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POPULATION OPTIONS FOR AUSTRALIA

■ Philip Ruddock

Given limited ability to influence Australia's below replacement and declining fertility rate, Australia's population options are dependent on immigration policy. But even in this area our options are limited. In an address to the Australian Population Association Biennial Conference in October 1998, the Minister for Immigration and Multicultural Affairs, the Hon Philip Ruddock, argued that neither the zero net overseas migration policy favoured by environmentalists nor the massive boost in immigration favoured by the business lobby are in Australia's national interest.

Over the last two and a half years, I have had the opportunity to meet with a number of Australia's foremost researchers on population and immigration issues, many of whom are speaking at this conference. These meetings have provided me with an excellent opportunity not only to appreciate the work they have done, but also to fine tune our immigration policy. This morning I propose to draw on this research to outline the Government's position on immigration. I propose to do this within the context of the Government's approach to population issues and our response to calls for the development of a formal population policy.

As most of you would be aware, over the past few years there have been numerous calls from a range of interest groups and political parties for the Government to develop a formal population policy. From what I can tell, most of these calls for a population policy have simply been code for a particular view on the size and composition of the immigration intake. Environmental groups, for example, generally seem to take the view that Australia should adopt a policy of zero net overseas migration. Business and industry bodies on the other hand consider that we need a very substantial increase in the immigration intake in order to increase economic growth and to

reduce the impact of an ageing population; some have talked about population targets of up to 50 million in 50 years time.

So let's look into the implications of these two options: that is a policy of zero net overseas migration, or one of very high migration, possibly with a population target of 50 million.

ZERO NET OVERSEAS MIGRATION

Population decline

Environmental groups, the Australian Democrats and the One Nation Party have all advocated a policy of zero net overseas migration on the grounds that we need to stabilise our population. But as Professor Peter McDonald and Ms. Rebecca Kippen have explained in their excellent article on 'Achieving population targets for Australia: an analysis of the options',¹ a policy of zero net overseas migration would not achieve population stabilisation. It would in fact lead to Australia's population peaking at around 20 million in 20 to 30 years and then going into perpetual and rapid decline. Without a positive level of net overseas migration, there would be little to no prospect of arresting the decline. In about 200 years, Australia's population could be around five million people with little prospect of recovery.

Budgetary costs and problems with marriage

The zero net overseas migration policy proposed by One Nation would also result in a substantial net cost to the Commonwealth budget, particularly because of the proposed scaling back of the Skilled stream of the migration program. One Nation's zero net overseas migration policy would result in a very major decline in Australian living standards. It would also mean that every year, an additional 10,000 spouses, fiancé(e)s and dependent children of Australians could be prevented from being able to live together in Australia. And for what benefit are we being asked to accept such major social and economic upheaval?

The case against zero net overseas migration

As I have said in the past, all other things being equal, a slower rate of population growth should lead to a lesser negative impact on the environment.

Now there are three points I would like to make about this. The first is that with our low and declining fertility rate, together with the current very tight immigration policy settings, our population growth rate over the next 50 years is likely to be significantly slower than it has been for the past 50 years. This should greatly assist in managing the environmental impact of population growth.

The second point is that our awareness and understanding of environmental impacts today is far greater than it has ever been. Today's policies and practices towards the environment are much more sensitive than in the past.

The third point is that if a policy of zero net overseas migration has the significant budgetary and economic costs that the research indicates, it would very much call into question our ability to

afford the kinds of environmental policies and programs that are essential to dealing with our environmental problems. For example, the OECD has found that, and I quote:

There is a positive link between countries' environmental performance and rising per capita income levels. ... [S]tudies show that pollution intensity has grown most rapidly in those countries that remained most closed to world market forces.

It is worth pointing out that countries that have remained most closed to world market forces also tend to be the same countries that have remained most closed to the international movement of people.

In summary then, a policy of zero net overseas migration would lead to:

- a perpetually declining population after about 20 to 30 years;
- Australians who marry someone from overseas not being able to live in Australia with their life's partner;
- major net costs to taxpayers; and
- a significant decline in living standards.

This would all be in exchange for, at best, a marginal and highly uncertain benefit in terms of our environment. Personally, I cannot see how a policy of zero net overseas migration could possibly be in Australia's national interest.

High migration options

At the other end of the immigration policy spectrum are those calling for a massive boost to immigration levels. People have talked about a population target of 50 million. Some have talked about using a larger immigration intake to deal with the ageing of Australia's population.

To achieve a population of 50 million in about 100 years would require net overseas migration levels in excess of a quarter of a million per annum. As Professor McDonald has pointed out,

even if we were to try to achieve a target of 50 million more slowly — that is over a period of around 500 years — it would still require an annual net overseas migration level of almost 190,000 per annum. This is a very high level of immigration and would result in a rapid rate of population growth.

Net overseas migration to Australia over the past 10 years has averaged under 100,000 per annum. In 1997-98, net overseas migration was less than 80,000, prior to adjustments for category jumping, and falling. Maintenance of current immigration policy settings are likely to result in average levels of net overseas migration of around 60,000 per annum. In other words, to achieve a population of 50 million in 500 years time would require that the net intake under current policies be tripled. If the 50 million target is to be achieved any faster, the intake would have to be increased by an even greater degree.

Regional implications of rapid growth

The consequences of such increases in immigration and such a rapid rate of population growth need to be considered carefully. The potential problems in terms of key environmental indicators and the capacity of our infrastructure to cope would be significant. This would particularly be the case in cities such as Sydney, Brisbane and Perth which receive a disproportionate share of the immigration intake.

A pre-condition for any significant increase in immigration must be our ability to achieve a better dispersal of the intake, particularly to States such as South Australia and Tasmania which are already facing the prospect of population decline. However, this will only occur if these states establish industry policies that achieve sustainable economic and employment growth. The State-specific

immigration mechanisms that I have developed can only play a supporting role in this regard. The lead must be taken via effective industry policies in each State and in specific regions in each State or Territory.

The implications for current account

Another limit to adopting a major increase in immigration would be the impact on our current account associated with paying for the infrastructure needed to accommodate such a rapidly growing population. A question we must ask ourselves is whether such a rapid rate of population growth would result in scarce capital being diverted to providing infrastructure that is capital widening rather than being invested to improve our productivity and therefore our international competitiveness, that is capital deepening. While in the long-term it is quite possible that this investment would have a positive return, the question is whether we could afford the short-term cost to our current account.

The implications for migrant selection

If the bulk of the proposed increase in immigration is via the Skilled stream, we are talking about an increase in this stream from its current 35,000 to over 150,000 per annum. This raises a question about the extent to which selection standards for migrants in the Skilled stream would have to be reduced to deliver a larger intake. The economic and budgetary benefits of Skilled migration are highly dependent on the employability of the migrants selected. If skill selection standards have to be reduced to a significant degree to deliver a larger immigration intake, the skill stream could rapidly transform from one which is highly beneficial to the economy and the budget, to one that is a net cost.

The alternative would be to increase

the Family stream or the Humanitarian program to achieve a larger immigration intake. Both would imply very significant economic and budgetary costs. In short, the proposals for a massive boost in immigration are as unworkable, and may be just as detrimental to Australia's national interests, as a policy of zero net overseas migration.

The implications for the age-structure of the population

It is also worth re-iterating Professor Peter McDonald's findings regarding the possible use of higher levels of immigration to reduce the impact of an ageing population. There is no question that an immigration intake with a young age profile is highly beneficial from an economic and budgetary perspective. There is also no question that the ageing of our population is a major challenge. Higher levels of immigration, however, would have only a marginal impact on the extent of population ageing.

There are what is known as 'diminishing returns' from trying to use higher levels of immigration to reduce the percentage of the population that is aged. The demographers in the audience would of course be well aware of this.

The point I want to make is that there are no easy answers to the challenges associated with an ageing population. It requires hard work to get our finances into order and our economy more productive and internationally competitive. This is of course the very approach that the Government has been taking.

THE GOVERNMENT'S APPROACH TO POPULATION ISSUES

I would now like to talk about the Government's approach to immigration and population issues. In doing so, I want to put to bed once and for all the myth

that the Government does not take into account wider population issues in its consideration of the annual immigration intake. There seems to be this view that the setting of the annual immigration intake is *ad hoc* and without any reference to the wider population context. This is patently wrong.

Over the past two years, I have taken major steps to highlight Australia's population future based on current trends in fertility and mortality rates and current immigration policy settings. In each of my submissions to Cabinet on the annual immigration intake, I have included detailed information on our population trends and prospects.

Earlier this year, I met with Professor Peter McDonald and Dr Bob Birrell to discuss a population projection model that has been developed by staff at the Australian National University. Professor McDonald has shown that, subject to what happens with our fertility rate, annual net overseas migration of between 60,000 and 100,000 per annum could lead to Australia's population stabilising at between 24 and 26 million.

As current immigration policy settings are likely to result in average net overseas migration of around 60,000 per annum, we are currently at the lower end of Professor McDonald's range, if not a little lower. However, I do not propose this as some form of population target. That would suggest we can be sufficiently certain about the very long-term future to know what the optimum population for Australia would be.

POPULATION TARGETS

There are many aspects of population and its future impact that we cannot know and some of which governments cannot and should not try to control. Adoption of a population target would also suggest that

it is somehow possible to bind future governments to a particular immigration policy. I would not only question whether this is possible but whether it is indeed a good idea. The inherent flexibility in our immigration program is one of its great strengths. It enables us to respond to social, economic, and humanitarian issues as they emerge rather than being bound by some strict unchangeable target.

The propositions that we can determine an optimum population target or that we can or should try to bind future governments to a particular level of immigration are both nonsense. What we can say is that using reasonably plausible assumptions of fertility and mortality rates, and assuming current immigration policy settings are maintained, our population may stabilise in about 40 to 50 years time.

We can also say that it is reasonably certain that our population growth rate over the next 50 years is likely to be significantly slower than that of the last 50 years and that our population will gradually age. These are very significant population dynamics that we as a society must learn to manage. One critical ingredient of our management of these dynamics will be our approach to immigration policy.

THE GOVERNMENT'S APPROACH TO IMMIGRATION POLICY

As indicated in the platform we took to the last election, immigration policy must clearly meet the test of being in Australia's economic, social, international and environmental interests. The Government's approach to immigration can best be characterised as one of trying to achieve the right balance between these sometimes competing objectives.

In environmental terms, our current immigration policy settings represent a

reasonably cautious approach. This is predominantly because current immigration policy settings, combined with a low and declining fertility rate, will lead to a gradual slowing in our population growth rate.

A better dispersal of the immigration intake would also help to reduce population-induced pressures on cities such as Sydney, Brisbane and Perth. While I have no doubts about the difficulties associated with achieving such an objective, it is one which both Commonwealth and State/Territory Governments must continue to address.

We have maintained a Humanitarian program of 12,000 per annum. This is both a generous contribution to relieving the world's refugee burden as well as one which I think most Australians consider as appropriate. It is something that all Australians can be proud of.

We have established a better balance between the Family and Skilled streams of the migration program. As Dr Bob Birrell has pointed out, the reduction in the Family stream has been achieved by:

- Firstly, clamping down on abuses in the spouse/fiancé(e) categories as a result of which the size of these two categories has declined from around 33,500 in 1995-96 to around 25,800 in 1997-98; and
- secondly, by restricting the entry of parents while at the same time taking steps to ensure that sponsors of parents take on a fairer share of the health and social security costs associated with parent entry.

Independent research has shown that if these changes in the balance of the migration program are maintained for the next 10 years, we can expect an improvement in Australian living standards of around \$95 per person by the year 2007-08. Moreover, the changes to the points

test used to select most Skilled migrants that have been identified by the review of the points test that I initiated late last year will lead to an even greater improvement in living standards.

It is these sorts of changes that are fundamental to regaining community confidence in the administration of our immigration program. The community must have confidence that our immigration arrangements are being administered with integrity and in the national interest. While I do not pretend that all the problems associated with our immigration arrangements have been solved, I am confident that we have made a very good start.

CONCLUSION

Finally, I want to make some comments about the non-discriminatory nature of our immigration policy. As I have said, management of immigration policy is

THE END

often a difficult balancing act between competing objectives. However, one area in which I would not accept any compromise is that our immigration program must operate on a totally global and non-discriminatory basis as far as matters such as race, religion, colour and ethnic origin are concerned. The whole idea of playing around with immigration policy to deliver some particular ethnic composition is to me totally repugnant.

As I have said on numerous occasions, I would not be immigration Minister if I was required to administer such a program. Our cultural diversity is and will remain one of our strengths as we move into the twenty-first century.

References

- ¹ R. Kippen and P. McDonald 'Achieving population targets for Australia: an analysis of the options', *People and Place*, vol. 6, no. 2, 1998, pp. 11-23