Australia's Future Population Growth: An Important Issue for All Australians

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The dynamics of contemporary Australian population growth and the projections of future growth are hot topics. Australia needs to develop an informed and inclusive vision of its future population.

Australia's most important resource is its people, and consideration of the future numbers of people, their characteristics and where they live is of the greatest national significance. Since Federation, the extent to which the issue has captured public attention has waxed and waned. However, the national debate has been re-sparked by the release of the third intergenerational report *Australia to 2050: Future Challenges* by Federal Treasurer Wayne Swan, which has raised the spectre of Australia's population increasing from its current 22 million to 35 million in 2050.

In 2008–09 the Australian population grew at 2.1% per annum. Table 1 shows that this was more than five times the average of high income countries and one-third higher than the average in low income countries. It is the fastest rate that the Australian population has grown at since 1969.

Table 1. Contemporary population growth rates (% per annum)

Country/Region	Year	Rate Per Annum
World	2008–09	1.6
Least developed countries	2008–09	1.8
Most developed countries	2008–09	0.4
Europe and the New Independent States	2008–09	0.3
North America	2008–09	0.9
ESCAP region*	2008–09	1.0
Indonesia	2008–09	1.1
Australia	2008–09	2.1

*ESCAP, Economic and Social Commission for Asia and the Pacific, United Nations. Source: United Nations Economic and Social Commission for Asia and the Pacific, 2009 Population Data Sheet; Population Reference Bureau, 2008 and 2009 World Population Data Sheets; Australian Bureau of Statistics, 2010, Australian Demographic Statistics September Quarter 2009, Cat. No. 3101.0

To understand this growth we need to look at the demographic components of population change, which comprises two elements. On the one hand is natural increase, or the extent to which the number of births outnumber the number of deaths in the population. Figure 1 shows that this has been a relatively stable contributor to population growth in Australia for 60 years.

The second element is net migration, or the extent to which the numbers of people migrating to the country outnumber those who leave.

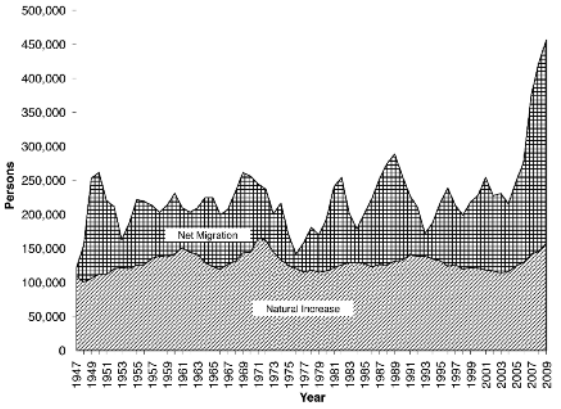

Figure 1. Australia's total population growth showing the natural increase and net migration components for 1947–2009. Data source: Australian Bureau of Statistics (ABS) Australian Demographic Trends, 1997, Cat. No. 3102.0; ABS, Australian Demographic Statistics, various issues

Figure 1 shows that this has been much more volatile but also that its current contribution to growth is the greatest it has ever been.

Some European countries are currently experiencing a "natural decrease" because deaths outnumber births. In Australia, however, there still tends to be around two births for every death. Life expectancy in Australia continues to increase each year, and currently stands at 79.2 years for males and 83.7 for females. Increased survival is contributing to population growth and to an ageing of the population.

The total fertility rate – approximately the total number of children that women are having on average at a particular time – is currently 1.978, and has increased slightly in recent years. However, it is migration that has contributed most to the increase in population growth. Table 2 summarises this contribution.

The Australian migrant intake comprises two major elements. On the one hand are people who came to Australia as permanent settlers. Table 2 shows that in 2008–09 these numbered 158,021. However, there were also 81,018 people who departed from Australia permanently.

This number of permanent arrivals is very high, but the biggest change in Australian immigration in the last decade has been the increased inflow of temporary residents, especially students and highly skilled temporary workers. A significant number of these temporary residents make the transition to become permanent residents – in 2008–09 they contributed 66,598 "onshore" settlers. The net gain of temporary migrants in 2008–09 was substantial because many more arrived than left but also because some became permanent residents.

Table 2. 2008–09: a record year of immigration

Permanent settler arrivals	158,021
Settler program	111,736
Humanitarian	11,645
New Zealanders	33,034
Permanent departures	81,018
Long term arrivals*	609,344
Business (long stay) visa holders	101,280
Working holiday-makers	187,696
Students	320,368
"Onshore" additions to the population	66,598
Net overseas migration (ABS, 2010)	298,924

*** People with temporary residence visas who plan staying in Australia more than one year. Source: Department of Immigration and Citizenship, Immigration Update and Annual Report, 2008–09; Australian Bureau of Statistics, 2010, Cat. No. 3101.0**

The key factor in understanding the dynamics of the current Australian population, however, is its age structure. Figure 2 shows the current Australian age structure, and it is apparent that persons born in the post-World War II "baby boom" (1946–66) represent a "bulge" in that structure. They currently make

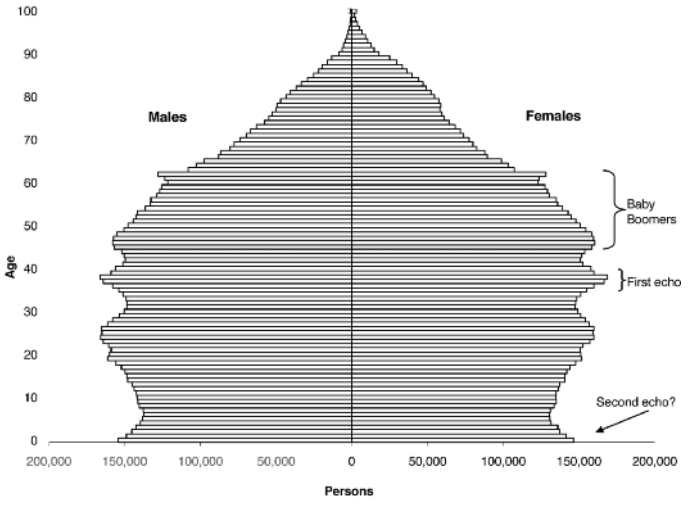

Figure 2. Age–sex structure of the Australian population, June 2009. Data source: Australian Bureau of Statistics Estimated Resident Population data

Table 3. Projections for Australia's population (millions)

	ABS 2005	ABS 2008
2007 actual	21.0	21.0
2021 projected	23.9	25.6
2051 projected	28.0	34.2

Source: ABS Estimated Resident Population Data and Projections, 2008; Series B of three series

up 27.5% of the total Australian population and 41.8% of the current Australian workforce. It is apparent in the diagram that this group is poised to enter the retirement years, and this presents a double challenge to Australia:

- loss of workers (within the next 10 years there will be more Australian resident workers retiring than entering the workforce); and
- a decrease in the number of workers in relation to the number of dependent older people.

What is the outlook for the future? The Australian Bureau of Statistics (ABS) produces population projections every three years. These project the population forward based on recent trends in migration, fertility and mortality. Table 3 shows the median projections made in the last two sets of projections. The 2005 projections were based on the expectation of continuation of growth at that time, and give Australia a population of 28 million in 2051, while those for 2008, done in the current climate of rapid growth, produce a population of 34.2 million. It must be remembered that these are projections, not predictions.

A key factor, however, is that not all age groups will grow at the same rate because of the variations in the age structure shown in Figure 2. If we look at the 2008 median projections, Figure 3 shows that, even given the assumption of a continuation of the high levels of overall population growth, the bulk of population growth will occur in the 60+ age group, which will more than double in size over the next two decades.

Australia faces a population dilemma. On the one hand is a manifest need for population growth over the next few decades. This is a function firstly of an increase in the net demand for workers. A recent Access Economics study (Economic Modelling of Skills Demand, 2009) for Skills Australia projected that employment growth over the next 15 years to 2025 will vary between 0.9% per annum and 2.1% per annum. Even under their low growth scenario, a net growth of employment of almost 1% is anticipated.

However, it is not just this growth that needs to be considered. Currently over 41% of Australian workers are baby boomers, and the majority of them will leave the workforce in the next decade. This means that Australia faces a

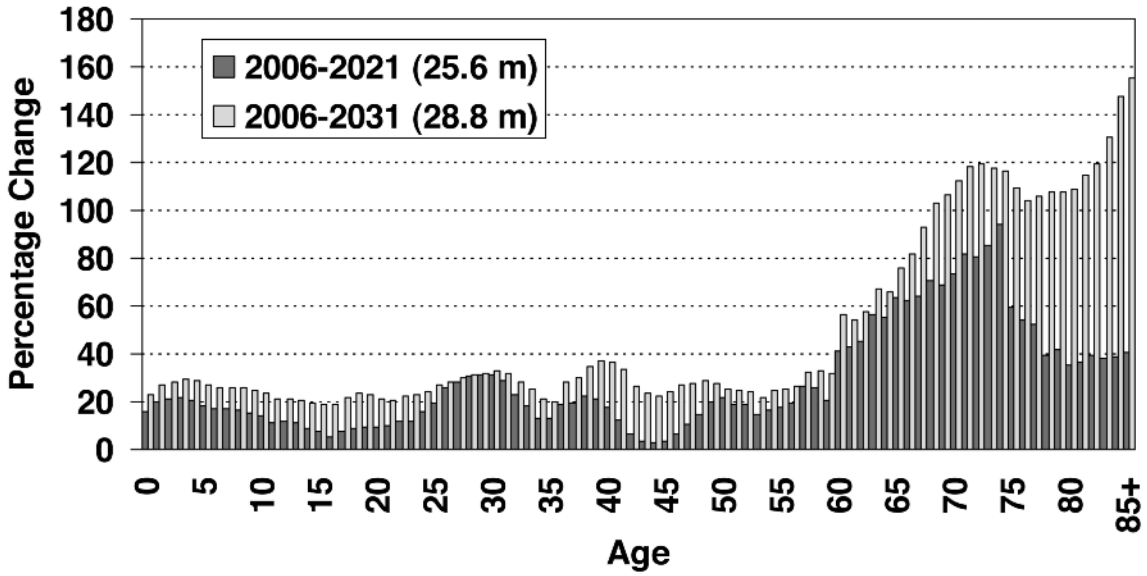

Figure 3. Australia: Change by age: 2006–21; 2031 (Series B). Data source: ABS Population Projections Australia 2006–2101, Cat. No. 3222.0

significant replacement task to make up its labour force needs. A number of strategies will be required if the net increased number of jobs and the jobs vacated by the baby boomers are to be filled. Young Australians born in the low fertility era of the 1990s and moving into the school-leaver age groups are in insufficient numbers to meet this demand.

Accordingly, it is necessary for Australia to put in place a number of mechanisms. These include:

- increasing the age at retirement. Such a policy needs to be implemented carefully because it can lead to increased inequality, where those in manual jobs are physically less able to continue working while white-collar workers can.
- increasing participation rates. Currently there are low levels of workforce participation among many groups, including indigenous Australians, women, some migrant groups (especially refugees), disabled persons, older workers and younger workers. This increase in demand for workers is an unprecedented opportunity to increase social inclusion by breaking down barriers to workforce participation.
- increasing efforts to provide education and training to increase the skill level of the Australian workforce.

Even with success in all of these areas, the demand for workers means that significant migration will be needed. Too often there is debate about one or other of these policies being the solution. There is no single "silver bullet". All are needed.

At the same time as we are faced with this clear demand to grow the population to meet the demands of the workforce, replace retiring baby boomers and maintain a balance between our working and non-working populations, as stated in the third intergenerational report, we are experiencing the effects of the constraints that environment place on Australian population growth.

The introduction of water restrictions in Australia's major cities during the first few years has vividly brought home two things. The water resources of the continent are limited, and our use of them has been profligate. The pressures of rapid population growth on infrastructure and environment and resources in hotspot areas such as south-east Queensland, Sydney, coastal NSW and Melbourne are well-known.

Moreover, climate change will exacerbate these pressures. The Australian Bureau of Meteorology and the CSIRO have recently demonstrated conclusively (State of the Climate, 2010) that there is a long-term trend of rainfall decline in south-eastern Australia, which currently is home for over 80% of Australia's population. There is a substantial mismatch between the distribution of runoff and that of population, with less than 15% of Australians living in areas experiencing an increase in rainfall.

Too often the solution to environmental challenges such as water shortages in the Murray–Darling Basin is seen to be stopping population growth. In fact, population numbers are only one of the elements creating pressure on the environment. Levels of consumption per capita and the way in which the resources are exploited are also very important elements in creating environmental degradation. Australia suffered massive environmental degradation in the 19th century when its population was only a fraction of the present size.

Clearly there is a need for us to change the way in which we harness, store and utilise our water resources. Certainly population growth places pressure on such resources but there is a need for us to capture, store and use our water better. Development of a sustainable pattern of exploitation and use of these resources is crucial. Stopping population growth alone is unlikely to be sufficient. Indeed some would argue the impact of such a policy on the economy would have undesirable environmental outcomes because of the lack of resources available to move toward more sustainable processes.

It is not only issues of population size that are important, but also those of population distribution. Australia's population growth is likely to remain mainly in capital cities. However, in considering the development of Australia's population policy, issues of potential change in Australia's settlement system need to be fully considered. This doesn't mean major shifts of the existing population but it could have significant implications for the direction of future investment. A number of issues need to be considered:

- Several of the fastest developing sectors in

the Australian economy have a strong non-metropolitan orientation (e.g. mining and tourism).
- Already there is net outmigration of the Australia-born from some of our largest cities, such as Sydney.
- The retirement of baby boomers is likely to lead to an increase in the numbers of retirees living outside of cities, creating demand for services.
- Continued growth of major metropolitan areas will escalate costs.
- Environmental issues and the effects of climate change will constrain the population growth of major cities in south-eastern Australia.

It may be that there is some scope for encouraging growth outside capital cities, but this must be the subject of detailed study. It is not enough to say that such efforts failed in the 1950s and 1970s. The world is very different in the 2010s, especially in relation to the structure of the economy and networks of transport and communication.

So what is needed? On the one hand we have the manifest need articulated in the intergenerational report to grow the population. On the other are environmental constraints likely to be exacerbated by climate change. Too often the policy alternatives that have been discussed emphasise one or the other of these issues to the detriment of the other.

What Australia needs is a population (and immigration) policy that takes full account of both of these elements. It will require trade-offs and compromises but it would be informed by the best science and not the lobbying of interest groups. It requires a coming together of physical and social sciences to chart out a range of potential population futures. No single academic discipline has hegemony here. This should be the task of the new Ministry of Population.

Population policy should not be seen as a stand-alone policy. Good population policy should support and facilitate beneficial outcomes in the key areas of national interest – economic development and growth, environmental sustainability, social inclusion and being a responsible global and regional citizen.

Population policy does need to consider the best science and research available across all relevant disciplines. However, it also should take into account the views of all Australians about the vision for our future.

Migration and population growth will continue to be significant in Australia over the next few decades in all of the realistic scenarios of the future. However, that growth must be environmentally sustainable.

Population growth and distribution must be informed not only by labour force demand but also by environmental considerations. Growth with sustainability needs to be the objective, at least over the next two decades.

A New Minister for Population

To help guide the development of policies to meet Australia's future population needs, I have recommended to the Governor General that she appoint the Hon Tony Burke MP to the new office of Minister for Population in the Treasury Portfolio. Minister Burke's first task will be to develop Australia's first comprehensive Population Strategy. In his new role, Minister Burke will consider the likely trajectory of population growth and the challenges and opportunities this will create. Minister Burke will also be tasked with developing the cross-government frameworks that will be required to make the most of the opportunities, and minimise the risks, associated with population growth.

Australia's first Population Strategy will consider the social and economic infrastructure Australia will need to support a growing population, including the roads, housing and service delivery network. It will also consider, as an early priority, the opportunities a growing population will create for economic growth and to further develop and grow Australia's regional towns and communities. The policy will bring a whole-of-government perspective drawing on input from all portfolios. The strategy will also seek to address the challenges associated with population growth, including the impact on the environment, water, and urban congestion.

It's expected that it will take 12 months to develop the strategy. There has always been a bipartisan approach on issues of population. We would hope this work continues whoever wins the next election.

Minister Burke will address these through an open dialogue about what we want for the future of Australian society. Mr Burke will retain his current portfolio of Agriculture, Fisheries and Forestry.

Source: Kevin Rudd, Australian Labor Party, 4 April 2010