

# GROWING PAINS

Population growth is difficult to control, writes **Jessica Brown**

Few, if any, discussions provoke such heated debate in Australia as the question of population growth and its composition: from anxiety about Chinese migrants coming to Australia during the Gold Rush to post-War concerns that we should ‘populate or perish’ at the hands of foreign invaders, it has always been a controversial topic.

Population growth shot back into the public consciousness in late 2009 when then Prime Minister Kevin Rudd—rather clumsily—proclaimed that he ‘made no apology for wanting a big Australia.’ Rudd, along with Treasurer Wayne Swan and then Treasury Secretary Ken Henry, had been spruiking the headline figure from their upcoming *Intergenerational Report*, which predicted that Australia’s population would reach nearly 36 million by 2050 if recent patterns of migration and fertility were to continue.

Instead of focusing on the fiscal challenges posed by an ageing population, as former Treasurer Peter Costello had done with the first two *Intergenerational Reports*, Rudd focused on the growing population. By announcing that he believed in a ‘big Australia,’ Rudd created the idea in the public’s minds that government could—and should—somehow control the size of Australia’s population. Although Rudd didn’t announce any actual policy changes, he managed to create the impression that he had.

Opposition Leader Tony Abbott was quick to pick up on the public disquiet about this. The Coalition released a ‘sustainable population policy’ in April 2010 to back up its public criticism of what it called the government’s ‘reckless commitment’ to a Big Australia. New Prime Minister Julia Gillard, who came to power in June 2010 on the back of a series

of policy blunders by Rudd, was quick to line up with the opposition’s critique of Rudd’s Big Australia, claiming that she too favoured a more ‘sustainable approach to population growth.’ Both exploited public concern about asylum seekers arriving by boat to prosecute the case against population growth, even though in the context of the wider migration program, the numbers were small.

The population debate has tapped into a range of public concerns. Commentators and advocates as diverse as entrepreneur Dick Smith, former NSW Premier Bob Carr, and Monash University Professor Bob Birrell questioned how the environment, urban infrastructure, and social cohesion would be affected by an ever expanding and increasingly diverse population. Proponents of population growth such as Australian National University Professor Peter McDonald and KPMG partner Bernard Salt argued that continued population growth and migration would be necessary to fill skills shortages and fuel economic development.

The debate has been somewhat calmed by Australian Bureau of Statistics (ABS) data, released in December 2010, which show that population growth has slowed to its lowest level since 2006. After climbing for several years, net overseas migration for the year 2009–10 fell sharply by 31% from the previous year.<sup>1</sup> But the federal government’s promise to release a ‘sustainable population strategy’ in the first half of 2011 suggests the issue will continue to dominate public debate. The government admits in its ‘Sustainable Population for

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Australia Issues Paper,' released in December 2010, that short of radical changes to our migration program, it can't accurately predict—much less control—population growth.<sup>2</sup> Yet for all the discussion about whether Australia's population should or should not grow, or how fast it should grow, there has been relatively little acknowledgement in the public debate of this fundamental fact.

For classical liberals, population growth is not something to cheer for or to oppose. It is simply the result of millions of individual desires and accomplishments. In Australia, population growth seems to be what happens when governments take their hands off the reins. We have become richer and healthier. We are living longer. We continue to have children. And we have developed into a place that people from around the world aspire to visit and live in. Australia's population is growing. It's how we deal with it that matters. No matter whether we want a Big Australia or Small Australia, we are going to get a growing Australia—for the next few decades at least.

### **Governments can't control natural increase**

The birth rate, the death rate, and the rate of net overseas migration all combine to determine the size and age of our population. While most of the public debate about population has concentrated on immigration, in many ways it is natural increase—births minus deaths—that will have a bigger impact on our population size. Unfortunately for those who want to set population targets for Australia, natural increase is very difficult to predict—and almost impossible to control.

The global population boom, which saw the number of people living worldwide explode from one billion at the beginning of the eighteenth century to six billion at the end of the twentieth century, happened not because we started having babies more often but because we started dying less often. During the same period (1800–2000), the average person's life expectancy increased from less than 30 years to more than 60 years.

The same story has been repeated locally. Australians born in the year of Federation

would have been lucky to make it to their 60<sup>th</sup> birthday.<sup>3</sup> Now, according to the World Bank, we can expect to live to 81.4 years. Future generations will live even longer. In its population projections, Treasury assumes that the average Australian boy born in 2050 will live to be 87.7 years old. A girl born in the

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same year will live until she is 90.5. In the year to June 2010, there were 5,100 more births than the previous year, an increase of 1.7%. Yet there were 3,100 *fewer* deaths, a drop of 2.2%.<sup>4</sup> We don't know when the next medical breakthrough that will allow us to live longer will happen, but we do know it will happen. Increased longevity will continue contributing to population growth.

This great demographic change has affected different developed countries in different ways (and has not affected some of the poorest developing countries at all). In Germany, Japan and Italy, high life expectancy has been matched by very low fertility, resulting in a slowly shrinking and rapidly ageing population. While their birth rates have recovered somewhat, Italy's fertility rate fell to a low of 1.14 babies per woman in 1995 and Japan's fell to 1.26 in 2005—considered by demographers to be 'lowest-low' fertility.

In Australia, the effect of this demographic shift has been different. Our life expectancy has increased to be among the highest in the world, but our birth rate has not fallen to the same extent. After reaching a post-War peak of 3.5 babies per woman in the mid-1950s, Australia's fertility rate has remained fairly stable since the late 1970s. From a low of 1.74 in 2001, it has now risen to 1.97 babies per woman—just shy of the 2.1 that is considered to be the population 'replacement rate.'

In absolute terms, we are having more babies than ever before. In the year to June 2010, more than 300,000 babies were born. In the last financial year, natural increase accounted for 43% of our population growth.<sup>5</sup> With the United States now experiencing replacement fertility and New Zealand experiencing an above-replacement rate of 2.2 babies per woman, it does not seem completely far-fetched that Australia's birth rate will climb further.

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'programmed in' over the coming decades. Even if we stopped all migration now, we could still expect the population to continue growing for another few decades before it begins to decline. There is currently a large cohort of 18-30-year-olds in Australia who will soon begin having children. We can expect the current baby boom to continue for at least another decade, pushing up population growth. Demographers call this a 'momentum for growth.'

In subsequent decades, this generation's equally large cohort of parents—the Baby Boomers currently in their 50s and 60s—will reach old age and begin to die, reducing the rate of natural increase.<sup>6</sup> At this stage, population growth will begin to slow.

A government worried about this projected population growth spurt or subsequent decline could try to intervene, but they might not have much luck. Governments around the world have found it notoriously difficult to control people's fertility. When they do manage to do it successfully, they are often left dealing with nasty, unintended consequences. Throughout the Western world, governments of all political persuasions have spent countless billions of dollars trying to coax women to have babies. While some demographers, such as Peter McDonald, have found that fertility levels are

closely associated with family support policies,<sup>7</sup> other studies have found that government interventions to encourage a higher birth rate have only been marginally successful, if at all.<sup>8</sup> In Australia, the Productivity Commission found that it was improved economic conditions—not the Howard government's Baby Bonus for new parents—that led to the rebound in Australia's birth rate.<sup>9</sup>

At the other end of the spectrum, the most successful policy to *reduce* birth rates has undoubtedly been China's one child policy. But the downside to this (deeply illiberal) policy is that China now faces a demographic future similar to that of Europe. China's population is ageing so quickly that 'it could trigger an economic and political crisis.'<sup>10</sup> It has become almost a cliché to say that China will get old before it gets rich. Even if the Australian government could act to limit our fertility rate, would we really want them to?

### **Government can't fully control migration either**

Because of this, much of the debate about population has focused on migration. After all, this is the one major contributor to population growth that the federal government has direct policy control over. But even migration—at least as it is currently configured—is difficult to exert too much control over. This is because about two-thirds of our inward migration is skilled, and much of it is demand driven.

Rather than asking central planners to set firm targets or caps for particular types of skilled visas, we largely leave it to the market to decide.<sup>11</sup> The number of overseas students that study in Australia in any given year (about 270,000 in 2009–10)<sup>12</sup> depends on how many places Australian universities offer and how many students want to take these places. The number of working holidaymaker visas granted (more than 180,000 in 2009–10)<sup>13</sup> depends not on how many backpackers Canberra bureaucrats want but on how many want to come here.

Likewise, the number of long-stay business visas granted is determined by the number of businesses that wish to hire overseas workers. To obtain one of these visas an applicant

must meet certain criteria, but there is no annual limit on the number of applicants that can have their visas approved. This means the total number is extremely volatile from year to year. Between 2008–09 and 2009–10, the number of long-stay business visitors fell by more than 33,000—a drop of almost one-third.<sup>14</sup> When the economy booms, the number is likely to go up. When it slows, the number of business visitors will fall. Unless it wants to change this market-driven model, government cannot effectively set skilled migration targets, caps or target-bands.

Government has even less control over *net* overseas migration, which is a measure of all inbound minus all outbound migration. Emigration from Australia is at record levels.<sup>15</sup> There is now a globalised workforce that has multiple citizenships and travels around the world. No government could (or would want to) stop Australian citizens or permanent residents from leaving, or conversely force them to leave. It is even difficult to predict when temporary residents will leave Australia. A sizable minority of the people who currently enter Australia as long-term temporary residents will remain in Australia permanently. In 2008–09, about one-third of all permanent visas to Australia were granted to temporary residents who had already entered the country as students or temporary skilled migrants.<sup>16</sup> According to the Productivity Commission, ‘the Australian Government does not exert full control over aggregate levels of immigration at any point ... Net migration levels can, therefore, fluctuate due to factors outside the Government’s control in any given period.’<sup>17</sup>

Some of the 31% fall in migration in the last financial year—almost 100,000 people<sup>18</sup>—was undoubtedly due to a change in government policy, which tightened the skilled migration occupations list and subsequently led to decreasing demand for student visas. However, much of the drop was caused by a rising Australian dollar and economic woes abroad—factors that influence students, backpackers’ and workers’ decision to come to Australia but fall well outside of the government’s control. As skill shortages

intensify, we can probably expect migration to pick up again as employers look overseas to fill vacancies. Governments don’t like to admit this, but it is incredibly difficult for them to predict—let alone control—what net overseas migration will be from year to year. Many of the ‘population problems’ are actually problems of poor government.

So why don’t politicians tell us the truth that short of some pretty radical policy changes, they really don’t have much control over how fast our population grows? The debate about population growth in the lead up to the last federal election, and the response from both sides of the political spectrum, suggests that it is far easier for politicians to talk about cutting population growth than it is for them to address some of the complex challenges brought about by population growth.

By allowing the public debate to focus almost exclusively on population size, governments have been able to pay comparatively little attention to the policy areas

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affected by population growth that are in dire need of reform. Large and well-functioning cities like Hong Kong and Tokyo demonstrate that a large population needn’t mean traffic jams. Smaller cities such as Ottawa and Toronto show that very high density is not necessarily a prerequisite for good public transport and infrastructure.<sup>19</sup> Berlin is proof that big-city house prices needn’t prohibitively expensive. France’s largely nuclear-powered cities even demonstrate that big populations don’t need to be carbon hungry. Many of the challenges caused by a growing population do have solutions—it’s just that they might require politically difficult policy reforms.

Over the past year, we have had a public debate that has been widely criticised as being shallow and not focused honestly on the real issues. A significant reason for this is that the

population debate is happening at the federal level, while most of the costs of population growth—new roads, buses, suburbs and schools—must be met by the states. Our heavily centralised tax system means that most of the tax revenue generated by population growth flows to Canberra, while most of the cost is borne in Sydney, Melbourne and Perth. Until we change the balance, there will be little incentive for state governments to put the infrastructure needed to support population growth in place. But as anyone sitting in traffic on Melbourne's Monash Freeway or battling crowds at Sydney's Town Hall station can tell you, population growth is happening now. We don't have time to wait around.

### Conclusion

A growing population is not the result of over-zealous politicians and bureaucrats or big business trying to expand their market. It is a result of Australians being healthier, living longer, and having more children. It is because people from around the world want to come here to work, travel, live and study. Population growth is neither an impending disaster nor something we should blindly strive for—it is simply happening as a result of our economic progress and the collective desires of millions of people. Certainly, a growing population brings challenges—economic, social and environmental. But pretending that population growth is not happening, or attempting to thwart it, will not solve the challenges. Instead, we need to focus on how to make population growth work.

### Endnotes

- 1 ABS (Australian Bureau of Statistics), 'Australian Demographic Statistics,' Cat. No. 3101.0 (June 2010).
- 2 However, the federal government's 'sustainable population strategy for Australia' issues paper, released in December 2010, does recognise this.

- 3 According to the ABS, life expectancy for Australians born in 1901–10 was 55.2 for males and 58.8 for females. See 'Australian Trends in Life Expectancy,' Australian Institute of Health and Welfare website.
- 4 ABS, 'Australian Demographic Statistics,' as above.
- 5 As above.
- 6 Productivity Commission, *Population and Migration: Understanding the Numbers*, research paper (2010), 19.
- 7 Peter McDonald, 'Low Fertility and the State: The Efficacy of Policy,' *Population and Development Review* 32:3 (2006), 485–510.
- 8 Anna Cristina d'Addio and Marco Mira d'Ercole, 'Trends and Determinants of Fertility Rates in OECD Countries: The Role of Policies,' *Social, Employment and Migration Working Papers* 27 (OECD, 2005).
- 9 Ralph Lattimore and Clinton Pobke, *Recent Trends in Australian Fertility* (Productivity Commission, 2008).
- 10 Richard Jackson and Neil Howe, *The Greying of the Great Powers: Demography and Geopolitics in the 21<sup>st</sup> Century* (Washington, DC: Centre for Strategic and International Studies, 2008).
- 11 However, permanent visas are generally capped.
- 12 Australian Treasury 'Immigration Red Book,' cited in Sid Maher and Annabel Hepworth, 'Migration logjam hits skilled workers,' *The Australian* (5 January 2011).
- 13 As above.
- 14 As above.
- 15 Department of Immigration and Citizenship, *Population Flows: Immigration Aspects 2008-09 Edition*, 2010.
- 16 Productivity Commission, *Population and Migration: Understanding the Numbers*, as above, 24.
- 17 As above.
- 18 ABS, 'Australian Demographic Statistics,' as above.
- 19 Andrew West, 'Units not crucial for good public transport, study finds,' *The Sydney Morning Herald* (5 January 2011).