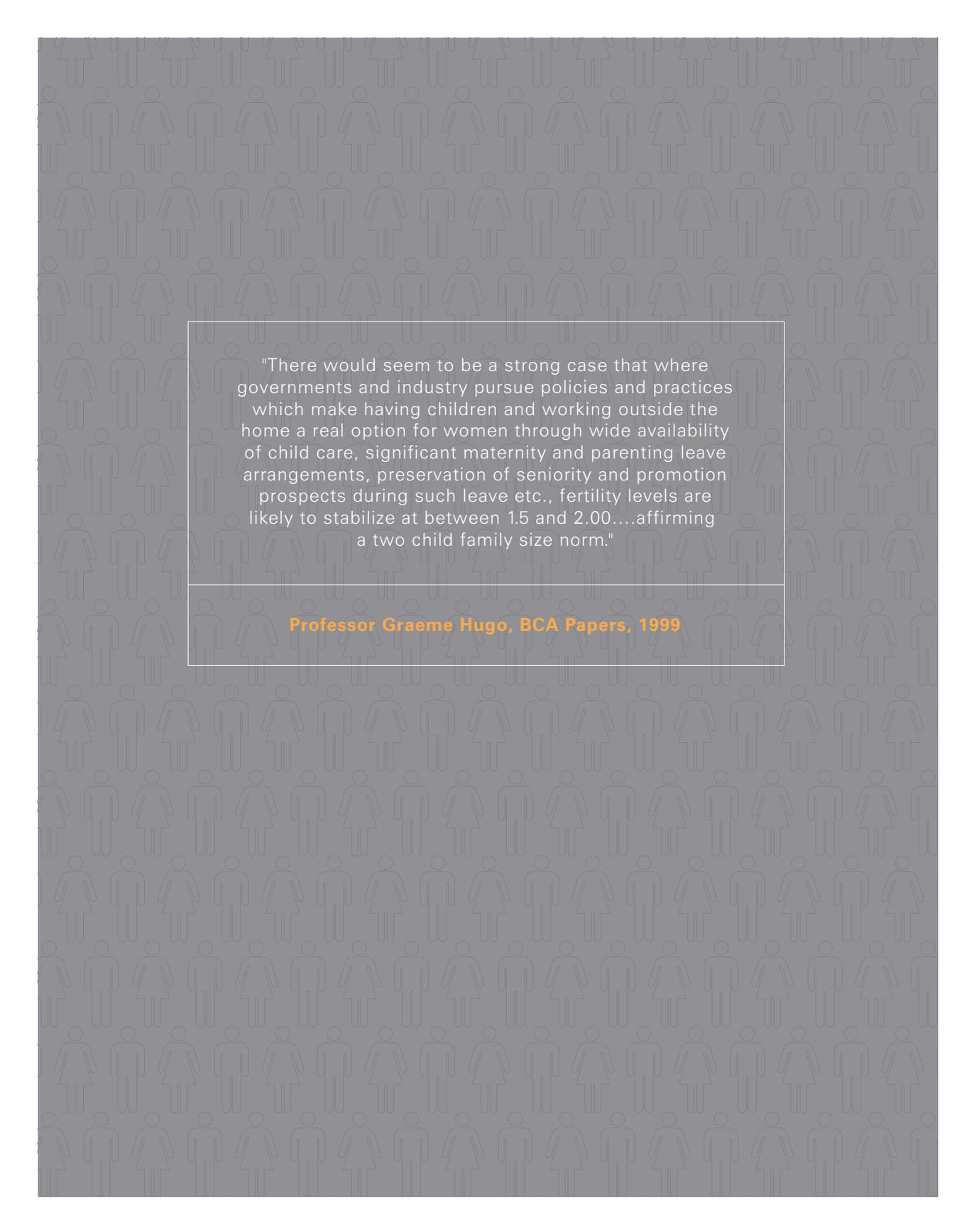
Encouraging private and public employers to seek customised solutions that balance work and family commitments and improve retention, morale, productivity and staff loyalty.<sup>xi</sup>

There is a preponderance of evidence which suggests that fertility decline is difficult to reverse, but that a falling trend can be muted. In terms of policy effectiveness, this evidence also suggests that direct cash family incentives have less effect in altering family formation than do indirect work and welfare policies with family implications. The target goal adopted for Australia as a stabilisation floor for fertility is 1.65 which is in fact the total fertility rate that has been experienced by Canada for some time.

**(iv) In achieving the immigration levels desired, focus in the settler program should be upon skill through:**

- ensuring that at least half of the intake is skilled migrant entry, with the balance being family and humanitarian. The skill focus provides economic benefit, but also underpins public willingness to support significant family and humanitarian numbers;
- sustaining skill numbers by adjustment of point cut-offs and the points system, and through judicious marketing of Australia's attraction for globally mobile skilled workers;
- guaranteeing that the skill cut-off will not fall below the average resident skill level, so as to ensure public confidence in migration in terms of enhancing Australia's economic capabilities;
- increasing incentives for location of settlement outside of Sydney to reduce pressure on the Sydney basin by sufficient concessionary provisions in entry conditions and use of temporary-to-permanent visas to reward a period of maintained regional residence; and
- removing barriers and disincentives for expatriate Australians to return to Australia, and supporting and providing incentives for expatriates to remain linked to their country.

It is also important that the integrity of the migration and entry program is affirmed so that we determine who comes to our country and that this is under circumstances we define. This requires sustained strong border security, vigilance in determining bona fides and assiduous on-shore enforcement of residence conditions of visas.



"There would seem to be a strong case that where governments and industry pursue policies and practices which make having children and working outside the home a real option for women through wide availability of child care, significant maternity and parenting leave arrangements, preservation of seniority and promotion prospects during such leave etc., fertility levels are likely to stabilize at between 1.5 and 2.00....affirming a two child family size norm."

**Professor Graeme Hugo, BCA Papers, 1999**

Policies for family and humanitarian entry within those conditions must be generous and fair, and in particular must ensure that:

- parent re-unification provisions protect the taxpayer but use contributions from entrants with means to cross-subsidise entry for those less well-off; and
- humanitarian entry genuinely advantages those most in need, including those so-affirmed by the UNHCR.

**(v) Open and flexible entry policies for non-settler entry should continue within a strong bona fides regime, with particular attention to:**

- increasing bi-lateral agreements for working holiday maker entry with additional suitable countries with limited overstay problems;
- eliminating tax disincentives for foreign executives residing in Australia relative to their home country;
- on-shore transformation to permanent residency for temporary residents meeting immigration standards (including students and business visitors) should be fully provided for and promoted to eligible persons in Australia;
- maintaining work-rights for accompanying persons to attract and retain suitable couples and families; and
- refining bio-identification and other means for facilitating efficient entry and exit arrangements

**(iv) Support for achieving aggregate population objectives requires complementary policies directed at:**

- enhancing labour force participation including: by older workers through appropriate review of retirement age regulation, superannuation

provisions, age pension conditions; and for female workers, through improved workplace flexibility such as parental leave and maternity leave and part-time work;

- enhancing workforce participation through improved provision of dependent care support in the age and disability services areas, and by widespread implementation of mutual obligation provisions in welfare provision for example part-time work testing and training for single parents on benefit for school age children;
- ensuring that young Australians complete 12 years of education or the equivalent and have well-defined pathways to rewarding employment and/or further education and training; and
- attention in infrastructure, industry and welfare policies to better match economic and demographic location for example welfare benefits adjusted for local cost-of-living. At present a uniform national benefit level attracts many welfare recipients to areas of low living cost with few jobs but better climate.

**(vii) Policy effectiveness in population matters requires improved co-ordination across Governments by implementing:**

- commitments to an Infrastructure Advisory Council. The major need for inter-Governmental co-ordination is in ensuring that facilities requiring long gestation periods such as roads, schools and hospitals are in place in the right place as population expands. The present division of government powers and the absence of effective inter-Governmental institutions for this means that lags, bottlenecks and mis-matches are common. This is frustrating to citizens and costly to the economy. In the past, all major parties have

committed themselves to improving this through a Council to bring Government and private sector representatives together for these purposes, with private sector involvement being particularly helpful given the modern practice of private provision of infrastructure. Little has happened to implement this; and

- adoption of a National Population Council bringing together all levels of Government and business, unions, community representatives and academic and research expertise in order to provide advice and views in a structured and informed forum in relation to the major dimensions and trends in population policy and its operation. The Council could lead the way among comparable countries.

**(viii) Population expansion must be implemented in conjunction with national policies for education, infrastructure, business investment and natural capital.**

Account must be taken of the needs of an expanded population. By properly equipping an expanded population these policies will ensure that productivity is sustained and enhanced. In particular the “new growth theory” approach emphasises the pay-offs of these investments and the Australian empirical work in this field looking at population finds very positive benefits where such complementarity prevails.

As emphasised above, there is no claim of a simple direct correlation of pure size of population to living standards. The link arises when the nature of population and of complementary investment is also specified.

For Australia, this means that for population policy close attention must be had to national

savings and any tendency to slip behind in national commitment to quality education and training, infrastructure renewal and business investment. Improvement to policies in these areas may need to be pursued for intrinsic reasons anyway, but this necessity gains added urgency with sustained population increase.

The OECD (2000a) has found that Australia's excellent per capita growth record of the 1980s and 1990s has come more than for most countries from increased trade exposure and from population increase. However, the contribution from domestic human capital formation and investment share has been smaller and can be improved. Table 5 summarises a national investment strategy that can deliver on this need, and that should be adopted to guide government policies for investing in our future.

Recent work for the Business Council by Access Economics (2003) shows that a “do nothing” scenario based on the status quo in migration and in micro-reform will sustain an average GDP growth rate of three per cent over the coming decade. But higher migration to sustain population growth at 1.25 per cent plus a renewed push on economic reform to augment productivity growth can deliver four per cent GDP growth instead. The resultant economy under higher growth will be one with:

- higher employment and real wages;
- a major leap in investment;
- solid growth in public budget revenue ahead of expenses; and
- Australian international trade activity that grows at twice the domestic economy.

## CONCLUSION

As a nation with world class sporting accomplishment, Australians can readily understand the need to be a country that is not only willing to compete with the best but is well equipped to do so. We need to enhance our natural talent through providing good training and facilities for a globally competitive environment. With our Centenary only just behind us, it is worth recognising that this is what Australia once had a little over a century ago: the world's highest living standards and one of the most socially progressive and stable of democratic societies.

**TABLE 5 A NATIONAL INVESTMENT STRATEGY**

**TARGET:**

4.25 per cent Annual GDP Growth  
 3 per cent Annual GDP per capita Growth

**POLICIES:**

POPULATION GROWTH		
	Current	2050
1. Total Population (mill)	20	36
2. Net Migration (per cent pop)	0.67	0.98
3. Fertility (TFR)	1.75	1.65
INVESTMENT GROWTH (per cent GDP)		
	Current	Need
1. Plant and Equipment	7	8
2. Infrastructure	10	11
3. Education and Training	8	11
4. Environment*	2	3
<b>Total</b>	<b>27</b>	<b>33</b>

\* Not elsewhere included

We too often believe in Australia that all we did was ride on the sheep's back. But we were much more than that. Until Federation we accepted free and open markets for trade, investment and people, and we invested heavily in building systems of education, innovation and business and infrastructure investment (including in new communications systems). The results were "world's best practice" as a nation.

There is no reason why that success cannot be re-created. The pre-conditions are in place. What is now needed is commitment to nation-building policies of the kind indicated in this paper. A dynamic population policy must be a core component of this.

An Australia squarely based on such a policy will grow more rapidly in size and living standards. It will also be a younger, more lively and innovative society, fully participating in the global knowledge economy while able to also well provide social protection for its older population, fulfilling opportunities for its working population and their children and delivering the best achievable national security and environmental outcomes.

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- vii Hamilton and Denniss (2000)
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- ix National Commission of Audit, 1997.
- x Collier (2001) , Hamilton et al (2003)
- xi See Business Council of Australia (2003)

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Managing our population challenges -  
in particular, the need to attract skilled  
migrants in an increasingly global  
and knowledge driven economy -  
will be important in underpinning  
our future prosperity.

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