



**The Australian Population Institute Inc**

# **SUSTAINABLE POPULATION STRATEGY FOR AUSTRALIA**

**Response to the Government  
issues paper**

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## About APop

The Australian Population Institute (APop) is a non-profit, non-partisan and non-sectarian organisation founded as a national body in Victoria in 1998 by individuals and organisations sharing a common concern about Australia's future population.

The Institute aims to promote debate about population issues within the broader community and to develop a shared strategic direction that recognises the benefits of responsible population growth. The Institute believes Australia needs a bi-partisan approach to the demographic challenges that support the development of a greater Australia by stimulating growth through both natural growth and overseas migration.

## Introduction

APop welcomes the release of the Issues Paper and the positive contribution of Minister Burke in moving towards a population strategy for Australia.

The population debate sparks passion and takes many different forms. It is a debate about immigration, about fertility and family friendly policies, about population distribution, and regional development. It is about ageing and the fiscal and social ramifications of profound demographic change. It is about national, economic and environmental security. It is about a vision of a greater Australia.

We congratulate the government for having the courage to launch this major consultative exercise on defining the nation's future from a population perspective. The Paper and its expert panel reports provide good arguments for and against the rate at which Australia can or should increase its population sustainably.

The reports proffer different perspectives on an appropriate strategy, but are generally positive about the future of Australia and the importance of a national strategy on population. We acknowledge the issues are well fleshed out in the reports with abundant data and arguments for engaged Australians to consider. This submission therefore concentrates on comment on the Paper and the Reports and endeavours to state arguments and ideas that we believe have not been addressed.

The findings of the *Intergenerational Report 2010* and contents of the population strategy issues paper clearly indicate that the Government has an in-depth understanding of the problems created by an ageing population and the myriad future challenges it poses.

APop believes it to now be imperative for the Government to better inform and educate the wider public on all matters surrounding the issue and encourage greater public discussion, comment and debate, so that the public fully understands the dire consequences of proceeding along an uneconomical low growth path.

Whilst there is currently a degree of general public awareness on the subject, it is our belief that many of the populist views currently held on matters such as immigration

levels would most likely be altered if people were to gain a more comprehensive understanding of the full facts and potential future ramifications of an ageing population.

## 1. The Panel Reports

APop strongly opposes the key notion of the *Sustainable Development Panel Report* that a rapidly growing population means a less sustainable Australia.

The views of our organisation are aligned closest to that of the well-balanced findings of the *Productivity and Prosperity Panel Report* in charting its vision for a dynamic, prosperous and sustainable Australia.

The *Productivity and Prosperity Panel Report* is both positive and upbeat about the future of a prosperous and sustainable Australia. The panel's position is congruent with APop's vision of 'A Greater Australia'. The Panel raises six popular myths and provides sound arguments to disprove them.

Myths:

1. Australia can avoid a bigger population.
2. Australia is contributing to excessive growth in the world's population.
3. The need to import workers to support the tax base to fund baby boomer retirement in the coming decade is a scam. What happens when the imported workers retire? Then you will want more workers. This is a Ponzi scheme.
4. Why should we grow? What can you get in America that you can't get here?
5. Migration offers no extra net labour supply.....migrants add as much if not more to labour demand than to its supply.
6. We cannot possibly grow our population from 22 million today to 36 million by 2050; how can we provide infrastructure for a 60% population increase?

Not included in the myths, but discussed in detail in the report is the popular contention that Australia doesn't have enough water to grow our population. The panel notes "Australia enjoys more rainfall per capita than any other continent. While we may be the driest inhabited continent on earth; we are also the least inhabited". That fact and other data challenge this myth, but during the recent drought quite the converse view was being put by governments instead of admitting that inadequate investment had been made in water infrastructure and storage to accommodate flood and drought cycles that are characteristic of Australia's normal climate patterns.

These public misconceptions demonstrate the need for community engagement by government so that people are better informed to embrace long term strategies on population growth. Noticeably missing from government guidance to the public have been positive statements about our capability to grow and provide infrastructure when we have done it before at a greater pace. The panel notes: "Why are we suddenly concerned about providing infrastructure for a lesser pace of increase over the next 40 years? Consider Canada whose population has grown from 21 million to 34 million in the last 40 years. Canada has managed to do what Australia is proposing to do. There is no reason why Canadians can manage this while Australia cannot. "

The *Demographic Change and Liveability Panel Report* recommends the establishment of an independent National Population Council (NPC) as an ongoing research body examining possible population futures free of political influence to inform government and engage with the community. APop supports this recommendation.

APop also supports the panel's proposition that the population strategy should include indicators to measure the population impacts of economic growth, environmental sustainability, social inclusion, liveability and additionally culture. This is consistent with APop's value statement of 'responsible population growth'.

The panel recommends that the population strategy should be responsive to the demographic trends of the time noting potentially different growth goals during the ageing baby boomer period and the following period. This is the most appropriate long term strategy. If bipartisanship can be achieved on that issue we may avoid damaging short term levers played for political popularity polls.

The *Sustainable Development Panel Report* raises the proposition of stabilising the population level over time. It uses survey based evidence to assert that "Australians have serious reservations about higher population levels".

This is indicative of a failure by governments to provide a balanced education on broad population issues and not necessarily a reason to conclude that population growth should be substantially reduced.

It is clear the pressures on infrastructure, congestion and rising house prices are much to blame for negative sentiment. Restoring appropriate investment in infrastructure as recommended by the other two panels is a vital inclusion in the Australian Population Strategy.

The *Sustainable Development Panel Report* provides a negative and contra view on economics than the other two panels. It proposes immigration be restrained unless four policy conditions for sustainability are met. These in précis are:

1. 70% of new housing starts in capital cities are through urban consolidation;
2. Urban expansion does not drive biodiversity loss;
3. Indicators on water effectiveness like health of water dependant ecosystems, stabilised national and urban consumption rates and water recycling targets; and
4. Housing affordability prevails where the cost of renting or buying a median priced home does not exceed 30% of household income for the bottom 40% of income earners.

There is merit in the aspirations of these indicators, but urban consolidation and affordability are contradictory. Decreased housing affordability is the result of inadequate release of development land by State Governments to meet supply and demand. It is APop's belief that this panel report fails to find a balance between economic growth, environmental sustainability, social inclusion, liveability and culture as is attempted by the other two panels.

## 2. Concerns of APop

The principal concerns of APop are listed as follows:

### a) Vision of a Greater Australia - Achieving our Maximum Potential

The panel reports, except for the *Productivity and Prosperity Panel Report*, are devoid of aspiration for Australia to strive to achieve its maximum potential. This is a travesty when we stop believing in the vision of Australia becoming a great nation. Millions of people have settled here and worked hard with a vision that Australia will be a greater place for their children and grandchildren than the place they left behind.

APop supports the position of the Productivity and Prosperity Panel espousing the benefits of being bigger, the economies of scale and opportunities of a larger and more dynamic community. Of the world's 228 nations we are currently the 17<sup>th</sup> largest economy, just scraping into the G20. No nation above us has a smaller population.

### b) National Security

All the Panel Reports are silent on the importance of National Security. The *Productivity and Prosperity Panel Report* talks about the opportunities for a growing Australian nation and our geopolitical position in a rapidly developing Asia.

China, the world's, second largest economy is Australia's largest client for our commodities. It is rapidly expanding its influence in the Pacific and elsewhere and it needs to secure its future supply of natural resources and food. This coincides with significant investment by China in its naval fleet and military might with the inference of it challenging the USA, our main alliance partner, for dominance in the Pacific.

Our close neighbour Indonesia has a population 10 times that of Australia and it is the 14<sup>th</sup> largest world economy before Australia at 17<sup>th</sup>. It is modernising and developing with mutual benefits for both Indonesian and Australia being strong trading partners.

Indonesia is also developing its military might. There is no guarantee that our interests will always coincide. There is also no guarantee that in the long term the interests of the USA will include the ANZUS Treaty.

In terms of military relativity in our region even if Australia doubled or tripled its population it couldn't possibly form a militia to compete with the scale of Asian forces. But scale does play a significant part in military capability through a higher capacity to fund intelligence, communications, war machinery, ships, submarines and planes.

The question is asked whether national Security issues are deliberately excluded from the terms of reference for the Population Strategy Panels or is it an omission? APop believes that consideration of a restrained growth rate will negatively affect Australia's military capability when others are expanding theirs. Australia needs a much higher population to sustain a meaningful strategic defence presence in our region.

### **c) Populism and changes of direction on the run**

APop believes the main political parties should ensure all endeavours are made to reach a bipartisan position on Population Strategy. This is supported by the panels, but is a challenge for the nation's politicians to put the national interest first.

Currently this serious matter for the long term future of nation is being corrupted by populist short term tactics for perceived electoral advantage. Politicians measuring population growth in terms of the number of sports stadiums is one recent example of scaring the community and is both theatrical and false representation.

Sizeable cuts to immigration intake were announced in 2010 to appease largely uninformed community concern over inadequate investment in infrastructure by various governments. This one action may potentially spark a wages blow out with consequential inflation pressure, rising interest rates and diminished capital value of retirement pensions.

Additionally, the recent decision to exclude many overseas students from taking up residence on graduation or course completion has had a profound impact on a previously thriving export industry in the education sector. It has also created considerable bad will overseas.

APop believes that strategy and tactics in immigration policy must be reserved and the community engaged. Rapid and massive changes for short term popularity are not in the nation's interest.

### **d) Students – export education and import ideal new Australians**

There is a failure of the government and the community to recognise the value of overseas students as potential residents. They pay high fees for their courses, fill abundant part time job vacancies and learn the Australian culture during their studies. They are smart, young and ready for potentially a 40-year working life beneficial to both them and the nation.

APop believes that Australia's population strategy should recognise the value of students as premium migrants. We do not agree with the Sustainable Development Panel that our education industry relocate training of overseas students offshore.

### **e) Informing and Engaging the Community**

*The Demographic Change and Liveability Panel Report and the Productivity and Prosperity Panel Report* highlight considerable ignorance and myths held in the community.

This demonstrates a reluctance of past governments to either inform or engage the community in debate on population studies probably stemming from a fear of sparking sectarian disputes.

APop congratulates the incumbent government for its initiative and believes that it now needs to properly engage with and inform the community. Debate alone will prove

divisive and the media circus will exploit the arguments of 'Big Australia vs. the Small Australia', 'the environment versus the economy', 'we're full already' etc.

### **3. Issues and the APop position**

APop believes that a bigger Australian population and a sustainable Australia are not mutually exclusive. The constructs of a sound sustainability argument include the sustainability of the environment, economy and social cohesion. The failure of one has an impact on the other and the current public debate should be about the balance of those critical issues and the quality of life of Australians. This has both local and global perspectives.

What needs to be understood are the advantages of a bigger Australia; the advantages of scale and how we can embrace this growth in a sustainable manner with enough working age people to support those not working. Equally, the public needs to be fully informed of all the potential negative consequences of a smaller population.

The projection of an Australian population of 36 million by 2050 is an outcome of assumptions about future fertility rate, net overseas migration and life expectancy. The level of immigration set by government accommodates refugees, family unification, temporary, long-term temporary and skilled migration. This honours our universal and community obligations and provides our economy with enough working age people to support and progress the nation.

Formulating a strategy for a sustainable future in the face of an ageing population poses a complex challenge. A diverse range of issues have contributed towards the APop position. Key points and observations to highlight from our organisation's perspective can be summarised as follows:

#### **Fertility Rate**

- Australia's fertility rate remains below replacement level. Currently 1.9, it was 1.7 before the baby boomers, but needs to increase to 2.1 to reach replacement level. This is the only long-term solution to a sustainable population.

Unfortunately though, because attaining replacement level has been neglected for decades, it will similarly take further decades once we reach replacement level for the economic effects of the many previous years below replacement level to wash through our economy. In the meantime we will need to rely on increased immigration, participation and productivity to support our infrastructure planning.

It takes considerable time to see the effects of low fertility. History has shown us that the economy does well during low fertility periods, but then the downside effect only becomes evident many years later when there are low numbers of people entering the work force as a result.

## **Slowing of population growth**

- Population growth is projected to slow to an average annual rate of 1.2% over the next 40 years, in comparison to an annual growth rate of 1.4% experienced over the previous 40 year period.

## **Work force participation**

- The labour force participation rate for people 15 years and over is expected to decline from 65% today to less than 61% by 2050.
- The participation rate is set to drop because of the impending retirements of the baby boomer generation. There are currently five working people to support every Australian over 65 years of age, but that ratio is expected to reduce significantly to 2.7 by 2050. We note also the potential effect of lower annual population growth of 0.8 per cent, as opposed to the projected annual growth of 1.2 per cent, which would cause a further drop in the ratio to 2.3 workers for every person over 65 if it were to occur.

There has been considerable growth in the workforce participation rate of women in Australia. In recent times, financial pressures within the family unit, including housing and education costs, and changing societal attitudes would be amongst the key contributing factors towards this trend.

An obvious natural by-product of more women working, of course, is less births. With the current influencing factors skewed towards more women working, we believe the economic considerations for women in determining whether or not to work should be more equitable and encourage unmitigated freedom of choice.

## **Impact of Net Overseas Migration on work force participation**

The impact of lower Net Overseas Migration (NOM) on the workforce participation rate is appropriately highlighted in the *Productivity and Prosperity Panel Report* which states:

"Those in their prime will continue to work, but an ageing population will mean that the share of all Australians in work will soon begin to fall - lower migration will make this fall more rapid."

The report notes that by 2050 total participation (everyone over 15) may decline gradually to 62.7% with a NOM of 300,000 or fall to 57.8% with a NOM of 70,000, which is a level suggested by some advocates of low population growth.

Another key finding of the report is that "even with low levels of migration, significant population growth is inevitable." It describes any notion that Australia can avoid a bigger population as "a myth" and states: "Even with low levels of migration of 70,000 per annum, the Australian population will increase from 22 million today to 30 million by 2050."

## **The structure of the immigration program**

APop has consistently supported higher levels of immigration and, in particular, endorsed an emphasis on skilled migration as a way of maximising the immediate benefits of the immigration. That said, APop continues to support the family reunion and humanitarian programs.

One idea that APop considers has possible merit is to partly privatise the skilled migration program such that, on government setting a base number, additional migrants could be sponsored by the private sector. We envisage that such a system may operate in a similar manner to employment agencies and that where labour shortages are identified and business is willing to nominate employment opportunities, arrangements may be made to facilitate immigration towards a specific area where labour is scarce. Such a system would provide an additional catalyst towards regional growth.

APop appreciates that similar programs have existed in the past, but suggests that some degree of deregulation in this area may deliver significant benefits.

## **Productivity**

Productivity is correctly highlighted as a key driver for Australia's future growth prospects.

A recent report undertaken by Saul Eslake and Marcus Walsh for the Grattan Institute titled *Australia's Productivity Challenge* describes a long held recognition of economists that "productivity growth is the only sustainable source of improvements in a community's, or nation's material well-being, and that of its citizens in the long run."

In addition to noting a growing prevalence of productivity-stifling regulation and legislation, the study also highlights a "dramatic deterioration in Australia's productivity performance over the past decade, with the broadest measure of productivity growth actually having turned negative over the past five years."

The report warns that "Australia's economic prospects beyond the end of the current 'resources boom' will deteriorate significantly if the decline in our productivity growth performance is not reversed."

APop believes that with a slowing of real GDP growth from a traditional level of 3.3 per cent annually to 2.7 per cent predicted over the next forty years, the wide-ranging economic and fiscal pressures of managing an ageing population make it even more imperative to increase immigration.

## **Financial costs of an ageing population**

Australia's faces unprecedented intergenerational issues with an ageing population caused by the baby boom of 1945-1960 and the drop in fertility in the 1960s from an average of 3.6 to 1.9 children per woman.

The outcome projected by the Australian Bureau of Statistics is that the proportion of older Australians aged over 65 will double from 13% to 23% by 2050 potentially doubling pension costs. The *Intergenerational Report* 2010 estimated there are 5 people of working age to support every person aged 65 and over, but there will be only 2.7 by 2050. It also concluded that with less people in the workforce the rate of economic growth will slow.

## **Ageing population a global problem**

The use of statistics within the current *Intergenerational Report* showing Australia's comparative performance against other OECD countries in a number of areas rightly highlights that the ageing population dilemma is a global problem faced by all developed countries. Our generally mid-ranging performances show us to be better placed on various fronts than some countries and in a less advantaged position on others.

The interpretation of these comparative results, however, should never be allowed to mask the importance or relevance of the problem in this country. APop asserts that Australia should be aspiring to lead the way in all areas, just as we believe Great Britain to presently be in tackling debt reduction.

The *Intergenerational Report* indicates how acute the ageing population and fiscal sustainability problem is for both Japan and Italy. Within that case study, however, it is most interesting to note that Italy's projected increase in median age is stabilised by its stronger Net Overseas Migration.

## **Employment**

The need for both skilled and unskilled labour is likely to become acute as the needs of the resources industry coincides with the move into retirement of the baby boomers.

## **Infrastructure**

Commitment to long term planning and orderly provision of infrastructure is imperative. Sound planning should ensure we build our national infrastructure, maintain economic prosperity, overcome the burden of an ageing society, take care of the environment and achieve higher sustainability.

## **Nation Building**

APop believes this is a time to seize a great opportunity for nation building and long-term improvement of living standards for all Australians. Current projections indicate that over the next 40 years, 11m of the 13m people that will build our tiny population from 22m to 35m will derive from immigrants and their Australian born children. Access Economics figures show benefit to the Federal Budget from the 2007 migrant intake at more than \$500m in year one growing to \$1.3B by year 20 in 2008 prices.

The benefits we enjoy from offering a home to these new Australians and continued population growth provides our capacity to responsibly pay for social and environmental programs that would not otherwise be possible.

Australia is an innovative and progressive nation. Its people expect governments to deliver our aspirations for jobs, safety, wealth creation, physical and social services and national security. Reflecting on the history of infrastructure development and the heavy lifting of previous generations it's no different now. Governments are planning and building new infrastructure in transport, ports, water, hospitals and energy generation. This effort requires more working-age Australians not just to undertake the work but also to fund it.

## **Urban Planning and Regional Growth**

Australian cities are going to grow larger and taller as we adopt a more sustainable, higher density development as seen elsewhere in great world cities.

- In 2006, there were a total of 7.8 million households in Australia. By 2031, the number of households is projected to grow to between 11.4 and 11.8 million.
- Whilst the number of households is projected to increase, the average number of people within each household is projected to decline from 2.6 in 2006 to between 2.4 and 2.5 people per household in 2031.

With the average size of households (ABS 2006) now being only 2.6 persons per dwelling and many single person occupancies, a variety of dwelling styles is required including apartments and suburban homes.

Modern suburban communities are meticulously planned for amenity, employment, community facilities and transport with strict environmental controls. Regional cities and towns will also come into their own in catering for our population growth.

Amongst its many valid findings, the *Productivity and Prosperity Panel Report* makes several pertinent observations relating to housing as part of its overall vision to create vibrant cities and flourishing regions.

These points include a recommendation to "implement the best in urban design, planning and execution, from the edge to the heart of our existing cities and in our new cities, so that we have access to the services, public spaces and the sense of community we desire and overcome the congestion in our major cities."

The report also notes a current housing shortfall in Australia of an estimated 178,400 units and observes: "Slowing population growth would not address the reasons for the big gap between supply and demand. The source of the problem should be fixed, rather than simply dealing with the symptom."

APop concurs with the report's stated position that in relation to improving housing affordability and addressing the disparity between supply and demand "the way forward is to reduce red tape which confronts those wanting to build a new home; ensure an adequate supply of greenfield sites and urban in-fill; address inefficiencies in income tax and transfer arrangements as they relate to housing; and eliminate the burden of inefficient taxes which push up the cost of houses."

Apop further endorses the report's advocacy of strengthening the regions. It is Apop's view that significant growth in the population of Australia's medium sized cities would produce a range of economic and social benefits.

## **Environment**

Development is not exclusive of environmental aspirations. We have a rigorous regime of environmental controls and a politically active society that ensures we can only build with consideration to appropriate environmental standards and amenity requirements.

## **Water Resources**

Australia's perceived limitations are water and land which we have available in abundance. The recent long Australian drought created a sense of urgency reminding us of the fragility of our land and all its inhabitants, flora and fauna alike. Technological advances have made it possible for desalination to supply as much water as we need and most cities have built or are building substantial plants.

The removal of outdated State government subsidies on harvested water has increased its consumer price and public awareness of its value and appropriate use has been the result.

Recycling and desalination are now part of the solution to the water security needed for growth and the environment. More water infrastructure will have to be built to supply and distribute water around the nation under increasingly stringent environmental and political constraints.

## **Food production**

Australia is also a major food producing nation and it is imperative we invest further in agricultural technology, stimulate greater worker participation, continue the pursuit of sustainable practices and be more committed to improving and protecting important production areas like the Murray Darling system among others.

## **Climate Change**

The Academy of Technological Sciences and Engineering (ATSE) Report 2007 on the Technological Implications of an Australian Population of 30 million by 2050 concluded climate change should not be a barrier but Australia must pursue strategies to mitigate and manage the effects of climate change.

## **Resources and Energy**

Energy generation, consumption and emissions are of great concern to world communities. Australia has an abundance of fossil fuels coal and gas, and alternative sources such as uranium, geothermal, solar, wind and tidal.

Australia has enormous generational capacity potential and as a nation our goal must be to invest in the technology for cleaner coal and other energy sources.

## Social cohesion

The Monash University Social Cohesion Surveys of 2007, 2009 and 2010 found Australians are positive and have a sense of belonging, social justice and worth. The reports indicated strong positive attitudes to immigration in Australia at a time when we were taking in unprecedented numbers of migrants to assist our shortage of working age people.

## 4. Conclusion

It should be understood that APop is not an advocate for unlimited population growth. Indeed it would be disingenuous to suggest such a thing.

Our organisation acknowledges that at some point in the future a stabilisation of Australia's population will likely occur to ensure sustainability. But given our relatively small population base in such a land of opportunity, it is appropriate that future generations review Australia's higher population aspirations in their time. We have much growing to do beforehand. Immigration will always have an important role to play in helping to sustain population levels.

All indicators within the current *Intergenerational Report* and other recent studies show that Australia continuing on its present path is simply not doing enough.

In summary, a decline in the rate of population growth is undesirable on many fronts as have been identified and such a course would have major negative consequences for future generations. APop believes Australia risks ending up experiencing the worst of all worlds and a resultant lower standard of living.

We are advocates for seeing Australia realise its highest potential without becoming unsustainable. It is our fear that stabilising population levels too early may deny that potential from being fulfilled and Australia risks becoming irrelevant in the global sphere.

There is much in the content and statistics of all available reports and documentation to support a view that the anticipated projected population of 36 million as stated in the *Intergenerational Report* is still insufficient to maintain our quality of life.

Our organisation strongly asserts that with diligent strategic planning and effective economic management, a bigger Australia can also readily translate to a sustainable Australia.

Throughout its relatively young history since settlement, Australia has demonstrated an ability to provide sufficient infrastructure for its growing population. APop questions why many people now doubt that the nation can continue to meet such challenges in the future. It has done so before in every past era and can continue to provide the necessary infrastructure for a sustainable future within the framework of a bigger Australia.

APop again emphasises that the Government has not yet taken the wider public into its full confidence and effectively communicated all aspects of the ageing population debate and their potential impacts on future generations of Australians. We believe it is now vitally important that it do so as a matter of priority and to explain the resultant consequences if a slower growth path eventuates.

APop concedes that there may have been a time when Australia could afford the luxury of putting off decisions relating to the sustainable population dilemma, but undeniably, with the baby boomer generation starting to retire, the issue is now immediate.

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