

***Dispelling the Myth that a Growing Population  
Drives Prosperity***

*Submission to the Australian Government Sustainable  
Population for Australia Issues Paper*

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## 1. Introduction

The release of the Sustainable Population Strategy Issues Paper is a welcome step forward in the national debate we need to have about Australia's growing population. The Minister for Sustainability, Environment, Water, Population and Communities, Tony Burke, is right to say we shouldn't have an arbitrary target, but that doesn't mean we shouldn't have a considered target.

The *Third Intergenerational Report, Australia to 2050: future challenges*, projected that Australia's population will reach 35.9 million by 2050. While the report recognises the pressure this will place on infrastructure, services and the environment it also speaks of the 'benefits' this growth will provide in managing the pressures of an ageing population by providing the skills and innovation needed to underpin continued economic growth. It is my view, however, that this population projection for Australia is too high and unsustainable.

If this is allowed to happen it will have devastating effects on our ability to tackle climate change and protect our unique wildlife and ecosystems. It would exacerbate the diseconomies of scale of overcrowded cities, transport congestion, declining water supplies and housing affordability. The impacts of runaway population growth are being felt right around Australia. They are being felt particularly by Australia's wildlife. Nearly 100 of Australia's 760 bird species are under threat. Such Australian icons as the Emu, Lyrebird, and Kookaburra have undergone dramatic declines.

Escalating population growth will mean Melbourne will almost double and reach 7 million people, Sydney will become a city of 7 million people and Brisbane will double to four million. Metropole Property Investment Strategists Research have forecast that median house prices will be well over \$1 million in every capital city at the end of this new decade, and in many cases considerably more (Metropole 2010). John Edwards, an economist with HSBC, has noted that Australia's high level of migration is going to keep upward pressure on house prices. It is a similar situation for rent. The General Manager of Australian Property Monitors, Michael McNamara, has said the shortage of rental properties will continue to worsen because of rising migration (Sydney Morning Herald 2008).

Unfortunately the Issues Paper by the *Productivity and Prosperity Panel* shows no understanding of the downside of this projected Big Australia, and trots out all the discredited old myths about the alleged advantages of population growth:

**MYTH:** "If it is balanced and managed well, living standards will rise with population growth, not fall." (p.2)

**FACT:** A recent examination of the 100 largest US metropolitan areas from 2000-2009 found that faster population growth rates are associated with lower incomes, greater income declines, and higher poverty rates. Unemployment rates tend to be higher in faster growing areas. The 25 slowest-growing metro areas outperformed the 25 fastest growing in every category and averaged \$8,455 more in per capita personal income in 2009 (Fodor and Associates 2010).

**MYTH:** "Population growth will help lift living standards, not make them fall." (p.5)

**FACT:** If this were true, the wealthiest countries would be the most populous countries of Asia and Africa. In fact they're the world's poorest. The nations in the world with the highest living standards have small populations – eight of the top 10 nations in the world in terms of per person GDP have populations of less than 10 million.

**MYTH:** “A bigger workforce as a proportion of a larger population will mean more people paying taxes which will allow government to pay for essential services.” (p.5)

**FACT (1):** One of the reasons the smaller nations are wealthier is because they have a higher labour force participation rate. Because they're not running big skilled migration programs job vacancies are filled by their unemployed.

**FACT (2):** The bigger the population the more essential services and taxes you need. Bringing in more people doesn't make the task of providing essential services easier, it makes it harder.

**MYTH:** “The ageing of the population if ignored could produce labour market bottlenecks because there would not be enough skilled workers to go around.” (p.8)

**FACT:** Australia does not have a shortage of workers. Just to the north of my electorate Broadmeadows has an unemployment rate over 15%. An ageing workforce will help reduce unemployment, and provide opportunities for people with disabilities and indigenous Australians to enter the workforce.

**MYTH:** “Slowing population growth would not make the infrastructure problems go away.” (p.9)

**FACT:** It would certainly help! The reason Zurich has a much better public transport system than any Australian city, even though it is just as spread out, is that Zurich's and Switzerland's stable population gives its policy makers time to address the needs. In rapidly growing cities infrastructure provision is like a dog chasing its tail, we never catch up. Jane O'Sullivan from the University of Queensland has calculated that population growth of 2% per annum doubles the amount of money required to maintain adequate infrastructure (O'Sullivan 2010).

**MYTH:** “Slowing the rate of population growth will not make housing more affordable.” (p.9)

**FACT:** Yes it will! During 2009 housing affordability around Australia declined by over 22% due to a massive gap between the number of dwellings being built and the number of new people wanting housing. The Housing Industry Association said Australia's fast growing population was pushing new dwelling requirements to record high levels. The inevitable consequence of this is rising house prices, rising interest rates and declining housing affordability.

**MYTH:** “The environment need not suffer from population growth.” (p.11)

**FACT:** But it has. In 2002 the Biological Diversity Convention pledged countries right around the world to stop the rate of biodiversity loss. This year, the International Year of Biodiversity, saw countries right around the world confess they had failed to stop the rot. Australia is no exception. We have hundreds of species of endangered birds, plants and animals, and every year their numbers deteriorate.

I am of the strong belief that Australia must be moving to stabilise its population in order to secure its social, environmental and economic future. I have released a 14 Point Population Reform Paper plan to stabilise Australia's population by 2050.

Opinion poll evidence has indicated that 52 per cent of Australians want the population to remain at or below current levels (ANUpoll 2010). It is time for the Australian Government and policy makers to take steps to stabilise the nation's population. We need better than the 'she'll be right' growth fetish which is making an utter mockery of our obligation to give to our children a nation in as good a condition as the one our parents gave to us.

## **2. The Ageing Crisis Myth and the Flawed Solution of High Migration**

A key argument of the supporters of a Big Australia is that we are confronting a looming crisis of an ageing population that will create an unsustainable burden on a shrinking work force along with fiscal pressures on entitlement spending by the Australian Government. The rating agency Standard and Poor's has indicated that total age-related spending is expected to jump from 9.6 per cent of GDP to 14.4 per cent of GDP by 2050, as a share of the working population falls from 67 per cent to 59 per cent. The report notes, however, that Australia is ahead of most other countries in addressing the challenges through reforms aimed at raising productivity and workforce participation, improving healthcare efficiency and through compulsory super which will increase to 12 per cent by 2019-20 (Standard & Poor's Ratings Services 2010).

The proponents of the ageing population scare use it as justification for our runaway migration which stood at a Net Overseas Migration (NOM) rate of 215, 600 for 2009-10. I believe this argument is seriously flawed. An ageing population is a sign of success, both individually and collectively. Those societies which are the oldest are also the richest, healthiest and have the greatest life expectancy. Those societies which are the youngest are also the poorest, sickest, and have the lowest life expectancy.

Worrying about getting older devalues older people and the significant contributions older people make to our society. Research constantly shows that older people make a great contribution to our society, providing child care and acting as mentors and role models. Employers who complain about not having enough workers forget to mention there has been a massive increase in women's participation in the workforce in the past few decades and that having grandparents to look after the kids is often an important foundation of that. Older people have also been found to make more financial contributions to their children and grandchildren than the other way around. Far from being a burden on us, they help out.

We should recognise that population and workforce ageing will help us solve some of the most deep-rooted and serious problems we have in our society. In the first place, it will solve unemployment. The whole ageing workforce concern is based around the idea that the ageing of the workforce will lead to labour shortages. Many age pensioners take on part time and occasional work and should be encouraged and rewarded for these valuable contributions to our community.

Seniors have much to offer Australian workplaces. We need to encourage more Australian employers to appreciate the extra benefits that older workers bring to the workplace, such as a strong sense of loyalty, experience, reliability and insight. We

should be helping mature age workers get the skills needed to stay employable. The Australian Government has encouraged greater workplace participation by older Australians through programs such as the Pension Bonus Scheme, an improved Work Bonus for age pensioners who choose to do part time work and \$4,000 worth of training and assessment to support 7,500 mature age workers. And workforce participation by older Australians is rising, not falling. For 2008-09 average participation in the workforce was 81 per cent for 50-54 year olds, 69 per cent for 55-59 year olds and 49 per cent for 60-64 year olds (Thomson 2009). These participation rates have gone up during the last decade.

Further improvement may be possible by looking at the Disability Support Pension (DSP) scheme. It is quite remarkable that on the one hand we are told there is a shortage of workers and high migration is needed to fill the gap, while on the other hand we have over 792,000 people receiving Disability Support Pensions – more than the number receiving unemployment benefits. Disability Support Pension numbers have grown over 30% over the past decade, now cover 5% of all Australians, and will cost \$13 billion this financial year, and it continues to rise despite Government efforts to reduce it. Based on June 2008 figures people aged 55 years and over represent 41.8 per cent of the overall DSP population. The proportion of females in the 60-64 years age groups on DSP has increased by 21.2 per cent since June 2007. As the Age Pension qualifying age increases for females, it is expected that this age group will grow and eventually exceed the number in the 55-59 years age group (Australian Government 2008).

Australian Government attempts to reform the DSP scheme have not been successful in stemming the flow of recipients. Reforms to date have not tackled the root causes of the problem which are:

1. The difference in payment rate between Newstart Allowance (NSA) and DSP of \$246 per fortnight which provides a powerful incentive for an income support applicant to prove they are unemployable.
2. The lack of participation requirements for DSP recipients with some work capacity.
3. The difficulty of getting people with disabilities into employment.

The Henry Tax Review has examined some of these issues, including reducing the differences in treatment (such as payment rates) between those assessed as being able to undertake significant part-time work, those deemed marginally able to work and those deemed unable to work, and by changes to the work test that determines eligibility for DSP. The introduction of an expectation that people applying for DSP (except those who are manifestly eligible) should first test their ability to be assisted back to work would establish a greater level of objectivity and should lead to greater levels of workforce participation. Addressing the prospective nature of the current work test may be a way of ensuring that those who have a substantial capacity to work are assisted to find employment. Those who demonstrate capacity to work reasonable part-time hours without ongoing support in the workplace would not gain entry to DSP. In this way the focus of the payment would shift toward capability and away from disability. Limited availability of employment services program places has

in the past hampered the requirement for DSP claimants without a manifest entitlement to participate. However, recent increases in the availability of places will make it feasible to assess a person's capacity for work in this way. People with an assessed partial capacity to work more than 15 hours a week should be subject to an income test that provides a reasonable return to part-time work. This could be achieved through a higher income test free area, a lower withdrawal rate, or something similar to the work bonus for age pensioners. (Australia's Future Tax System 2009).

In short we should be engaging people with disabilities in employment assistance and rehabilitation where appropriate. The outgoing head of the Families Department, Dr Jeff Harmer, is quite right to say the Government needs to explore policies to encourage disabled people and older Australians into work, to lift participation and productivity (The Australian 2010). It is highly revealing that the Treasury Economic Roundup of December 2000 said, in response to the slowdown in the growth of the working age population, business may introduce incentives to retain existing workers, encourage them to increase the number of hours they work or defer their retirement, and to attract additional workers into the workforce. These incentives could take the form of higher real wages or other non-pecuniary benefits such as the opportunity to work from home, part-time hours for those full-time workers considering retirement, or more generous maternity leave arrangements (Treasury 2000).

I think that the role of workforce ageing in reducing unemployment is to be welcomed. I think rising incomes is a good thing. I know that there will be economists who think that lower unemployment will be inflationary, and who like to talk about a natural rate of unemployment as if we shouldn't try to achieve full employment. In January this year *The Australian* was reporting that we had reached full employment when the jobless rate fell back to 5 per cent (The Australian 2011). 5 per cent is not full employment, not even close, especially when we have areas like Broadmeadows with unemployment rates above 15 per cent. Teenage employment fell throughout 2010, meaning that in the aggregate none of the jobs created last year boosted the prospects of Australians aged 15 to 19 (The Age 2011).

I think that economists who mistake 5 per cent unemployment for full employment do the community and the nation a disservice. And I cannot understand why there is agitation about rising incomes, as a consequence of population ageing, when there is no agitation about rising food prices, water bills, land prices, petrol, electricity and just about everything else you can think of, as a consequence of population growth.

Solving unemployment would be a fantastic thing. In the mid-1970's by E.F. Schumacher wrote *Small is Beautiful – Economics as if People Mattered*. He makes a powerful case for full employment. He says character is formed primarily by a man's work. He says someone who has no chance of obtaining work is in a desperate position, not only for lacking income but also for lack of the nourishing and enlivening factor of disciplined work. He says that the view of modern economists that it might be more economic to run an economy at less than full employment to ensure greater mobility of labour and stability of wages, is to consider goods as more important than people, and shifts the emphasis from the worker to the product of work (Schumacher 1974).

The ageing population alarmists are really promoting a Pyramid scheme. The more migrants we bring in, the more older people we will have to look after further down the road. Research indicates that migrants age at the rate of one year per annum, the same rate as everyone else, so it is not immediately clear how bringing in more migrants helps. Dr Pamela Kinnear in her 2001 report *Population Ageing – Crisis or Transition* indicated then that a considerable body of evidence had accumulated to demonstrate that immigration is a highly inefficient way to offset population ageing and that even very large increases in migration would make only a relatively small difference to the age structure. Quoting ABS figures at the time of a net migration level of 50,000 per year the median age of the population by 2051 would be 47.2 years. However, increasing the intake to 150,000 per year would reduce the median age to only 44.6 years – a difference of only 2.6 years. Efforts to replace the diminishing working-age population through migration would, therefore, require very high levels of migration. The United Nations has estimated that for a country such as Italy to maintain its current ratio of working-age to elderly people it would have to import twice the size of its current population over the next 50 years (Kinnear 2001).

Dr Kinnear argued in her report that population ageing is not a crisis but a transition, and that failed policy is the issue, whereby older workers are prematurely forced out of employment and discriminatory attitudes make it hard for them to re-enter the labour market. Developing policies that reduce incentives for employers to retrench older workers, increasing job security, securing entitlements when companies fail and increasing opportunities and incentives for training and redeployment for workers as the economy changes will, by themselves, go a long way to redressing the perceived problem of ‘early retirement’ and large-scale reliance on publicly provided benefits (Ibid).

Dr Kinnear believes that the ‘ageing crisis’ is based on three flawed assumptions - that older people are a social and economic burden; that population ageing will result in a serious dependency ratio imbalance; and, that there is a close correspondence between the size of the aged population and increased public expenditure. The paper shows:

- Older people are not a social and economic burden. The vast majority of older Australians enjoy healthy, active and independent lives, with 93 per cent living in private homes and only 7 per cent in residential care. Many make significant financial contributions to their families and participate in voluntary community activities.
- Concern about a future ‘dependency ratio’ imbalance forms the basis of the crisis rhetoric. But the dependency ratio is a misleading measure and falsely equates dependency with age. It ignores the significant contributions of older people as well as the dependency of many working age people.
- Cross-country comparisons reveal that the size of the aged population does not necessarily impose a real burden on taxpayers. Although there is a clear relationship between ageing and costs of pensions, analysis does not show a corresponding relationship between ageing and total social costs.

The report challenges the belief that an older population will see health costs rise to unsustainable levels. Rising health costs are caused mainly by factors other than

ageing such as the growth of medical technology, rising consumer demand and escalating prices (Ibid).

There's no doubt that an ageing population brings with it challenges which need to be attended to – notably in the area of aged care. But the idea that population growth will help us meet these challenges is, in my view, utterly misconceived.

Meeting the needs of a growing population absorbs and saps our political energy. It requires a lot of money – money for transport infrastructure, money for new electricity and energy infrastructure, money for water infrastructure like desalination plants. And building these things requires effort – effort from the private sector, effort from public servants, effort from politicians. There are decisions to be made, conflicts to be resolved.

This effort comes with an opportunity cost. If we were not so preoccupied with meeting the needs of a growing population we would be more focussed and much better able to meet the needs of an ageing one. Population ageing is not being cured by population growth, it is yet another casualty of it.

### **3. Population Growth: Its Impact on the Environment and Climate Change**

Human population growth in Australia threatens many species, ecosystems and ecological processes. Population growth has driven the over-allocation of water from the Murray-Darling Basin, which has had very adverse impacts on wetlands like the Macquarie Marshes and the Coorong, and on populations of resident waterbirds. A large scale aerial survey study covering a third of the continent by researchers at the University of New South Wales identified that migratory shorebirds populations plunged by 73% between 1983 and 2006, while Australia's 15 species of resident shorebirds – such as avocets and stilts – declined by 81% (University of New South Wales 2008).

Tree clearing, loss of habitat, and loss of corridors through which to safely travel, have caused a collapse in Victoria's woodland bird numbers due to the impact of accommodating an expanding population. The Victoria Naturally Alliance has produced a fact sheet using research by Professor Ralph MacNally, Professor Andrew Bennett and Dr Jim Radford carried out for the past 15 years across northern and central Victoria. It shows that about two-thirds of bird species, including lorikeets, pardalotes, thornbills and honeyeaters, have declined dramatically, essentially from a shortage of habitat and food (Victoria Naturally Alliance 2009)

Given all these impacts it is not that surprising, though quite distressing, that 98 of Australia's 760 bird species are listed as threatened. Protecting and restoring habitat for wildlife on private land now needs to be a policy priority for both State and Federal Government.

Rapid population growth is also having a detrimental impact on south-east Queensland's wonderful wildlife. State Government figures from May 2009 showed koala numbers in the Redland and Logan areas halved from 4611 in 2006 to 2279 in

2008 (Department of Environment and Resource Management 2008). Some scientists have expressed concern that koalas could be extinct in urban areas within 20 years.

The Australian Conservation Foundation has nominated human population growth in Australia as a threatening process under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). Heathlands and mallee woodlands as well as terrestrial, estuarine and near-shore environments of Australia's coast are particularly vulnerable to a variety of environmental pressures linked to human population growth. In particular, population growth in Australia has occurred disproportionately in coastal areas, leading to increasing disruption of coastal ecosystems by human settlements. Population growth is best viewed as an underlying process, which intensifies and exacerbates numerous other proximate threats to biodiversity. Population growth is the first driver in a complex chain of direct and indirect effects on Australia's birds, plants and animals. It underpins and exacerbates nearly every other threat to our ecological life support systems. (Berger 2010).

Population growth in recent years has not been even, but rather focused on a small number of urban and coastal areas. Clearance of land for housing is one of the main pressures on Australia's coastal environments. In 2005, 60% of Australia's coastal councils had an annual population growth rate greater than 3%, or at least twice the national average. The "sea change" phenomenon is driven in part by perceived decline in amenity of urban life as our cities grow ever-larger, and so can be seen as an indirect function of urban growth. Coastal development, whether in urban or regional areas, affects ecological systems directly through habitat clearance, and indirectly through a host of ancillary impacts, including decreased coastal water quality due to increased nutrient, chemical and sediment loads. Increased introduction of exotic species, increased water extraction, and changed fire regimes present further risks to coastal ecosystems (Ibid).

Many official Commonwealth and state government reports have acknowledged the link between population growth and impacts on the environment. The Victoria 2008 State of the Environment Report found that Victoria's population growth and the expansion of Melbourne, and associated affluence, has brought with it unsustainable levels of resource consumption and waste production, with direct environmental impacts through changes in land use from conservation and agriculture to built environment (Commissioner Environmental Sustainability Victoria 2008).

A recent report by the Victorian Environment Assessment Council has told the State Government that open space per person will halve by 2026 for municipalities such as Melbourne, Hume, Whittlesea and Cardinia. The Council's inventory of public land and open space in metropolitan Melbourne shows that rapid population growth is threatening the liveability of Melbourne suburbs as more people compete for public space such as parks and sports ovals. Its discussion paper shows that we will struggle to accommodate an extra 600,000 homes over the next 20 years, both in outer areas, with open space in Wyndham declining from 7.8 hectares per 1000 people to 3.3 hectares per 1000 people, and in inner areas, with open space in Moreland declining from 3.5 hectares per 1000 people to 2.9 hectares per 1000 people (Victorian Environment Assessment Council 2010). Public open space

provides local residents with a refuge from congestion and urban sprawl, providing time out from our hectic lives and giving our souls a chance to clear and be rejuvenated. They represent the lungs of our cities and suburbs.

Exacerbating rapid population growth is our high consumption lifestyle. In 2007, there were 880,000 households in Australia with only one or two persons living in houses with at least four bedrooms. It is surely proper to question the materials, land, and energy implications of having so many extra bedrooms with nobody to sleep in them. High per-capita consumption by affluent nations during the 20th century has been a root cause of accelerated depletion of natural resources including oil and water as well as the degradation of ecological systems. Wealthy societies like Australia cannot continue to lead, nor will developing countries be able to adopt, high consumption lifestyles without risking a general collapse of global ecosystems (Berger 2010).

It follows that higher population growth, particularly as migrants adopt our lifestyle, will contribute further to the over-consumption and depletion of resources with subsequent damage to the environment. A growing population therefore necessitates even more dramatic reductions in per-capita impact than would otherwise be required. Such dramatic changes are more difficult to achieve and less likely to occur. A growing population greatly compounds the planning challenges of shifting to a lower-impact lifestyle (Ibid).

Considering that our migration rate accounts for more than half of Australia's annual increase in population it follows that reducing our Net Overseas Migration (NOM) rate will greatly assist in addressing the environmental issues of rapid population growth. The magnitude of the problem of this growth when it comes to city planning is illustrated by the Melbourne 2030 planning framework developed by the Victorian State Government for the period 2001-2030. It was based on a population of five million by 2030. It is now projected that Melbourne will in fact reach 5 million by 2020, and could reach as high as 7 million by 2030. This surge in population rendered many of the key elements of Melbourne 2030 out-of-date almost as soon as the ink was dry on the document. In response to rapid population increase, for example, in 2008 the Victorian Government abandoned the plan's commitment to the urban growth boundary to the North and West of the city (Ibid).

It is clear is that rapid population growth is damaging our quality of life and environment. The Federal Government should reject the advice it is getting from property developers and big business, and cut Australia's migration levels.

The magnitude of the challenge of rapid population growth and its impact on the environment was starkly illustrated in a United Nations Population Division special report in 2001.

- Humans currently use 54% of the available freshwater on the planet. Population growth alone will result in humans using 70% of the total by 2025 if per capita use remains the same, or 90% if per capita water use increases to the level prevalent in developed countries.
- In developing countries in 1992, there was 0.2 arable hectares of land per person. This is det to fall to 0.1 arable hectares by 2050. World grain production will have to increase by 40% between 1999 and 2020 to meet the needs of growing populations,

yet increases in grain production have consistently lagged behind population growth in developing countries from 1990-97.

- People use an estimated 39-50% of the planet's biological production. Per capita forest area has decreased by about 50% in the past 40 years, and population pressures could result in the destruction of all primary tropical forests by 2050 (United Nations 2001).

This and many similar studies paint a picture of a planet where human consumption through rapid population growth is outstripping the global capacity to provide for human communities and retain healthy ecosystems.

According to Professor Vaclav Smil (University of Manitoba) and Associate Professor Andrew Wilford (Bond University) 10,000 years ago, humans and our domesticated animals, including animals kept for food production like cattle, accounted for 0.1% of the world's mammal biomass. At the start of the Industrial Revolution, we accounted for 10-12%. Today it is between 96 and 98%! In other words all the wild animals put together now account for 2-4% of the mass of mammals on Earth.

Globally, every day brings new evidence of the need to tackle runaway population growth. The Doctors for the Environment Australia (DEA) poster titled 'Advancing Australia Fairly' illustrates very clearly the harsh reality of unfettered, runaway population growth; urban sprawl, destruction of native bushland and wildlife, loss of productive farmland, bigger carbon footprint, traffic congestion and more.

Our General Practitioners are witnessing first hand the detrimental physical and mental health ramifications associated with record population growth. DEA's campaign is in the best interests of our community and will support policy makers prepared to take responsibility for implementing a sustainable population strategy.

The release of the DEA Poster also coincides with Global Population Speak Out month. The Population Institute, based in Washington DC, has initiated this project to raise awareness around the world about current size and growth of the human population on Earth. It is urging concerned citizens to speak out in some way during February on the importance of addressing the current size and growth of human population as a fundamental sustainability issue.

Every day brings new evidence of the need to tackle runaway population growth. I have no doubt that the uprisings in Tunisia and Egypt have unsustainable population levels as their root cause.

Food riots are spreading across Algeria. Russia is importing grain to sustain its cattle herds until spring grazing begins. India is wrestling with an 18% annual food inflation rate, sparking protests. China is looking abroad for potentially massive quantities of wheat and corn.

We are adding 80 million people each year to a world population that has nearly doubled since 1970. And in many countries, grain harvests are shrinking. In the Middle East spreading water shortages are shrinking the harvest. In India and China water tables are falling as aquifers are depleted. Irrigated areas are shrinking in the United States. In France, Germany and the United Kingdom, wheat yields are no longer rising. Suburban sprawl, and paving of land for roads, highways and parking

lots has claimed cropland in California, in the Nile River basin in Egypt, and in China and India. Soil erosion is lowering yields and destroying agricultural land.

Then there is the question of carbon emissions. Australia is one of the highest per capita emitters of greenhouse gases in the world. There is no reasonable prospect that Australia will reduce its total level of greenhouse emissions, or even cap its level of emissions, while our population grows by 1 million every three years, as is presently the case. To do so would require massive, implausible, reductions in per capita greenhouse emission levels. Population policy must be part of the plan to contain greenhouse emissions, not merely for Australia, but for the rest of the world as well.

The energy required to provide for the material needs of our projected population of 36 million in 2050 could lead to a large increase in greenhouse gas emissions. If Australia's population were to stabilise at its current levels until 2050, with a net migration of nil, there would be a reduction of about 276 million tonnes in greenhouse emissions, as opposed to a net migration of 180,000 and a projected population of 31.6 million by 2050. This is what is called a base case 'business as usual' (BAU) scenario (Birrell and Healy 2008). As we know the Third Intergenerational Report in 2010 has projected a population of 36 million by 2050 and with a net migration of 215,600 in 2009-10 we are certainly well beyond 'business as usual'.

Australia's emissions-intensive economy ensures that rapid growth translates into increased greenhouse emissions. Treasury-led modelling indicates that Australia's emissions will grow from 553 million tonnes in 2000 to 774 million tonnes in 2020 of which 83 per cent is attributable to population growth. Treasury expects both per capita economic growth and population growth to increase significantly to 2020 and to 2050.

It is sometimes argued that the growth of greenhouse emissions in Australia due to the immigration component of population growth is not relevant because greenhouse emissions are a global problem and the particular national context in which the emissions occur does not matter. This is not true in Australia's case because of our very high per capita emissions level. The bulk of Australia's projected population increase will come from net migration. Most of our migrants come from countries where per capita emissions levels are a third or less of those in Australia. Once here, migrants rapidly adopt Australian consumption patterns and thus move to a similar greenhouse footprint to that of other Australian residents (Birrell and Healy 2009). It's hard to reduce our carbon footprint when we keep adding more feet.

Population growth and climate change are inextricably interwoven. Population growth increases greenhouse gas emissions, and in turn the effects of global warming are exacerbated by large populations, which have nowhere to go and no margin for error. The interaction of climate change and overpopulation will have far reaching consequences. We should not, in all good conscience, seek to isolate or insulate ourselves from this situation, and we can not, even if we wished to.

## 4. The Diseconomies of Scale of Population Growth

As I have mentioned the majority of Australians have expressed in an ANUpoll that they do not support rapid population growth. They recognise that governments might not be up to the task of providing sustainable water, energy and transport infrastructure for rapidly growing cities. Declining housing affordability is another symptom of unsustainable population growth due to excess demand.

Diseconomies of scale are things that get harder the more of us there are. For example, water supply tends to get more expensive per unit as population increases, as increasing supply requires resorting to progressively more distant and difficult to access sources. A desalination plant is more expensive than extraction from local wells, for example. Congestion is another diseconomy of scale, and greenhouse pollution is rapidly emerging as another. Economic modelling conducted for the *Intergenerational Report* in 2010 concluded that lower population growth would mean lower per-capita GDP for Australia. But a closer look reveals major flaws. The modelling excluded any environmental parameters, such as the potential impact of a larger population on carbon pollution, water use, and congestion. The *Intergenerational Report* included many potential economies of scale, while excluding the most important diseconomies of scale (Berger 2010).

This is very apparent in my own city of Melbourne. Melbourne's population is growing on a scale not seen in Australia before, swelling by almost 150,000 people in the last two years. Melbourne's population is growing by more than 200 people per day, 1500 per week, 75,000 per year. This will give Melbourne another million people in 15 years. Approximately 70% of families now have no reasonable access to public transport. Households in outer regions such as Casey and Mernda need two and three cars each. By 2025 it is estimated that 80% of Melbourne will have no reasonable access to trains or trams on a regular basis (Buckley 2009). At the current rate of car possession per household, Melbourne will add a further 1.1 million cars by 2036, or well above 3 million cars in Melbourne.

We are using less water than we used to, but we still have to turn to energy-hungry desalination to cater for our growing population. And Melbourne's 75,000 extra people every year undermines the value of the water restrictions we put on ourselves. Growing population puts upward pressure on prices and lowers our standard of living. Scarce resources like land, water, petrol, electricity become dearer, as we turn to more expensive sources of supply.

These cost of living pressures are most clearly evident in electricity and gas prices and council rates. The most populated cities, Melbourne and Sydney, have seen the highest electricity price rises. Prices have more than doubled in the past 10 years. In real terms, Melbourne prices have risen by over 50% - 52%. So have Sydney's - 51%.

One might think that more people - a growing population - would lead to economies of scale and lead to lower electricity prices, but one would be wrong.

Instead of rising population causing lower prices, it leads to a need for extra infrastructure and therefore higher prices. And the more crowded a city becomes, the

higher the cost of doing business. Congestion costs kick in, and just maintaining electricity infrastructure becomes more expensive.

Rising population is putting upward pressure on water and gas prices. We've already got at the easy water, and the easy gas.

Augmenting our supplies involves things like desalination plants and pipelines, which come at greater expense than our present supplies. It is a similar unhappy story with local council rates. I always expected that more people in my municipality would lead to lower rate bills, due to economies of scale, and more people sharing the rate load. The opposite has been the case.

In nominal terms Council rates in Melbourne have increased by over 100% - more than doubled – from 2000 to 2010. In real terms rates have increased over 48%. Regrettably this pattern of increasing rates is set to continue. Victorians will pay an average of \$79 more in their rates in 2010-2011, up by over 6% from last year, based on draft Council budgets (Wright 2010). This is well above the CPI, and again underscores the impact of rising population on local government finances. These costs of population growth – rising electricity prices, rising water prices, rising gas prices, rising Council rates – are being borne most of all by those who can least afford them – fixed income earners and pensioners in particular.

The growth lobby claims these negatives are caused by poor planning and lack of provision of infrastructure. If you scratch below the surface, they think its all about multi-unit developments, dual occupancies, and increasingly high rise.

Now the first problem with high rise is that it doesn't do what its claimed to do; that is, reduce our environmental footprint. The Australian Government's State of Australian Cities Report 2010 found that, when both direct and indirect environmental impacts are taken into account greater environmental impacts at the household level are associated with higher incomes and smaller household sizes (State of Australian Cities 2010).

Despite the opportunities for efficiency and reduced environmental impacts offered by more compact forms of urban living, inner city households of capital cities, followed by the inner suburban areas, feature the highest consumption of water use, energy use and ecological footprints, even when reduced car use is taken into account.

Then there is the issue of declining housing affordability. Australia used to be the envy of the world in terms of its levels of home ownership. It was the place where everyone could aspire to a home of their own. During 2009 housing affordability around Australia declined by over 22% due to a massive gap between the number of dwellings being built and the number of new people wanting housing. The Housing Industry Association says Australia's fast growing population is pushing new dwelling requirements to record high levels. It predicted around 152,000 new dwellings would be commenced in 2010, well short of the 190,000 it estimates is required to keep up with a growing population (Housing Industry Association 2010).

The inevitable consequence of this gap is rising house prices which, combined with the rising electricity, gas, water, council rates, I described earlier, pushes the Reserve Bank to increase interest rates to head off inflation. Rising interest rates claw away at already poor housing affordability and will send Australians deeper into debt. Australians now owe financial institutions more than \$1 trillion in housing mortgages, almost 15 times as much as 20 years ago, according to the Reserve Bank (Colebatch 2010). Household debt as a proportion of household income was 109% in 2002 and in just seven years to 2009 it had risen to a 152%. Forecasters were predicting that mortgage holders would be paying 43% of their income to cover repayments by the end of 2010.

Property developers and the real estate industry talk about declining housing affordability too, but their solutions are always on the supply side. They want new suburbs on the urban fringe. Never mind the traffic congestion and loss of open space this urban sprawl causes. Henry's tax review accepted the impact of population growth on strong underlying demand for housing but his emphasis was on supply-side solutions. I believe, however, that runaway population growth is damaging our young people's chances of buying a home. Our children's chances of buying their own home are fading away, and unless we take steps to tackle runaway population growth, they will disappear.

## **5. The Elephant in the Living Room: Skilled Migration**

What is incompatible with population reform is our skilled migration program. In 1995-96 it was 24,100. It had risen to 114,777 by 2008-09 –four to five times what it used to be. The growth lobby says that Australia is short of workers – to be precise they say 'Australia has a skills shortage' for which their solution is to import more labour. This allows employers to avoid contributing to an apprenticeship and training system which ensures that Australia has a modern, skilled workforce. The claim that we need this level of skilled migration in order to mitigate a skills shortage misses the solution in our own backyard. There were 100,000 young Australians aged between 15-24 who dropped out of the labour force in 2008.

The suburb of Broadmeadows, just outside of my electorate, has an unemployment rate of over 15%. According to the 2006 Census, of the people in Broadmeadows aged 25 and over, over 50% were born in non-English speaking countries – over 50%. And for men aged 25-44, over 47% of the Non-English Speaking Country born reported income of less than \$399 per week (Australian Bureau of Statistics 2007). This is entrenched unemployment, poverty, and disadvantage.

If we continue running a high migration program, they might go and work in iron ore mines in the Pilbara, but the evidence isn't promising. It suggests that significant numbers will simply get caught up in a cycle of unemployment, poverty and disadvantage, as has happened in Broadmeadows.

So I suggest, before we succumb to the cries of "skills shortage", we put our talents to finding work for those 15% unemployed in Broadmeadows who are entitled to our attention. I don't care whether we find them work in Broadmeadows or in the Pilbara, but let's not talk about skills shortage until we've got them into the workplace.

There is clear evidence that Australia is not training sufficient of our own people, but could do so especially in higher education courses where the vast bulk of jobs growth and skilled immigration is concentrated. According to a 2010 paper by the Construction Forestry Mining and Energy Union:

- The output of Australian undergraduates from Australian universities has barely increased in the last decade.
- Between 2002 and 2008, the number of Australian students completing an undergraduate degree increased from 106,162 to only 111,691 – an increase of only 5,529 or 5.0%.
- Key areas like engineering show a similar pattern of virtually no growth in Australian graduates – engineering completions were 6,062 in 2002 and only 6,178 in 2008.
- Nearly half (48%) of all Australians aged 18-20 are not attending school, TAFE university or other tertiary institutions (2006 census data)
- In the trades area, while there are record numbers of apprentices and a record high training rate, there is still large unmet demand for apprenticeship places – that is, there are large numbers of young Australians (and some older ones) who are able and willing to undertake a trade but cannot obtain an apprenticeship place with an employer, or group of employers.
- The training rate (the ratio of apprentices to employed tradespersons) reached a record high of just under 15% in 2007.
- Non-completion rates are a major issue in the trades, with rates of up to 50% in some trades. The problems are partly low apprentice wages, but also many other issues including the nonprovision of a supportive learning and working environment.
- Underemployment is high in Australia, by world standards – according to an OECD study, in 2009, 21% of Australians in the prime working age group (aged 25-54) were unemployed or not in the labour force.
- On that indicator, Australia ranked 20th out of the 27 OECD countries rated ‘advanced’ by the IMF; and well behind the top country, Switzerland, with only 13% of its prime age people not in jobs.
- In 2009, 4% of men aged 25-54 were unemployed but a further 10% were not even looking for work – 5 times the proportion in the 1960s, when only 2% of men in this age group were not in the labour force. Among women aged 25-54, 28% were not working in 2009.
- “Even before the current downturn, Australia had amongst the highest rates of involuntary part-time employment in the OECD. ... More than 60% of involuntary part-time workers have no post-school qualifications, and one-third of them are under age 25.” (Construction Forestry Mining and Energy Union 2010)

The Labor Government has taken some important steps to increase the participation of young Australians in university-level courses; and support apprenticeships post-GFC. In its response to the Bradley Review, the government adopted the target of increasing the proportion of Australian 25-34 year olds with a bachelor or higher degree from 29% to 40% by 2025 (Ibid). The Bradley Review indicated we could achieve a demand driven entitlement system for domestic higher education students, where public funding will be provided for each undergraduate student eligible for a university place, at a cost of \$1,130 million over 4 years. The Federal Budget has

allowed \$491 million from 2009-10 to 2012-13 towards this objective. Finding the extra \$639 million and funding the extra places would be money well spent. But more training commitment is needed from industry as well as government. In the 457 visa program for example, no comprehensive information is even collected on the training efforts of firms allowed to employ temporary foreign workers (Ibid 2010).

Prime Minister Julia Gillard has indicated that we should be striving to be a high participation economy where everyone who has the capacity to work has the opportunity to work, and that we should be prepared to change policies that prevent this from happening. She's absolutely right. The first policy which stops that happening is the high migration policy, particularly skilled migration, and we should indeed be seriously prepared to change that. For example, in the skilled temporary 457 visa program, there is no Labour Market Testing – that is, employers do not have to show that they tried and were not able to find a qualified Australian resident at market rates, as a condition for granting a visa to the foreign worker. Labour market testing operated in the sub-class 457 visa program up to 2001, when it was abolished by the Howard Government. Labour market testing should be restored.

The 'price signal' to employers, to deter access to 457s unless they really need them, is set too low, without reference to a wider market beyond the employer's workplace, and allows low-paying employers to get 457s approved provided they're paying \$45,220 to their 'equivalent Australian workers'. The 457 workers lack bargaining power in a situation where most want to get Permanent Residence and are dependent on the employer sponsoring them for Permanent Residence, under the Government's focus on 'employer-demand driven' migration.

According to the Construction Forestry Mining and Energy Union the Australian Government also asserts that on account of Australia's "international trading position and legal obligations", it is not able to require employers to give preference to hiring Australians (citizens and permanent residents) over temporary foreign workers in the 457 visa program, through formal labour market testing (Construction Forestry Mining and Energy Union 2010).

John Sutton, the national secretary of the Construction Forestry Mining and Energy Union (CFMEU) has said that without genuine labour market testing, employers can just assert that they want foreign workers, without having to probe the need (Knox 2010). The CFMEU has found that the Government is in fact not bound by international obligations under the World Trade Organisation and the Doha round trade talks. They refer to advice from the Department of Foreign Affairs and Trade that Australia's own trade commitments in this area do not provide permanent access to the Australian employment market. Nor do they limit the Government's ability to regulate to ensure the protection and well-being of people working temporarily in Australia (DFAT 2008).

This lack of clarity undermines public confidence in the 457 visa system. It is not consistent with Government's commitment to greater transparency in the 457 visa program. Mr Sutton points out that there are adverse consequences for Australian workers from making our labour market freer in order to entice China and India to negotiate bilateral trade agreements, countries with large pools of cheap labour (Knox 2010). According to the *Sydney Morning Herald* a survey of 50 companies by

KPMG in August 2009 found that more than three-quarters would not choose to retrench 457 visa holders instead of Australians. Two-thirds said they were continuing to recruit 457 visa holders while they were reducing staff numbers overall. Mr Sutton says a key reason was that the minimum salary level in the 457 visa scheme is as low as \$45,000 in jobs where a local worker could expect to earn more like \$100,000 (Ibid).

The skilled migration program in general and the subclass 457 visa program in particular have become a business, spawning migration agents and labour hire firms who make money – much of it out of the temporary workers – and who have little incentive to enforce the various rules surrounding the 457 visa program and plenty of incentive to rot the whole program. The scheme puts enormous power in the hands of employers and is open to abuse. The requirement for a 457 visa applicant to have an employer sponsor is accompanied by a provision that if a worker loses his sponsor, he or she has 28 days to find another one, or be required to leave the country. This enables employers to exploit and abuse migrant workers and trample on their rights, through the all too simple device of threatening to withdraw their sponsorship. The Construction Forestry Mining and Energy Union has uncovered dreadful examples of the use of sham contractors who are underpaid or not paid at all, and threatened with deportation if they complain or seek to enforce their rights.

There are clear weaknesses in the temporary worker scheme compared with permanent skilled migration. There is no testing or proper accreditation arrangement to ensure that temporary entry workers are properly qualified. In addition, they are not required to have English language skills. It means that such workers are often inadequately qualified and find themselves unemployed. English language skills are ultimately an essential requirement of Australian workplaces. There is no reason why these differences between the permanent and temporary skilled migration scheme should continue.

In 2007-08 subclass 457 visas numbered 110,570. Temporary entry work visas are a tool for undermining the wages and conditions of Australian workers, and a recipe for exploiting overseas ones. Subclass 457 work visas have no worthwhile role to play, except in very limited situations. They should be restricted to areas of clear need, that is to say the medical and health related and professional engineering occupations.

The skilled migration program is not benefiting the economy as the growth lobby claims. In 2006 the Productivity Commission conducted a modelling exercise to assess the effect of a 50 per cent increase in our skilled immigrant intake. It found that, after 20 years, real gross domestic product was only about 4 per cent higher than otherwise. The gains accrued to the migrants themselves, with the existing population suffering a net decline in income (Gittins 2010).

Jane O'Sullivan from the University of Queensland has calculated that if the population is growing at 2 per cent, we need to add 2 per cent to the workforce to maintain the same level of service to the larger population. Based on an average working life of 25 years we need to be graduating trained people equal to 4 per cent of the total workforce in their trade or profession in order to replace retirees. So if the population is growing at 2 per cent we need to then be graduating 6 per cent of the

skilled workforce. That's a 50 per cent increase in training requirement, to accommodate a 2 per cent growth in population (O'Sullivan 2010).

As Ms O'Sullivan point out, while each immigrant accountant or hairdresser may reduce the skills shortage in their own profession, they increase the demand for all other categories of skills. It's not immediately obvious whether the net effect on the skills shortage is negative or positive. Given that the training requirements for different skills vary greatly, and that the skilled immigration program has been dominated by applicants with the shortest and cheapest qualifications to meet entry requirements, the extent to which applicant reduce Australia's training burden is unlikely to exceed the extent to which they increase demand for skills. If we further discount those who are actually trained in Australia using Australian training capacity, and all those who do not find or sustain work in the skill category on which they entered, as well as the family members of skilled immigrants who also enter under the skilled migration program, the net effect of skilled immigration is almost certainly to exacerbate skills shortages (Ibid).

As Ms O'Sullivan concludes we started with a skills shortage due to reduced government spending on post-secondary education, and tried to fix it by importing skills, but only succeeded in magnifying the problem. We must restore training expenditure, to attack this problem at its source. But stabilising population would make by far the most cost-effective contribution to aligning training capacity with training needs (Ibid).

The CFMEU has noted in their paper that the skilled migration program (both temporary and permanent) could be substantially reduced, in tandem with a much stronger commitment to training and educating Australians, young and old, by both government and industry.

- The current skilled migration programs (temporary and permanent) overstate the extent of 'skill shortage' and there is clear evidence of under-training of Australians.
- A reduced skilled migration program will still allow essential skilled workers to enter Australia (eg medical personnel, engineers), while we reduce our reliance on skilled migration to met our needs. This will still allow us to accept 'the best and the brightest'.
- A reduced skilled migration program will reduce overall immigration numbers, thereby reducing population growth and with it demand for labour generally (including skilled labour).
- This will take some pressure off demand for construction labour needed for the resource sector, and away from the 'people servicing' and 'city-building' industries driven largely by population and immigration growth.
- This will also be a more ethical immigration policy. Australia should not be stripping developing countries of scarce skilled labour trained at their expense and needed for their development.
- Some countries have a development strategy that includes a 'labour exporting' component (combined with remittances). But this is not a sustainable policy if it contributes to high population growth in developed countries with an already large ecological footprint (Construction Forestry Mining and Energy Union 2010).

The relentless lobbying of employer groups for skilled migration is a smokescreen for their real desire to keep downward pressure on wages. It has shown up again in the

aftermath of the January floods. The claim that we will need more skilled migrants in order to cope with the flood damage is insulting and ridiculous.

We were able to build the roads, bridges, schools etc that have been damaged by the floods. To suggest we have lost the skills needed to rebuild this infrastructure is insulting. If it has any substance, it suggests that relying on skilled migration is dumbing Australia down.

Numerous studies show that new arrivals come with a big infrastructure requirement. They bring their families with them, and all require houses, roads, schools, hospitals etc and many require English-language and other forms of assistance. One academic has found that population growth of 2% in a community doubles the infrastructure task of that community. In the years ahead the building industry will have its work cut out for it in rebuilding flood hit towns and communities. Nationally we've just had a flood come through the house. This is a time for replacing the carpets and the furniture and getting the power back on, not putting on an extension.

The argument that the recovery effort will drive demand for jobs, leading to price rises and then to higher interest rates, ignores the impact of higher population growth on prices and interest rates. Population growth is driving electricity price rises, gas price rises, water price rises, housing price rises, food price rises and higher grocery bills. These price rises put upward pressure on interest rates. Why is there concern about inflation caused by workers getting higher wages but no concern about inflation caused by population growth?

## **6. A Population Reform Strategy**

Some people think that rising population is inevitable and unstoppable. It isn't, and in 2009 I released a 14 point plan for population reform to demonstrate how this can be averted.

The first 11 points go to how we can stabilise Australia's population.

1. Stabilise Australia's population by cutting the net overseas migration program to 70,000 per annum.
2. Cut the skilled migration program to 25,000 per annum.
3. Hold the family reunion program at 50,000 per annum.
4. Increase the refugee program from 13,750 to 20,000 per annum.
5. Alter the refugee criteria to include provision for genuine climate refugees.
6. The revised number of annual permanent arrivals from these programs would be 95,000 – 50,000 family reunion plus 25,000 skilled plus 20,000 refugees. Two more factors need to be considered – the number of people departing permanently from Australia, and the number of people arriving permanently from New Zealand. To

reach a net overseas annual migration target of 70,000, the number of automatic places available for New Zealanders needs to be restricted to the number of departures from Australia over and above 25,000. The Trans Tasman Travel Arrangement would be renegotiated to achieve this, splitting available places for New Zealanders equally between skilled migrants and family reunion, and allowing New Zealanders to also apply and compete with other applicants under these normal migration programs.

7. Reduce temporary migration to Australia by restricting sub-class 457 temporary entry visas to medical and health related and professional engineering occupations.
8. Require overseas students to return to their country of origin before being eligible to apply for permanent residence.
9. Abolish the Baby Bonus.
10. Restrict Large Family Supplement and Family Tax Benefit A for third and subsequent children to those presently receiving them.
11. Dedicate the savings from abolishing the Baby Bonus and reduced expenditure on Family Payments for third and subsequent children towards getting rid of HECS and vocational education fees.

The final three points go to how we can play a role in helping stabilise global population.

12. Increase Australia's aid to meet the United Nations target of 0.7% of Gross National Income with money saved by abolishing Fringe Benefits Tax concessions for company cars, and greater use of off-the-shelf purchases in defence equipment.
13. Use more of Australia's aid budget for educating girls and women, and for better access to family planning and maternal child health, and advocate in the United Nations and international fora for other countries to do likewise.
14. Put overpopulation on the Agenda for international Climate Change talks.

Australia's population has been skyrocketing in recent years, and the principal reason for this is the dramatic increase in our migration rate. The increased migration rate has made all the previous projections about our population quite inaccurate. Australia is now officially projected to have 36 million people by 2050.

We need to return to a net overseas migration number more in keeping with previous practice. Net overseas migration in 2009-10 was 215,600. I believe this should be reduced to 70,000. If we cut net overseas migration to 70,000, and the fertility rate dropped to 1.6 by 2030, the population would reach 28 million by the year 2050. A net overseas migration figure of 70,000 is not unachievable or without precedent. There were several years in the 1980s when the net overseas migration figure was in the 70,000s, or less. There were three years in the 1990s when the net overseas migration figure was less than 70,000. As recently as 1998 the net overseas migration figure was less than 80,000.

A net overseas migration rate of 70,000 is not inconsistent with Australia's obligation to be a compassionate international citizen, nor is it inconsistent with a humanitarian approach to allowing family reunion for present Australian citizens. The present number of refugees and asylum seekers taken by Australia is 13,750. It has been at the 12,000 – 13,000 level for many years. It could be increased to 20,000, an increase of over 45%, within the context of a large cut to the overall migration program.

Increasing the refugee program would also enable us to be better prepared for the possibility of climate refugees. There is a distinct prospect that in future low lying islands in the Pacific will be rendered uninhabitable by sea level rise and storm surges. I think our refugee criteria should be altered to enable us to accept people from the Pacific Islands provided they can demonstrate that their former homes are genuinely uninhabitable as a consequence of climate change, and provided that Australia is not being used as an overflow by countries which have failed to address their own population capacity and allowed themselves to become overpopulated.

Nor is a generous family reunion program inconsistent with population stabilisation. The family reunion program stood at 49,870 in 2007-08 and 56,366 in 2008-09. A figure of 50,000 could be retained.

What is incompatible with population reform is our skilled migration program. In 1995-96 it was 24,100. It had risen to 114,777 by 2008-09 – four to five times what it used to be. It should be cut back to 25,000.

The reason we “need” skilled migrants is that we've failed to properly train and skill up young Australians. This is indefensible, and we should not try to continue to get away with it. We should make a sustained, proper effort at educating, training and skilling up young Australians.

The main groups which argue for the skilled migration program are business and employers. They argue that without skilled migrants that the existing workers will be able to command higher wages, and that this will feed through into higher prices and inflationary pressures on the economy. According to this argument, it is alright for skilled migrants to keep wages down and for Australia's overworked families to struggle to make ends meet.

To those who say, these workers are needed for the skills they bring to Australia, I disagree. Only a minority of Non-English Speaking Background migrants use professional qualifications in their occupation. This applies to former overseas students and those with qualifications from overseas. And bringing in 3485 cooks and 1082 hairdressers under skilled program visas in 2007-08 is an indictment of our own education and training system. The present arrangement is suppressing market signals that would improve our education and training system. We have become addicted to skilled migration. It is time we broke the habit.

Increasingly what is going on is that the skilled migration program is dovetailing in with the overseas fee-paying university students scheme. And the fee paying overseas students have increasingly stayed in Australia under the skilled migration

program. So our migration program doesn't bring in the world's poor, to give them new hope and opportunity, it brings in the elite of developing nations whose parents are rich enough to afford an Australian degree. The skilled migration program is not benefiting the world's poor, or the world's poorer nations.

Overseas students should be required to return to their country of origin once they have completed their course. Decoupling the link with permanent residence will put the focus back on education where it belongs, and will also reduce temporary entry numbers, of which 278,180 were student visas for 2007-08.

It would be better if young Australians who are presently missing out on a place at a University or TAFE were given a place. 18,500 eligible applicants missed out on a University place in 2009, up from 12,600 in 2008. Professor Bob Birrell says that the real number of students missing out may be much larger. He says eligible applications amount to 227,000, compared with actual acceptances of 161,000 – a difference of more than 66,000 (Thomson 2009). The proportion of resident young people enrolled in higher education is relatively low by European standards. This reflects the period since 1996 when there has been very little increase in the number of domestic subsidized places. There should be a large increase in domestic enrolments in higher education so we can match the demands of the job market, where at least half of net job growth requires degree credentials.

Australia's fertility rate has moved between 2004 and 2007 from 1.76 to 1.93. This does not mean that births are less than deaths. Births per year in Australia are twice deaths, and have been so for many years.

In 2004 the Howard Government introduced the 'baby bonus' to encourage women to have more children. This payment is contradictory to the objective of stabilising Australia's population. Its projected cost to the revenue was \$1.4 billion in 2009-10, revenue that could be used better elsewhere.

The Large Family Supplement is paid for the third and each subsequent child at a little over \$280 per annum. Its cost to revenue in 2009-10 is estimated at \$208 million. It should be phased out – while it would be unfair to remove this payment immediately, it should be grandfathered and third and subsequent children born from now on would not be eligible for it.

The Family Payments Budget for 2009-10 was projected at \$17.4 billion. It is one of the Federal Government's largest and most complex expenditure programs. I have no problem with ongoing Family Payments for the first and second child, but payments for third and subsequent children fly in the face of efforts to achieve population stabilisation. The STINMOD micro simulation model produced by The National Centre for Social and Economic Modelling (NATSEM) indicates that around 375,000 children are third or subsequent children (Ibid).

Assuming that the distribution of rates of payment for these children is similar to that for the whole Family Tax Benefit A population, it can be assumed that about 33% would be on the maximum rate, about 30% on less than maximum rate but more than base rate, about 30% on base rate, and about 7% on less than base rate. Using

2009 rates for 0-12 year olds adjusted up a little to take account of higher rates for 13 – 15 years, the cost is estimated to be approximately \$1.3 billion in 2009-10.

As with Large Family Supplement, I would propose that Family Tax Benefit A for third and subsequent children be phased out. It is noteworthy that the Henry Tax Review recommended that additional payments for larger families, including the Large Family Supplement, the Multiple Birth Allowance for children over one year, and higher thresholds for larger families should be reconsidered, as the case for these payments is not strong (Australia's Future Tax System 2009). The Henry Tax Review also recommended that the Baby Bonus be abolished and a small supplementary payment, reflecting the direct costs of a new born baby, should be paid over the first three months (Ibid).

The combined savings from cutting out the Baby Bonus, Large Family Supplement, and Family Tax Benefit A for third and subsequent children would be nearly \$3 billion. This money should be put into building the skills and qualifications of young Australians by getting rid of the Higher Education Contribution Scheme (HECS, now known as HELP) and vocational education fees.

At present we also have uncapped migration from New Zealand. The number of New Zealand citizens stating that they are settling permanently in Australia has increased from 16,364 in 2002-03 to 47,780 in 2008-09. About 7,000 of the 34,491 are third country migrants who have migrated to New Zealand then got citizenship after three years, then come to Australia. This open-ended, uncapped program makes it impossible for Australia to implement a population policy and it needs to be reformed.

The Trans Tasman Travel Arrangement with New Zealand should be re-negotiated to do away with the open door. The present arrangement has no formal legal status. In any event, we need to stabilise population globally. Hence getting other countries such as New Zealand to address their population capacity, rather than simply acting as an overflow for surplus population, is important.

What we should do is monitor annual departures, and renegotiate the Trans Tasman Travel Arrangement with New Zealand to close off automatic entry for New Zealanders, while allowing the places made available by annual departures above 25,000 to be filled by New Zealanders, splitting available places equally between skilled migrants and family reunion. Otherwise New Zealanders would be eligible to come to Australia under the normal programs, applying and being assessed in the same way as everyone else.

This would give Australia control over our net migration number which we presently don't have. We can set a target for skilled migrants, family reunion, and refugees, but we have no idea how many people are going to come in from New Zealand, and no idea how many people are going to leave Australia. These numbers are too important to be left to chance, and we should set a net target figure. The approach I have adopted is based on a net overseas migration target figure of 70,000: 95,000 in from skilled, family reunion and refugee categories, expecting at least 25,000 to leave, and allowing New Zealanders to fill the places made available through this

process. This formula is unlikely to prevent any New Zealanders wishing to migrate to Australia from doing so. It wouldn't have done so in any of the years I have looked at from 2004-05 to 2007-08.

The Report of the Productivity and Prosperity Panel says that my plan to reduce net overseas migration to 70,000 per annum would still see our population grow to around 30 million by 2050. They say it is a myth that Australia can avoid a bigger population.

In the short term this is correct, but it is nonsense to imply that we can never stabilise our population. Australia's population increase is being driven by net overseas migration, and that is entirely a matter of government policy. Population growth is not inevitable.

The difference between my projection for 2050 with a Net Overseas Migration rate of 70,000, and the Panel's projection of 30 million lies in different assumptions. Treasury projections used by the Panel assume the forward estimates until 2014-15. My 2009 Plan assumed 70,000 from 2010 onwards. The Treasury projections also use a higher fertility rate. My projections are based on TFR (fertility rate) dropping to 1.6 by 2030. The demographic advice I have received suggests that's a reasonable assumption – with the cost of housing going up the way it is, who can afford children? The report by the National Institute of Labour Studies at Flinders University titled *Research into the Long-Term Physical Implications of Net Overseas Migration: Australia in 2050*, posted on the Department of Immigration and Citizenship website before Christmas, has a series of population projections into the future. They suggest that net overseas migration of 70,000 would give us 26 million people, rather than 30 million, by 2050 (National Institute of Labour Studies 2010). But in any event, if the Panel projections are correct, that doesn't weaken the case for reducing Net Overseas Migration, it strengthens it.

It means that we are tracking for an even higher population, and that concerns about the impact of cutting back net migration on our population and workforce have no foundation. Looking at the Treasury assumptions about fertility and longevity, Australia's population will continue growing even if we had no net migration at all.

You can't claim on the one hand that without migration our population and workforce won't grow, and then claim on the other that a bigger population is unavoidable.

## 7. Conclusion

The *Third Intergenerational Report, Australia to 2050: future challenges* refers to both Italy and Japan as nations who have experienced very low fertility levels, rapidly ageing populations, and slow economic growth in recent decades. On the basis of these two countries, the *Intergenerational Report* concludes that a key lesson from the international experience is that countries with low population growth or declining populations such as Japan and Italy face lower potential rates of economic growth than countries with relatively healthier population growth (Treasury 2010).

These examples are misleading, particularly when considering Japan has the longest life expectancy at 83 years, and are used to enhance the myth that we need

a bigger population to drive economic growth and prosperity. If this were true, the wealthiest per person nations in the world would be those with the biggest populations. They're not. A broader look across the OECD shows that rapid population growth is neither necessary nor sufficient to achieve solid per capita GDP growth.

In fact, no fewer than 11 OECD nations achieved faster per-capita economic growth than Australia from 1997-2007, despite slower population growth or even in some cases no population growth or a slight decline. Clearly enough, experience shows us that rapid population growth is no guarantee of economic prosperity, and conversely a stable population does not doom a country to economic failure (Berger 2010). Sweden, for example, is entrenched in the world's top 10, with a growing economy but a population which has been stable for many years. On the other hand, Argentina started the 20<sup>th</sup> Century far wealthier than Australia, but having doubled its population growth, Argentina today has per person GDP worth only 40% of Australia's.

The limitations and shortcomings of Gross Domestic Product (GDP) as a measure of progress need to be understood. Any good measure of how well we are doing must also take account of sustainability. Just as a firm needs to measure the depreciation of its capital, so, too, our national accounts need to reflect the depletion of natural resources and the degradation of our environment. If we have poor measures, what we strive to do (say, increase GDP) may actually contribute to a worsening of living standards. We may also be confronted with false choices, seeing trade-offs between output and environmental protection that don't exist. By contrast, a better measure of economic performance might show that steps taken to improve the environment are good for the economy (Stiglitz 2010).

In combination the measures I have proposed would do marvellous things for Australia. First and foremost they would stop us wrecking our environment. Second they would get us to focus on higher education and training for young Australians. They would open up job opportunities for younger and older workers who are presently missing out. They would help us meet carbon reduction targets. They would make housing more affordable. They would put a halt to the creeping inflation and price rises for food, water, and energy. They would address the declining quality of life in our cities, the traffic congestion and the disappearing backyards and open spaces. They would enable us to be compassionate, decent international citizens, taking more refugees and lifting our overseas aid. Above all else they would discharge our obligation to pass on to our children and grandchildren a world, and an Australian way of life, in as good a condition as the one our parents and grandparents gave us.

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