Future Party

20/20:

Growing Australia for a prosperous future

Cover photo acknowledgement:
Lachlan Fearnley

Foreword

Immigration is a contentious issue in Australia. We are a country founded on migration. A country of opening our doors, giving people a chance and allowing them to succeed in ways that simply would not have been possible if they had stayed in their homeland. Migrants come to Australia to build a better life for themselves, but they also help build our country by contributing to the economy and the community in the process.

Yet the fear of bringing in more of what made our country so great echos through Australian political discourse too often. Migration has become the great bogeyman used by politicians to win votes by demonising what is truly the essence of modern Australian society.

With the aging baby boomers, we see a group of people who built this nation, and who will need support in their later years. Who deserve support. ***The number of people of retirement age will roughly double in the next 20 years,*** making this an extremely urgent issue.

Higher pension, aged care and health care costs will put significant strain on the budget. As we see it, there are only four paths to choose from:

- Higher taxes
- Reduced care for older people
- Ongoing increases to the retirement age
- More immigration of young workers

The Federal government's Intergenerational Report of 2010 has a vastly different conclusion about the solution to Australia's aging problem to the Intergenerational Report of 2007. The 2007 report concludes that increased immigration is the key ensuring continued support for our elderly. The 2010 report concluded that productivity increases alone would be sufficient to make up the shortfall, a conclusion we believe has more to do with political convenience than with sound policy.

The Future Party believes it is immoral to reduce care for older people who have spent their lives working hard and contributing to this nation. We also think that Australian taxpayers should expect to see some of their additional productivity gains translate into a higher quality of life, not just tax increases. And while there may be some room for a further gradual increase the retirement age for some workers, this won't be enough to solve the problem by itself.

There is a simple way to prevent a demographic crisis: increase immigration. Under our 20/20 vision, we can create a better quality of life for migrants, workers, and retirees into the future by having a total net migration intake of 20 million people over the next 20 years.

James Jansson
Future Party Leader

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About the authors

James Jansson, the leader of the Future Party, is the lead author of the report. He is currently completing a PhD which focuses on the mathematical modelling of populations. He designed the population model used to inform this report.

Jordan Rastrick, the director of the Future Party, works as a data and financial analyst, with a focus on modelling, at a small consultancy firm. **Tomais Byrt** works as a sales and investment specialist at a life insurance company. Jordan and Tomais assisted with development and auditing of the population model, and writing this report.

Alexey Feigin, **Geetha Krishnakumar**, and **Mick Hua** assisted with writing this report.

Why does immigration matter?

Australia is and always has been a country of migrants. From the first arrival of our indigenous people tens of thousands of years ago, right up until the present day where around half of our population are either born overseas or have at least one parent born overseas, the history of Australia is a history of immigration.

Migration makes the world a better place. It forges ties between different communities, cultures and nations, and is probably the single most effective tool for reducing global poverty available to governments in the developed world. Some studies have estimated the potential gain to global GDP from freer migration as being in the order of 100% - that is, tens of **trillions** of dollars[1].

More concretely, for a wealthy but ageing society like Australia, migration is the key to keeping the welfare state affordable. Without young, skilled, hard working people from overseas, there will be too few taxpayers working to support a retiring Baby Boomer generation that will live longer, and receive better healthcare, than any generation previously.

Migrants built Australia's past and they will be needed to build our future.

An Australian citizenship ceremony[2]

[1] Clemens, Michael A. "Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?" *The Journal of Economic Perspectives* 25.3 (2011): tables 1 and 2, pp 28-29.
[2] Image used under Creative Commons license http://www.flickr.com/photos/diacimages/

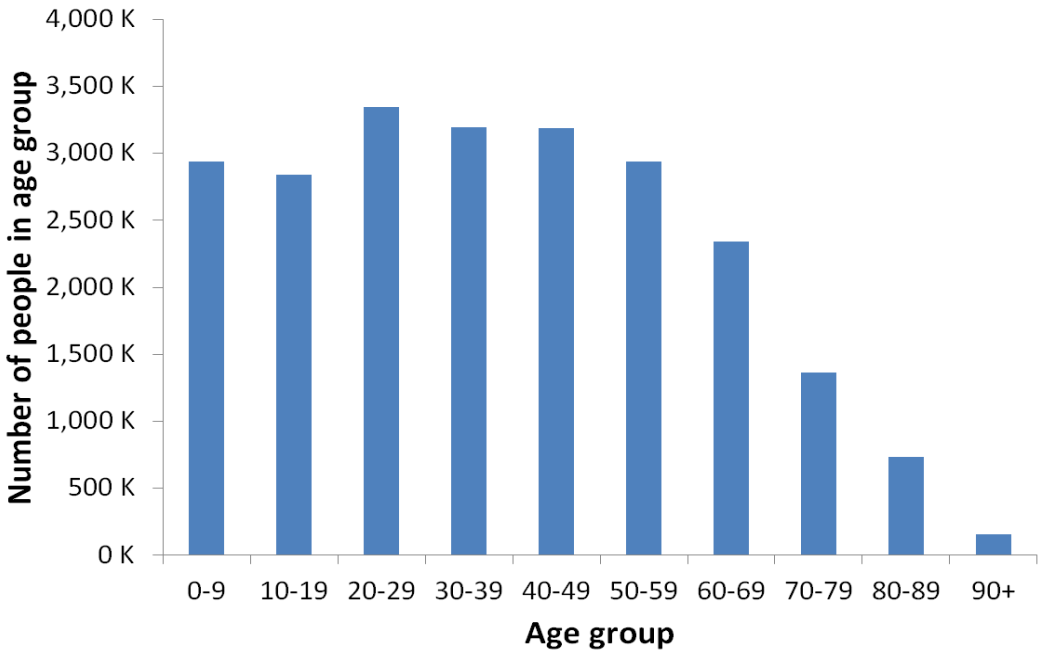
Current demographic profile: 2013

At the beginning of 2013, 12.4% of Australia's population were aged 67+[3]

There are currently 5.4 Australians aged 18-66 for every Australian aged 67+.

The first of the Baby Boomers are now beginning to reach retirement age, and as this group gradually leaves the workforce over the next 10-20 years, the demographic makeup of Australia is set to change dramatically. This change will be compounded by what the Actuaries Institute describe as a "Longevity Tsunami"[4] of increased life expectancy, as better population health and improved medical technology increase life expectancies to previously unimagined heights.

Figure 1: Current distribution of ages in the Australian population.



[3] The retirement age in Australia is conventionally taken to be 65 on historical grounds. We have used the age of 67 which under current legislation will be the eligibility threshold for the aged pension from 2023 onwards. If the retirement age cohort is expanded to included people aged 65 and 66 the conclusions about the urgency of the demographic situation are obviously even stronger.

[4] Australia's Longevity Tsunami - What Should We Do? - Actuaries Institute WHITE PAPER - August 2012 (http://fsc.org.nz/site/fsc//Australia's%20Longevity%20Tsunami%20FSC.pdf)

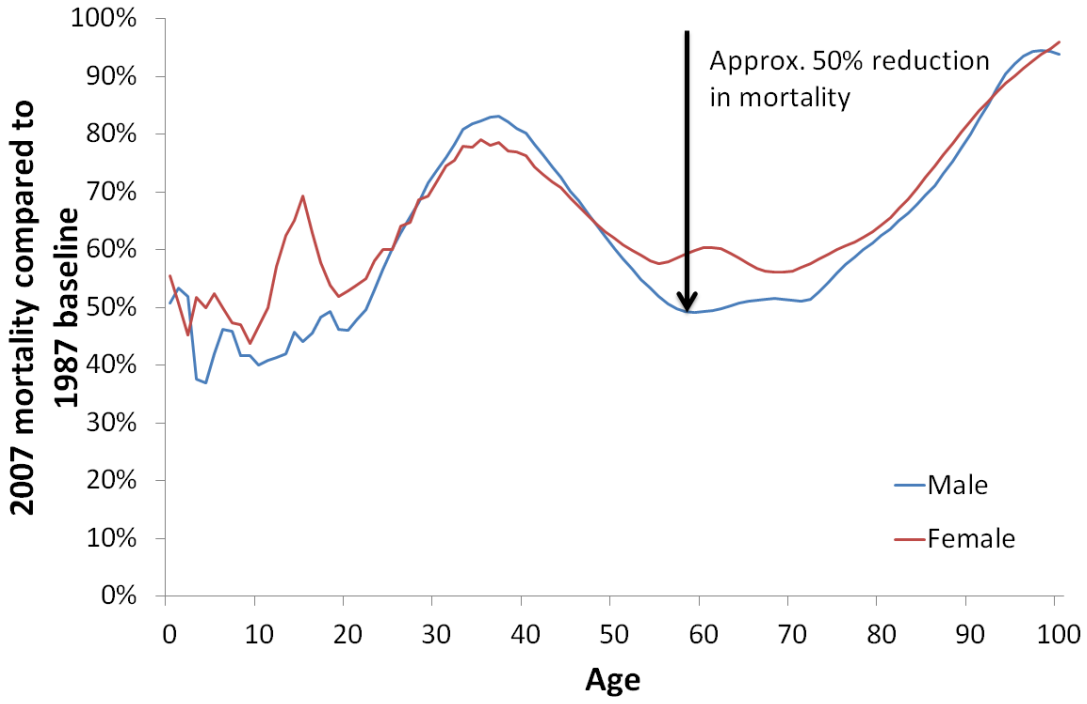
We are living longer

Australians are living longer than ever before. As medical technology advances and our understanding of the importance of lifestyle factors to population health improves, the percentage of our population who live into their 80s and 90s will continue to increase.

The 20 year period between 1987 and 2007 saw remarkable reductions in mortality, as improvements in medical technology and the successful implementation of public health campaigns extended the lives of Australians.

In particular, the mortality in the age range of 50 to 75 has seen a reduction in mortality of 40 to 50%. In the population model used in this report, we assumed that improvements in mortality will continue, further extending our lives.

Figure 2: Reduction in mortality by age group over the period 1987 to 2007[5].



[5] http://www.aga.gov.au/publications/life_tables_2005-07/default.asp

Expected demographic profile: the government plan in 2033

The population model

The Future Party has constructed a sophisticated population model that simulates natural population expansion through birth, mortality and migration under a variety of scenarios. The population model can be downloaded from following address:
http://futureparty.org.au/policy/17-immigration/

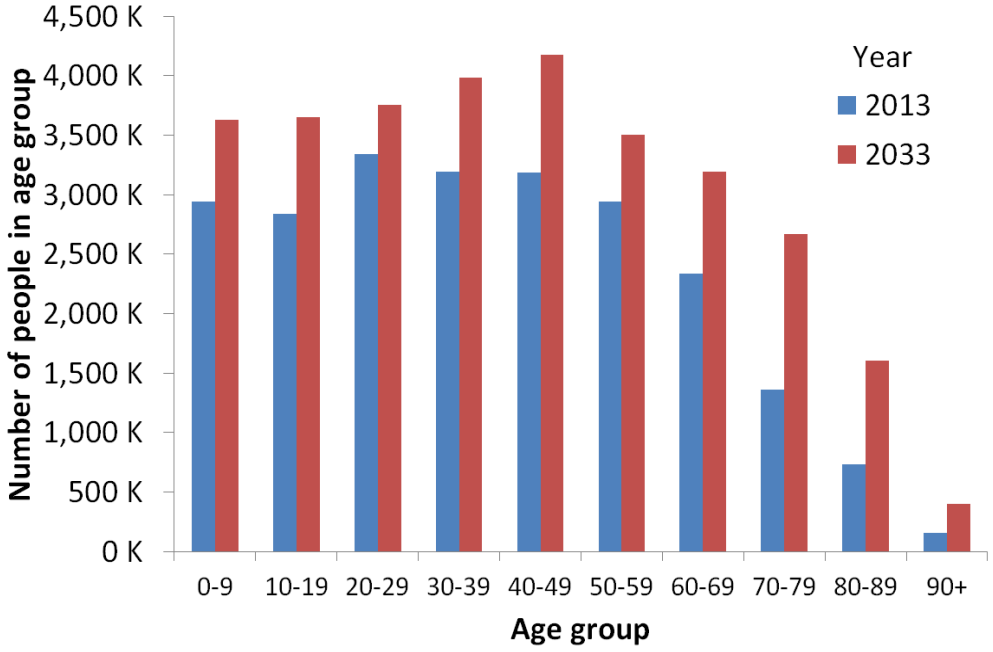
Current immigration rates

In the 2010 Intergenerational Report, the net migration to Australia (the number of people entering Australia minus the number leaving) was predicted to drop to 180,000 people per year by 2012. However the presentation of this number as a prediction is disingenuous. This figure isn't a demographic forecast that needs to be planned for, but rather the outcome of deliberate policy settings by the federal government to determine the net migration to Australia. This is why we refer to it as the 'government plan'. Migration could be a lot higher if restrictions on migration were lifted, or could be a lot lower if restrictions were increased.

Demographic Profile

The following results are based on the assumption of continuing the government's current migration rate settings. Figure 3A shows the change in the number of people by age group from 2013 to 2033. Figure 3B shows the percent increase by age group. Note that while there are some increases in the younger age groups, the percentage increase in the older age groups are much larger.

Figure 3A: Comparison of the absolute number of people by age group in 2013, compared with the expected number in 2033.[6]



[6] Future Party Population Model (v1.0.1)

Figure 3B: The percent increase by age group between 2013 and 2033.[7]

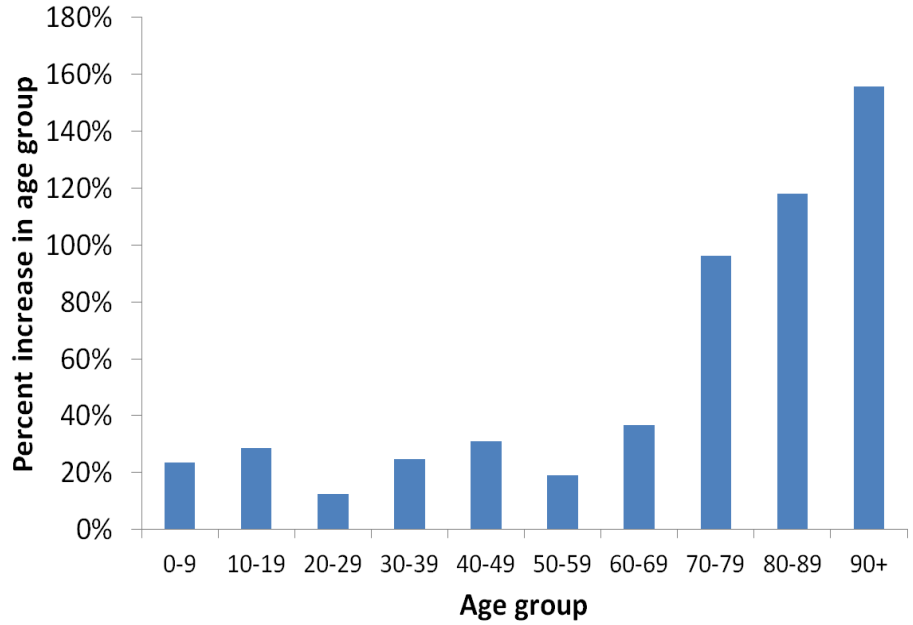
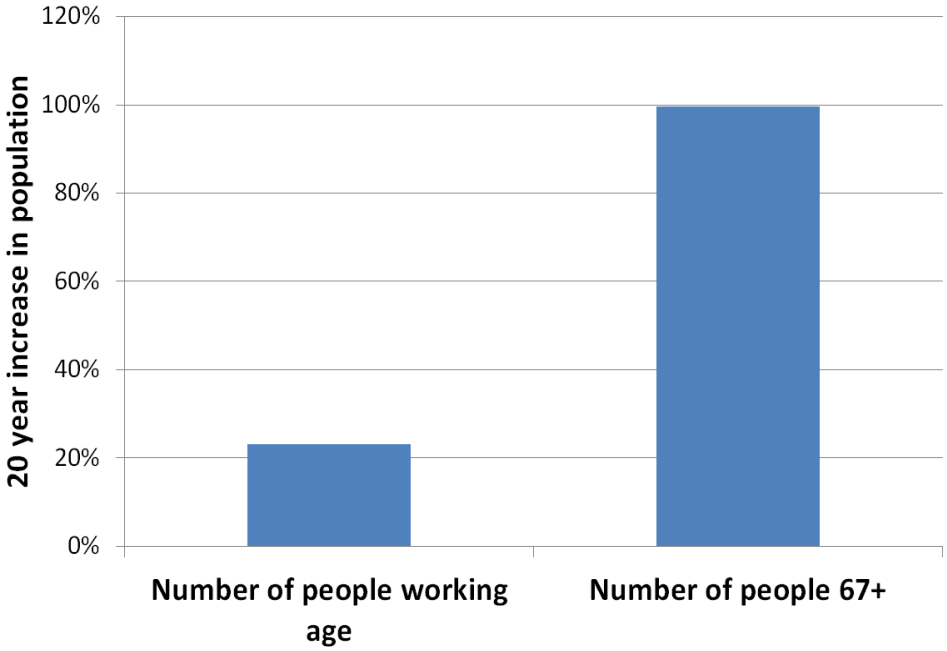


Figure 4 shows the percentage increase in the number of people of working age compared to the percentage increase in the number of people of retirement age. The number of people of retirement age **will roughly double**, while the number of people of working age will only increase by 23%.

Figure 4: The change in the size of the population of people of working age vs. the change in the population of people of retirement age under the current plan[8]



[7] Future Party Population Model (v1.0.1)
[8] Ibid.

Supporting our seniors: the retirement Australians deserve

Australians working today do and should expect to enjoy at least the same quality of life as today's pensioners, if not better. While superannuation will go a long way toward funding our future retirements, many people will still depend on a full or part pensions. Also, the real costs per person of health care are expected to continue to grow, and aged care costs are at best likely to remain static. All these pillars of our social safety net are going to continue to be funded in large part by taxpayers. This simply won't be affordable if the ratio of working age to retirement age people falls to around half its current rate, which is what will happen under the government's migration plan in the next 50 years.

There is a view among opponents of immigration that ongoing productivity gains may be able to cover most or all of these increased costs, but to depend on this is to raid our children's futures. Better productivity should lead to higher wages and profits for Australian workers and entrepreneurs - just as it always has historically. To paraphrase Dan Quayle, the future should continue to be better tomorrow.

The solution: a bigger, more prosperous Australia

Australia needs 20 million more migrants in the next 20 years

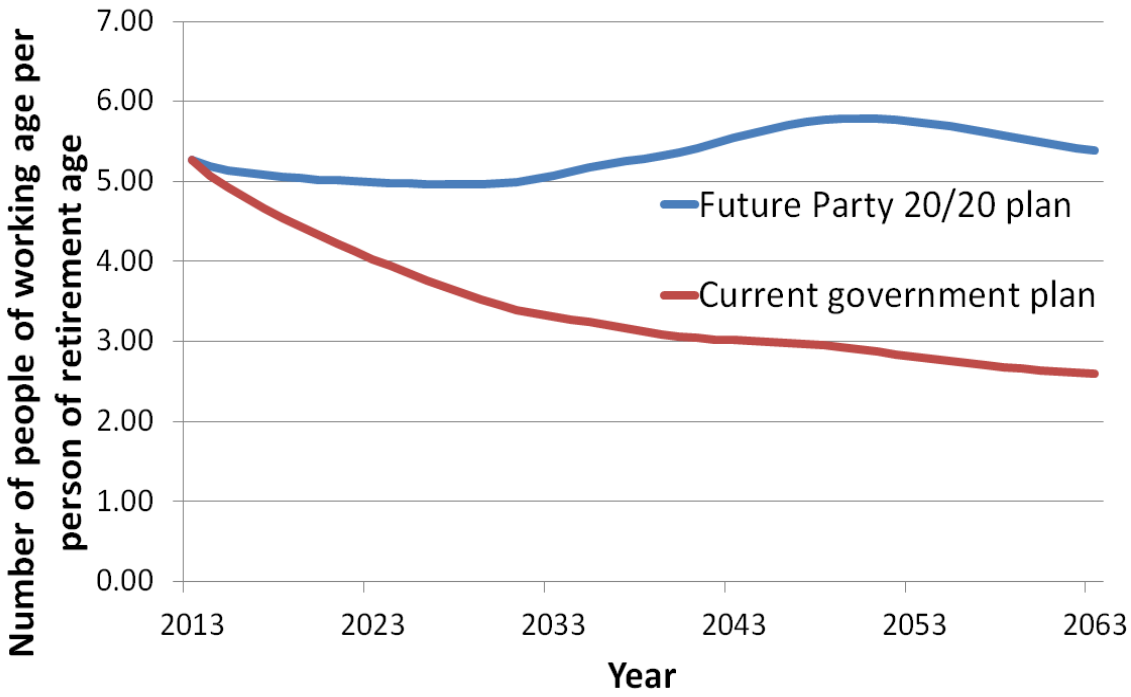
The Future Party's "20/20 vision" will see our net migration intake increase to 20 million over the next 20 years.

The plan calls for maintaining our current successful migration programs, but increasing the average annual intake of each stream by 207%. Our modelling shows this leads to a net increase in population of 24.8 million, bringing the total population to 48 Million by the year 2033.

This keeps the ratio of people of working age to retirement age (or the age dependency ratio) from falling below 5, and then restores it to current levels. Figure 5 shows that under the current government migration plan, the number of people of working age per person of retirement age continually decreases with time.

In 2033, it may be reasonable to revisit immigration intake, slightly reducing immigration rates to maintain a ratio of 5 people of working age per person of retirement age.

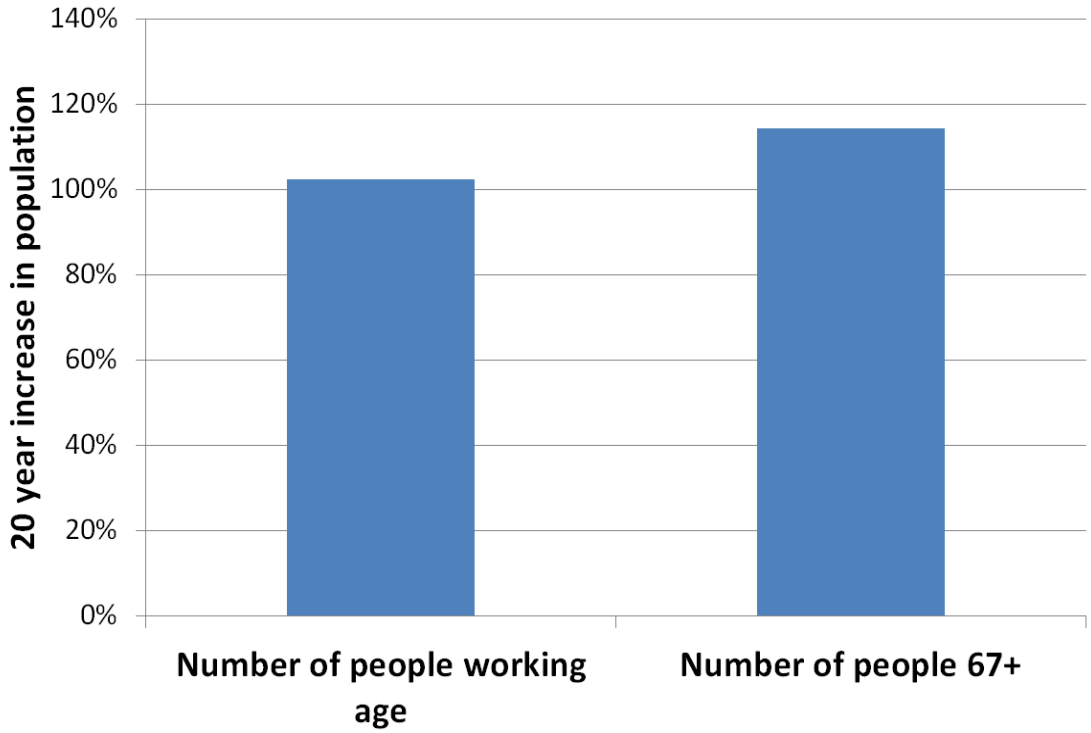
Figure 5: Comparison of the age dependency ratio under the current government and Future Party migration plan.[9]



[9] Future Party Population Model (v1.0.1)

Figure 6 shows that the 20/20 vision would see the number of people of working age increase by 102%, coming close to the increase in the number of people of retirement age at 114%.

Figure 6: The change in the size of the population of people of working age vs. the change in the population of people of retirement age under the 20/20 plan[10]



[10] Future Party Population Model (v1.0.1)

Can we support this many people?

Anti-migration groups frequently question whether we can support increased migration. However, in purely economic terms, the premise is nonsensical - it is migrants who will support us, not we who will support migrants.

The same is true for natural population growth - while of course children need to be provided for today, they will grow up to be the providers.

The vague concerns are that specific resource allocation problems will allegedly arise with a higher population. Generally these specific concerns are a distraction at best; we briefly address some of the most common.

Dutch migrants arrive in 1954 after World War II[11]

Do we have enough food?

Australia has one of the most efficient, technologically advanced agricultural sectors in the world, and we can expect continued improvements in productivity over the years to come.

Even without higher yields - or, more realistically, even if these gains are eroded by climate change, salinity and other environmental problems - we are not in danger of becoming dependent on foreign food, let alone running short. We currently export about 60% of our agricultural produce[12]. There is no reason these exports could not instead be consumed onshore. In fact, selling to a larger domestic market would reduce transport costs for Australian farmers, and likely mean higher wholesale prices[13].

[11] Image from http://en.wikipedia.org/wiki/File:Dutch_Migrant_1954_MariaScholte%3D50000thToAustraliaPostWW2.jpg

[12] http://www.nff.org.au/farm-facts.html

[13] Many agricultural products command higher prices here than overseas where consumers have less purchasing power (poor countries) or they are subject to protectionist barriers (rich countries); and a

Do we have enough space?

Australia is the least densely inhabited continent in the world. Of course, much of our land mass is desert or otherwise not optimally suited to human habitation. But in fact, a number cities have been succesfully built in deserts - for instance, Las Vegas. And much of the sparsely inhabited land in Australia is of a similar climate to our existing urban centres; far more than is needed to accommodate the 20/20 vision.

Even when our existing urban space is considered, Sydney, Melbourne, Brisbane and Perth are all very low density when compared to leading global cities like Tokyo, New York, Paris, Hong Kong, London, or Singapore. Not coincidentally, our capitals are notorious for poorly functioning transport systems,

Do we have enough water?

Cubbie Station is a single farm in Queensland that primarily grows cotton for export. It has a license to divert 460 gigalitres of water per annum from the Murray Darling river system per year, and frequently draws most or all of that allowance outside of drought periods. In comparison, households in Australia's largest city, Sydney, currently consume only 358 gigalitres per annum[14].

Overall, households across Australia account for only around 12% of water consumption[15]. Most of the remaining 88% is utilised in agriculture, mining, and industry - and thus ultimately used in large part in the production of goods for export. There is absolutely nothing wrong with this: we need an economy with strong primary and sectors, and they are inherently water dependent. But the idea that there is not enough water to spare for a larger population is prima facie absurd.

Do we have enough jobs?

The idea that migration means fewer jobs is both very common and completely wrong - so much so that economists have a name for it: the "lump of labour fallacy".

The number of jobs in the economy is not fixed. Unemployment can fall when the population is rising, and vice versa. Migrants are workers - that is to say, producers - but they are also consumers, and their consumption creates demand that helps grow the economy and the workforce. In fact, this is merely the converse of the arguments about infrastructure funding, welfare, and the rest. Migrants work and pay taxes, and in turn they buy goods and services from the businesses that employ others - just like non-migrants.

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larger market would also likely induce more competition in the retail sector, reducing the market power of companies like Coles and Woolworths have over their suppliers.

[14] http://www.sydneywater.com.au/SW/teachers-students/facts-about-water/primary-students/how-do-we-use-water/water-use-in-sydney/index.htm

[15] Australian Bureau of Statistics, 4610.0 - Water Account, Australia, 2010-11

Do we have enough infrastructure?

The short answer is: no. We currently aren't building enough infrastructure, including housing[16], to cope with even modest levels of population growth.

The only responsible policy combines increased migration with increased infrastructure investment, and we do not propose to have one without the other.

Governments pay for infrastructure out of the taxes from the workforce. Letting our workforce age drastically means less tax revenue available for public infrastructure - and likewise smaller markets for our businesses mean less money available for private infrastructure.

In fact, far from adding to a person's share of the infrastructure burden, population growth decreases it:

> *"*[...] *doubling the population of any city requires only about an 85% increase in infrastructure, whether that be total road surface, length of electrical cables, water pipes or number of petrol stations. This systematic 15% savings happens because, in general, creating and operating the same infrastructure at higher densities is more efficient, more economically viable, and often leads to higher-quality services and solutions that are impossible in smaller places. Interestingly, there are similar savings in carbon footprints — most large, developed cities are 'greener' than their national average in terms of per capita carbon emissions*[...]*"* [17]

[16] E.g.: Ferrer, E, "Homelessness in a time of prosperity", Around the house 93, Shelter NSW
[17] http://www.nature.com/nature/journal/v467/n7318/full/467912a.html

Amendments:

v1.1

Tomias Byrt's employer corrected from "actuarial consulting company" to "life instance company"

The last sentence in the foreword corrected to reflect the 20 million figure is net migration intake, not total population growth.

Missing references added to charts.

Various grammatical and spelling errors corrected.