

**TOWARDS A
PRODUCTIVE
AND SUSTAINABLE
POPULATION GROWTH
PATH FOR AUSTRALIA**

1. OVERVIEW

The Australian population is growing at the rate of one additional person every seventy seconds. At an annual population growth rate of 2.1 % per year, Australia is one of the fastest growing developed countries in the world today.

Two thirds of our current population growth is accounted for by net overseas migration, which has increased by more than 40%, on average, under the Rudd Government, compared to the latter years of the former Coalition government.

Australians are already feeling growing pains from current population pressures. Congestion in our cities, limitations on our energy supply, threats to food security, erosion of service standards in our hospitals and marginalisation of water resources are all evidence of the challenges created by population growth.

In October last year the Prime Minister dismissed these challenges and recklessly committed Australia to his idea of a Big Australia and later endorsed the 36 million population projections contained in the third intergenerational report.

The majority of Australians are uncomfortable with Kevin Rudd's notion of a Big Australia of 36 million people as evidenced by recent surveys conducted by the Lowy Institute (69% opposed), Morgan poll (90% opposed), Ninemsn poll (82% opposed) and ANU (69% opposed).

As proposed in this policy directions statement, the Coalition does not endorse Kevin Rudd's vision for a Big Australia of 36 million people by 2050.

The Coalition is committed to putting Australia on a population growth path that we believe will deliver:

- productivity – to keep our economy strong and support continued growth, especially in rural and regional areas,
- sustainability – to protect and conserve our environment and resources,
- liveability – to preserve the quality of life for we enjoy as Australians, both now and in the future, and
- security – to ensure we are able to defend the sovereignty of our nation's borders, assets and values.

To this end the Coalition is keen to engage Australians in a national debate on a sustainable population growth path.

This paper sets out a policy directions framework for how a Coalition Government will make decisions to achieve a sustainable population growth path for Australia.

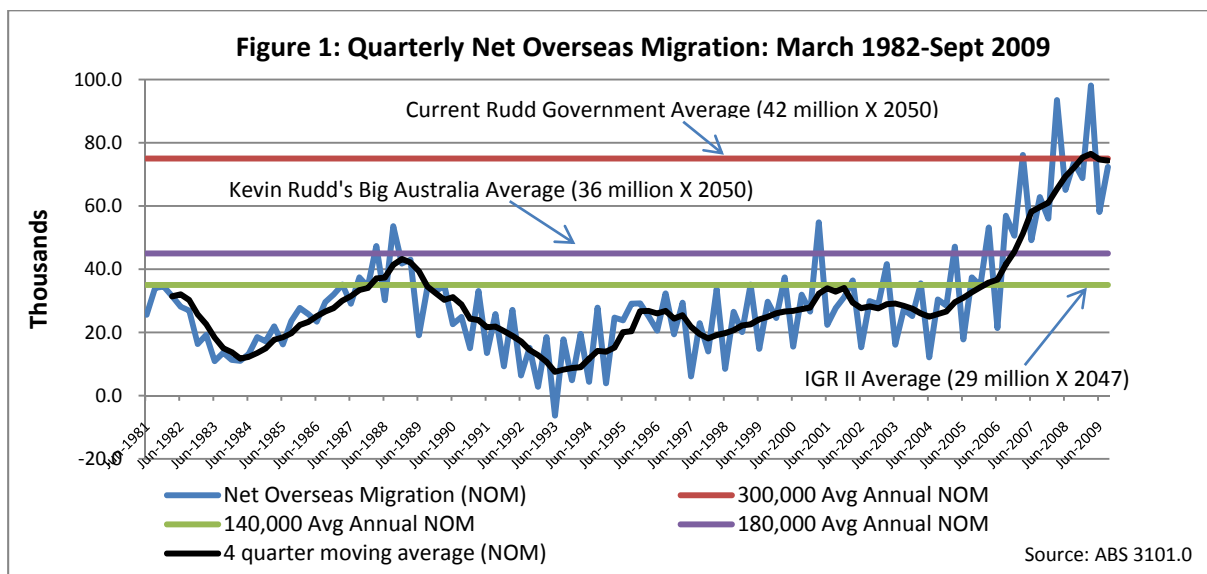
2. BACKGROUND

The population of Australia is the number of people living in Australia for twelve months or more. For non-permanent residents, this involves being in Australia for at least 12 out of 16 months.

The growth in our population is a function of natural increase plus net overseas migration (NOM). The growth in NOM is the predominant and driving force of population growth in Australia (more than 60%).

Figure 1 charts the movement in net overseas migration by quarter since March 1982, noting:

- the average level of net overseas migration that relates to the current practice by the Rudd Government,
- the 36 million projection provided by Treasury in the third inter-generational report, otherwise known as Kevin Rudd's Big Australia, and
- the projection provided in the second intergenerational report.



Kevin Rudd's Big Australia assumes an average net overseas migration rate of 180,000 per year to produce a population of 36 million by 2050.

The previous intergenerational report released by the Coalition Government projected a population of 29 million by 2047, with an average net overseas migration rate of 110,000 per year, which under the new definitions of NOM employed in the 2010 IGR, is the equivalent of 140,000 per year. There was broad based support for these projections at the time and it marked the last point of consensus on population issues.

The current average annualised rate of NOM for the first seven quarters of the Rudd Government was 300,000 per year and is unsustainable. It would produce a population of 42.3 million by 2050.

The current rate of NOM is far in excess of the Big Australia NOM projection of 180,000 per year and the 140,000 NOM projected in the second intergenerational report.

Concerns about population growth are a function of the impact on quality of life caused by inability to deliver infrastructure and services to meet that growth and the impact on the environment. In short, growth is only perceived to be positive when it is managed well.

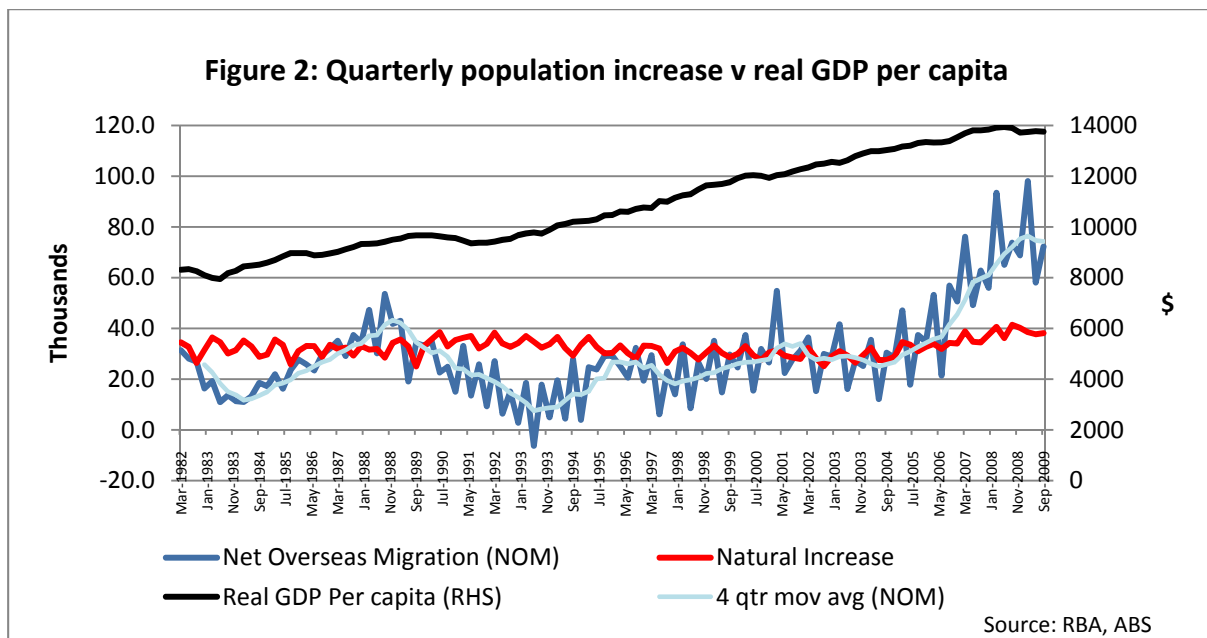
There is also the challenge to support the needs of a growing economy. Often there is perceived to be a conflict between the economic and sustainability objectives in the debate on population growth. However, this does not need to be the case.

The economic focus of the Coalition’s approach to population policy is on productivity. In pursuing a commitment to improving productivity, we cannot allow population growth to become a surrogate.

The intergenerational reports conducted by Treasury have consistently highlighted the 3Ps when it comes to economic growth, namely productivity, participation and population.

In their most recent IGR, Treasury concluded that growth in productivity is the primary determinant of growth in real GDP per person.

Figure 2 plots the increases in our population against real GDP growth per capita.



The correlation between movements in net overseas migration and growth in GDP per capita is weak at 0.54, with an R2 of 0.30. The Parliamentary Library concludes that this small positive correlation proves neither that an increase in net overseas migration causes real GDP per capita growth nor that real GDP per capita growth causes an increase in net overseas migration.

When net overseas migration is plotted against movements in GDP per capita, the relationship is weaker at just 0.11.

Our wealth as a nation is far more complex than simply taking more people in. It is possible to grow our economy without rates of population growth that diminish liveability and sustainability.

Attachment A provides a table of growth rates for real GDP per capita between 1998 and 2008 together with population growth in 30 OECD countries prepared by the Parliamentary

Library. The table shows that OECD nations have not had a uniform experience in the relationship between their population growth and growth in real GDP per capita.

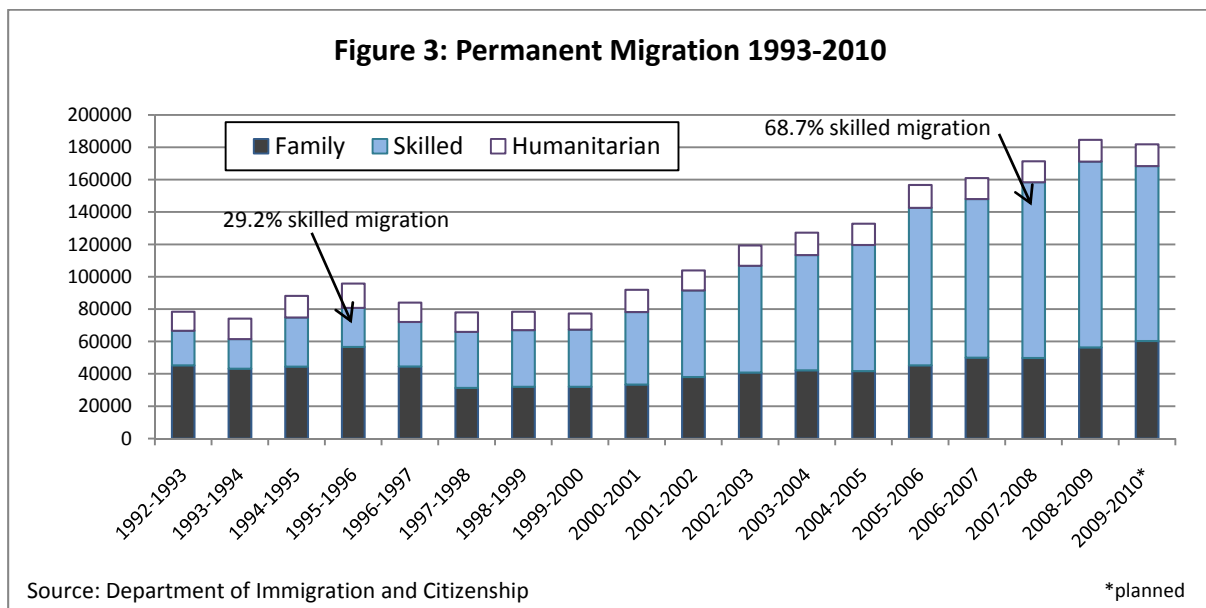
Italy and Japan are often cited as negative evidence to support the pro population growth position with respect to economic performance. These cases were recently singled out in the most recent IGR by Treasury. In both countries low population growth is mirrored by poor economic growth. However, when making these references it is important to acknowledge there are other countries with different experiences such as Finland and Korea, or even Canada, who have had low population growth but high economic growth.

The table in Attachment A also notes growth in labour productivity for the period 2001 to 2006. While only forming a sub section of the comparison time series, it is interesting to note that countries with higher labour productivity were able to achieve higher rates of economic growth, without parallel increases in population growth.

Population growth is therefore not a guarantee of superior economic performance, especially when measured in per capita terms. However, it is also true that immigration policy has an important and legitimate economic role to play as part of a sustainable population growth strategy.

The Coalition believes that addressing the skills needs of businesses to sustainably grow our economy is the primary reason for a migration programme. Consequently, economic considerations must be paramount in how our programme is framed and composed.

Figure 3 sets out annual permanent migration intake since 1992/1993 for the three core components, skilled, family and refugee & humanitarian.



When the Coalition left office, almost 70% of our permanent migration intake (excluding refugee and humanitarian visas) was skilled migration. This represented more than a doubling in the less than 30% share of skilled migration inherited from the previous Keating Labor Government.

Already under the Rudd Government, planned migration for 2009/10 will see skilled migration fall below two thirds, while the family programme will increase by more than 20%.

At 180,000 per year, permanent migration is not the major contributor to our annual gross intake which, according to the ABS, now exceeds 500,000 per year. Temporary forms of visa, allowing people to stay more than 12 months have become the dominant proportion of our annual gross intake contributing to net overseas migration.

The dominant forms of these temporary visas contributing to population growth are not for business or skilled purposes.

While figures are not yet available for latter years, the ABS estimates that for the top ten source countries contributing to our net overseas migration, business and employment purposes accounted for just 20% (ABS 3412.0).

According to the Department of Immigration and Citizenship, when net overseas migration rose to almost 300,000 in 2008/09, the number of 457 temporary business visas issued to primary applicants declined from 58,050 to 50,660, a fall of 12.7%. It is also worth noting that the Rudd Government is making 457 visas more difficult to obtain, shutting them down by stealth, particularly for regional and small businesses. In the eight months to February 28, 2010 the number of 457 visas granted to primary applicants declined by 45.3% on the same period during the previous year.

By contrast the number of student related temporary visas issued in 2008/09 was more than 320,000. More specifically there were 104,064 sub class 572 visas provided for vocational training and education, an increase of 35,782 on the previous year. Surveys by the Department of Education, Employment and Workplace Relations in 2006 showed that two thirds of all final year students were considering applying for permanent residency.

Recent changes announced by the Rudd Government to immigration policy are likely to have an impact on the number of student visas issued. However, the transition period will see many remain and have the opportunity to pursue permanent residency.

In summary, the primary focus of population policy must be to deliver infrastructure and services to support a growing population and to manage the impact of that population on our environment.

However, from an immigration perspective, our ability to deliver on these infrastructure, services and environmental policies must temper and frame our migration intake.

In this context it is critical that the Government release an analysis of the projected decline in temporary student visas, as a result of their policy changes, to enable a new baseline for net overseas migration to be established based on current policy settings.

What is needed from an immigration perspective is a planning framework that enables intake levels for the short, medium and long term to be determined in the context of an agreed sustainable population growth path.

In addition, consideration must also be given to the level of community confidence in the Government of the day's ability to run an effective, controlled and targeted immigration programme that serves Australia's interests. To this end, the ability to control one's borders has traditionally played a significant role in bolstering community confidence. Under the Rudd Government this confidence has been shattered.

3. POLICY PROPOSALS

3.1 ESTABLISH A PRODUCTIVITY AND SUSTAINABILITY COMMISSION

The Coalition will extend the brief of the Productivity Commission to become the Productivity and Sustainability Commission, with a specific brief to address population sustainability issues.

The Commission will be tasked to recruit staff with the appropriate skills to address the new brief. Such staff may be seconded from existing department and agencies.

As part of the brief, responsibility for the preparation of the Intergenerational Report will be transferred from Treasury to the Productivity and Sustainability Commission.

The Commission will support Governments and COAG in their deliberations in framing policy decisions about future population growth.

There is a lack of coordination between States and Territories with regard to strategic planning for anticipated population growth around the nation. A collaborative and standardised approach supported by the Commonwealth could supply much needed guidance, particularly for those States and Territories where strategic planning for population growth is in the initial stages of development and implementation.

Improving coordination and collaboration in addressing the various impacts of population growth would help to ensure that key considerations linked to increasing demands on service provision, infrastructure, management of natural resources and the environment are considered.

A further factor in managing population growth is to improve community understanding of the issues involved and provide the opportunity for community input. Such a process will assist build consensus for future population growth scenarios.

Labor's plan is for the new Minister for Population to tell Australians why 36 million people will be good for them. Labor's approach is to put in place a political fix where the Government buries the debate before the election and seek to be taken on trust thereafter. There is no debate and no shared ownership of the outcomes.

Given the high level of anxiety within the community about future population growth, and more specifically the inadequacies of services and infrastructure to support growth, it is desirable to embark on an inclusive and open debate on population sustainability.

The Coalition will task the Productivity and Sustainability Commission to conduct an Independent Inquiry and take submissions, conduct research and make recommendations in relation to the management of Australia's population into the future.

The Inquiry will include the appointment of an independent panel, serviced by the Productivity and Sustainability Commission, to oversee the inquiry to include representatives of business, Government, community and environmental groups, as well as key professions and academic disciplines. The Inquiry will conduct hearings around the

country to listen to the views of Australians and provide an outlet for community debate on this important issue. This will include consultation with rural and regional stakeholders.

3.2 A NEW WAY OF SETTING POPULATION GROWTH TARGETS

The Coalition will establish a target range for population growth over the short, medium and longer term, similar to the inflation target band established for the Reserve Bank.

The growth band will be the product of assessments of progress in the delivery of infrastructure and services to support population growth, combined with the population needs of a growing economy.

Growth bands will be established and reviewed with input from the Productivity and Sustainability Commission and formal consultation rounds through COAG, together with state, territory and local Governments. This review will include regular red, amber and green assessment of the progress of policy delivery in key areas that will determine whether migration intakes should favour the lower or higher range within the target growth band.

Annual migration intakes can then be modified to reflect the changing circumstances while remaining within a growth band. The Coalition will exercise flexibility within programmes to reprioritise intakes to ensure a primary focus on skilled migration.

Until such time as a growth band can be established for future population growth that takes into account future infrastructure, services and environmental demands, the Coalition does not endorse the growth path projected in the third intergenerational report for a population of 36 million by 2050 that requires an average rate of net overseas migration of 180,000 per annum.

Co-ordination of population policy will be managed by the Department of Prime Minister and Cabinet.

3.3 POPULATION PROJECTIONS TO BE INCLUDED IN BUDGET PAPERS

The Coalition will include in the budget paper, a separate paper that sets out the population projections used in budget allocations and four year forward estimates.

Current and future budgets are affected by changes in both the permanent and temporary movements of people into and out of the country, as well as fertility rates and demographic changes; in particular the ageing of the population.

There is no area of the budget that is not affected, but infrastructure, housing, transport, health and education are potentially the most significantly impacted by significant movements or changes in these areas.

The Coalition will produce a supplementary paper to inform the budget process which contains current and future population projections based on fertility, permanent and

temporary population movements (including intra country movements) and demographic changes over a four year and ten year horizon.

3.4 A COMMITMENT TO SKILLED MIGRATION AND REGIONAL AUSTRALIA

The primary purpose of a nation's migration programme is economic, namely to supplement natural increase to create critical market mass in the domestic economy and service the skills needs of a growing economy.

The migration programme run by the Coalition will once again have the primary focus on providing skilled migration on both a permanent and temporary basis and supporting the viability of rural and regional communities around Australia.

Key features of the Coalition policy will include:

- reinstatement of a genuine critical skills list designed to reflect genuine occupational skills needs of industry,
- liberalisation of arrangements for temporary business visas (457s) subject to clear standards, to make them more accessible to business, especially small businesses, and business in regional areas, with proven skills shortage needs;
- ensuring at least two thirds of our permanent intake is for skills migration,
- encouraging settlement on either a temporary or permanent basis in regional and rural areas.

Further details of the Coalition skilled and regional migration policies will be contained in the Coalition immigration and citizenship policy.

ATTACHMENT A

	OECD Population and economic growth 1998 to 2008 percentage change			OECD Labour productivity per unit of labour Annual Average percentage change 2001 to 2006
		GDP per capita		
	Pop	Nominal	Real	
Slovak Republic	0.3	114.6	63.7	5.0
Korea	5.0	94.5	59.2	5.2
Poland	-0.4	82.7	51.8	3.6
Hungry	-2.2	82.5	45.4	3.8
Czech Republic	1.3	76.4	44.7	5.1
Ireland	19.7	72.9	43.0	3.3
Greece	3.7	75.1	41.8	3.2
Luxembourg	14.6	96.6	37.6	1.8
Finland	3.1	58.8	34.0	2.9
Iceland	16.6	32.8	28.2	n.a.
Turkey	13.8	62.8	27.9	4.3
Sweden	4.6	51.6	26.4	4.7
United Kingdom	4.9	52.9	23.0	2.3
Spain	14.8	66.5	22.3	0.5
Netherlands	4.7	61.2	21.3	2.5
Austria	4.5	45.2	21.2	1.8
New Zealand	12.3	45.3	20.7	-0.3
Canada	10.5	52.7	20.6	1.1
Mexico	11.9	62.6	19.4	-0.2
Australia	15.0	54.6	18.5	1.1
Belgium	4.9	44.9	18.3	1.5
United States	10.3	49.1	17.5	2.3
Norway	7.6	113.8	16.9	0.9
Germany	0.1	46.1	16.0	2.1
France	6.8	45.2	14.7	1.9
Denmark	3.6	40.8	13.7	1.7
Switzerland	8.1	45.0	13.2	n.a.
Japan	1.0	42.4	12.6	3.0
Portugal	4.9	53.5	11.0	0.7
Italy	5.1	31.5	6.9	-0.2

Source: Parliamentary Library