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**A CURATE'S EGG? AUSTRALIA'S IMMIGRATION AND POPULATION
POLICIES**

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POPULATION HISTORY

Australia's European population grew from 7663 in 1804 to 20, 229,800 in 2004. Native population declined from possibly 750,000 in 1787 to 200,000 by 1888 and has grown back to 750,000 again today, some two hundred years later.

This means that well over 19 million people in Australia today are migrants (25% overseas-born, of whom around 67% are of European extraction), or the children or descendents of migrants from a period of two centuries of modern, mostly European, settlement. Much of the story of Australia is the story of the peopling of Australia: births, deaths; learning, caring and working; immigration and emigration. It is also the story of the plight of the original inhabitants, a story in which there is much, much less to celebrate.

Yet for much of the past twenty years or so that are fresh in our own consciousness, we have paid only sporadic attention to our demography. In part this is because of focus on other things: micro-economic reform, global terrorism and the football. In part it is because population is such a broad notion embracing too much of what government does, and hence it is better left to more manageable component areas- ageing, infrastructure, health etc. And in part it is the actual political sensitivity of much that is the stuff of demography: How many governments want an explicit policy on mortality levels? What is government's role in the bedroom? Can government handle racism sensibly without inciting it?

But in the last few years or so, demography has taken centre stage. And this is largely as a result of the efforts of Peter Costello and the Federal Treasury and Finance Departments, including with their *Intergenerational Report*. This was not the first such report, as the Treasurer would wish to believe- Daryl Dixon's Social Welfare Policy Secretariat, Borrie's Inquiry, the National Population Council Inquiry and EPAC's Report on Aging all provided groundwork over the previous decade or two. And politicians such as Hurford, Hawke and Keating grasped crucial elements of the associated issues, in their different ways. But Treasurer Costello took this to centre stage and gave it Budget reflection, for which full credit is due.

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Here is Peter Costello answering a journalist:

Michael Duffy: What are the big challenges for Australia in the next couple of years and more up to twenty years?

Treasurer: The ageing of the population, absolutely critical to everything we are going to do, in health, pharmacy, work, skills, aged care- that is the big paradigm that is changing. Secondly, our position in the region, particularly with the emergence of China as a world power. Thirdly, the utilisation of the resources that we have, particularly the water resource which we haven't got right yet; and, finally, just maintaining our position in an incredibly competitive world, keeping Australia up to date and in the game, that is going to be a big challenge.

These are all, in some dimension, crucial population issues and they are indeed the key issues of the future.

We have come some way in positioning ourselves to handle these challenges. Until the 1980s, Australia was an inward looking welfare state: directed at protecting ourselves from change. Our economic landscape included high tariff walls, a centralised industrial relations system with high minimum wages, many state owned enterprises and women were obliged to resign public service positions if they married. But since 1983, a reform program was put in place designed to make us a much more globally oriented and globally integrated, outward looking, more self confident economy and society, able to cope so much better with the emerging trends and changes in the world.

Those reforms were necessary because Australia had become a sclerotic society. As Paul Keating so memorably put it, we were on the way to becoming a 'Banana Republic' or, as Lee Kuan Yew put it, we were becoming seen as "the poor white trash of Asia". These remarks, among other things, initiated a revolution in our economic affairs that has had significantly positive effects.

As a result, we have had handsome economic growth. The question now is how do we sustain that process in the future- and how do we do so in ways that are also fair and environmentally sensible? A major part of the response to that question will relate to our population, which is both a core source of capability and itself a pre-eminent challenge.

POPULATION OPTIONS

In population terms the key issue ahead of the nation lies in the fact that after the 1990s, in which population increased each year by over 150,000 per annum, Australia is now facing a prospect of negative population growth. Deaths will begin to outnumber births. Our workforce growth is already levelling out.

The states of Tasmania and South Australia have been already experiencing something of the consequent problem of population stagnation or decline, as is much of Europe and Japan. Countries like Italy and Germany within the next year or so will be experiencing a falling national population.

What should Australia do? Must it simply accept this trend as coming to it too? Certainly it does not have to. There are important things that can be done on the natural increase front, on the labour force participation front and with immigration-and with productivity as well. Together these can serve to “reinvent” the population.

For instance, from where it starts now at a **population** of about 20 million, Australia could with a one per cent migration rate, (and fertility stabilising) move toward a population of around 40 million or more by mid-century. One per cent was the migration program setting for the immediate post-war years under Prime Minister Chifley and early in the government of Prime Minister Menzies. It is also the current Canadian official immigration goal.

If, by contrast, Australia took the Democrats’ sometime policy of zero net migration, the population would peak within three decades at around 21 million and thereafter decline steadily. So this issue is indeed a matter of public choice.

The Business Council of Australia in 2004 recommended that Australia adopt a population growth target rather than an immigration target, suggesting that the country’s population grow by 1.25% per annum, through both natural increase and net migration. If natural increase declines, as is expected, immigration should rise to take its place to keep to a steady path. The Council’s 1.25% rate is close to the current rate being experienced by Australia and would lead to a population of around 35 million.

There is also the option of altering **natural increase and work force participation**. These have been the focus of recent Government activities, such as the Intergenerational Report of 2003 and the “Babies Budget” of 2004 (where the Treasurer spoke of one baby for each partner and “one for your country”). And there has been substantial recent focus on Family Tax Benefits A and B. And it is correct that areas such as fertility and participation in the work force can be influenced by policy. Scandinavian countries with family support and family - friendly work place policies have managed to have both higher fertility than Australia and higher female labour participation rates than Australia. By my calculation Australia has almost half a million less women in the work-force than is the pattern for comparable Anglo-American countries, let alone Scandinavian countries (Business Council, 2004).

In Australia, much that remains to be done is on the side of business, in more flexible but supportive work arrangements. After all it is no accident that female participation rates are the nation’s highest by far in the ACT where Public Service working conditions for women today far exceed arrangements that apply in most of the Australian private sector.

But government also has an important role beyond that of model employer. It needs to move to provide taxpayer funded universal maternity leave, where our practice lags behind almost all other developed countries, and to keep working on overcoming impediments in the supply of child care places. And it needs to continue improving tax and benefit integration avoiding, as the late Kenneth Galbraith would have it, the trap in believing “the now compelling supply-side doctrine that the rich were not working because they had too little money, the poor because they had too much”

One circuit-breaker for this dilemma is to drop means testing of benefits-as the Government partly does in Family Benefit arrangements. After all it is the flat rate form of payment and not the means-testing that keeps Australian welfare relatively economical (Khan 1999). That said the even more compelling resolution to all the tax debate complexity is simple: increase the GST to 15% and cut income tax rates by an equivalent amount in a budget neutral way. If the politics of this are too daunting, then eliminate all GST exemptions and eliminate all income tax deductions.

Next, there is much that can be done to **enhance productivity growth** itself. There do remain significant areas of incomplete micro-economic reform and there are many opportunities for catch-up to world best practice by Australian business and public and not-for-profit organisations and for addressing the large under-performing tails of weak practice in these areas, even by our own national standards. An open and competitive economy will go a long way to helping here. And recent higher levels of business investment in plant and equipment and structures are an additional boon. But still too much growth is consumer debt driven, and increased investment in infrastructure and in knowledge and people is the missing link which will keep productivity growing. By my calculation Australia needs to invest 33% of GDP (including on environmental enhancement) but it is investing more like 28% for optimal sustainable growth.

Included in this must be and should be a *Future Generation Report*. The Treasurer’s *Intergenerational Report* in one way began at the wrong end of the life cycle and led to undue attention to older worker labour force participation: “work till you drop” . It is important to improve flexibility to continue to work without compulsory retirement and without false fiscal incentives. But by examining the likely outcome against Anglo-American best practice, this might indeed increase the older workforce, but only by 70,000 or so.

An alternative *Present Generation Report* would give instead a focus on women and work-and the potential for that half a million more workers-but tensions in government over “mums at home” versus “mums at work” may have stymied this somewhat.

A *Future Generation Report* is however win-win. It emphasises the massive economic and social payoff from enhanced early childhood education and intervention for special needs children, and may be the way too we can

square the circle in overcoming indigenous disadvantage issues better too². Nobel Economics Laureate James Heckman has done much to document this convincingly.

But, that said, there are limits to increased productivity, and when the payoffs will come into play, as also there are to participation and to lifting fertility, though the recent stabilisation and possibly even modest increases in the latter are to be welcomed³.

Therefore the Australian success story with immigration remains as a reliable and core component of any sensible population policy in Australia.

POPULATION IMPACTS

Why should Australia consider adopting population growth-oriented options as conscious policy? What are the issues? Population pay-off is often argued to be present in three major areas: the economic vigour that it can bring, the social savings it may produce and the global positioning that it allows. The pain in the process is said to be congested cities and deterioration in the environment and the challenge to social cohesion from a diverse population (Vizard et al., 2004).

The case for population enhancing **economic vigour** was well put by the economist Lord Keynes, when he said it was largely because of migration that the US economy became what it is today, with capacity rapidly being pressed so that there was more investment. The certainty behind investment was there and it was larger, more rapid and more confident.

To give an indication of why Keynes might be right, it has been estimated that a one per cent population growth, for instance, will add about \$600 billion more to Australia's GDP by mid-century compared to zero net migration. It has also been calculated that, for Australia, population growth increases the rate of innovation and allows some public goods to be shared at lower cost across the larger population, which means that per capita income also increases (Withers 2003).

This may seem paradoxical in that some countries of large population are very poor. To increase Bangladesh's population is not necessarily a help to the prosperity of that country. However, equally, the USA has a large and growing population and is regarded as the world's strongest economy, and countries of small population such as Chad can be quite poor. The key factor is whether an expanded population can be equipped proportionately to contribute eg through education and training, plant and equipment, infrastructure. The cruel irony is that an affluent country such as Australia can do this and so benefit more than a poor country of higher population.

² Along with new self-help initiatives in indigenous affairs of the kind coming to the fore of public discussion at last, as a result of debate generated by Noel Pearson above all others.

³ Though whether this is sustainable and how much is due to "announcement effects", the share of older potential mothers approaching end of fertility, and financial inducements is still being worked out.

But, at the same time, this does create the opportunity for joint benefit to source country and host country through the knowledge transfers, trade, investment opportunities and remittance flows induced by new populations. This is reflected in the literature in the newly ascendent notion of “brain circulation” rather than “brain drain”, though dysfunctional cases do need priority recognition eg African health professionals.

Nevertheless it is also true that Australia may be pushing this too far-and should be doing better in education participation and infrastructure provision before allowing even greater expansion in immigration. The idea that “conditionality” or “mutual responsibility” should apply here, as is now being advocated in so many other areas of government, is not unreasonable, and could well be extended to include population-related environmental effects. For example, one could require the adoption of a National Skills Entitlement system which ensures that all early leavers have the opportunity to reach Year 12 equivalent level of education through guaranteed pathways to higher school retention, more TAFE completions, more private training college options or more employment –based training.

Significant expansion of migration and temporary entry might not be agreed until this system is adopted. State Government Skill Plans which have emerged in recent times in Queensland and Victoria and Metropolitan Growth Management plans, as in Victoria under Premier Bracks, are an important extension of this principle, though they need to be well-designed and operational. Indeed States such as Victoria and South Australia have produced constructive and welcome formal Population Policy documents, though others are lagging. The NSW Government was long restricted from acting properly by former Premier Carr’s inaction and buckpassing and Chief Minister Stanhope in the ACT, while progressive in economic and social and environmental planning, lacks a proper population policy foundation for this⁴.

Another paradox is that the seeming commonsense observation that migrants will add to unemployment, balance of payments problems and to public budget costs, is not in fact the case for Australia’s arrangements. This is because for every job taken, every import required and every dollar of public support needed, migrants generate at least as many new jobs, exports and public revenues. This is because the indirect effects of migrants on the economy offset these direct effects, producing a broadly balanced outcome for the macro-economy in the short-term and a real per capita pay-off in the longer term (see Withers 2003).

In terms of longer-run pay-off, it is also now recognised that migration adds to the per capita growth because it helps overcome Australia’s tyranny of

⁴ A suspicion arises of unresolved conflict between pro-and anti development forces as an explanation for this. This is a pity in that a population policy process can help bring parties together, resolve misconceptions and allow final decisions to proceed on an informed basis. The ACT talks a lot about consultative processes and does practice that in some areas better than most. But on population it has failed to act constructively. A rather lop-sided local press, on these issues, has not assisted, and that does matter in a smallish city.

distance, though I fear the Productivity Commission is in danger of underestimating the magnitude of this⁵.

With the growth of the internet it might be thought that distance does not matter. But as the world moves into a knowledge economy phase it is being increasingly understood that concentrations of educated people in lively metropolitan centres interacting and exchanging ideas informally as well as formally are the key sources of modern growth.

One law emerging from modern economics is that technological spillover of ideas halves for each 1200kms from source. Given Australia's geography it needs to maintain its own cosmopolitan capitals to keep up. Having five of the world's twenty five most liveable cities is a help, an advantage that should be maintained and enhanced, including by even better and more integrated urban policies and planning, especially in Sydney⁶.

Turning from purely economic gains to related **social gains**, this is actually still partly an economic issue because a core concern here is the cost to the public purse of our otherwise enjoying the unalloyed benefits (compared to the alternative) of greater longevity.

The population share of those aged 65 plus will double by 2031, possibly to as much as 24-25 per cent of population, depending upon the precise projections. In 1990 Australia had six workers for every aged person. By 2031 it will be three workers supporting every aged person and indeed, if the criterion is the over 85s, what it will mean for the society is that the ratio of working age population to the over 85s will have quadrupled in the next 30 years (Department of the Treasury, 2004).

Now, in Australia, there is the capacity to address these issues because the population ageing is behind that of Europe and Japan, but it is still there and now is the time to put further proper policy settings in place, following the excellent early start received from farsighted policies such as compulsory superannuation. If Australia allows population to grow under present trends, almost ten per cent extra of GDP - that is not a ten per cent increase in outlays, but an additional ten per cent of the total GDP - will have to be diverted within three decades or so over and above what is spent now in support of health and retirement incomes for support of the aged. It has been estimated that a one per cent population growth can halve the aged support

⁵ The Final Report of the Commission on Migration and Population Growth is yet to be released, but in draft, while positive, it underestimated per capita benefits by relying upon CGE modelling that cannot readily incorporate scale economies, differential labour market behavior, enhanced capital quality and enhanced innovation. It ignored alternative time series and regression analysis that overcomes these problems and which finds a greater positive benefit. There is also evidence not available to the Commission at the time of drafting that there are significant benefits to locals within the per capita GDP effect, including for Australia the less skilled and unemployed.

⁶ Treasury is catching up with this too. Its Policy Area produced a report in July 2003, termed "Does Australia Need Population Growth for Economic Growth?", based upon review of gravity models of trade and technology etc. The New Zealand Treasury did this sometime earlier with like conclusions, but it is good to see Treasury once again entering the realm of public exchange of ideas after too long a hiatus.

requirements in the mid decades of the century for Australia, saving some \$25 billion in government outlays (Withers 2002).

Of course such contributions are to be seen as but one part of a larger required package. Other measures such as raising the contribution rate for compulsory superannuation, modifying superannuation lump sum provisions, ensuring all unfunded pension schemes are closed and accrued liabilities are paid off, increasing co-payments for health care and pharmaceutical benefits and indexing benefit levels to prices not earnings, may well need to be considered, along with simplification of the bizarre system of triple taxation of superannuation that Australia has adopted.

POPULATION MANAGEMENT

Social savings could well be devoted to **the environment**, to the purchase of national parks, for emission controls and for a range of other investments in the nation's future. If there is concern about the pressure of population on the environment, then a policy that uses some of the economic benefit to fund environmental improvement would seem eminently sensible.

After all, the pressure of greater population on Australia can be exaggerated. The fact is if the total world population is divided into families of five, with each family given a quarter-acre block, the world population fits comfortably into New South Wales. But an impression is conveyed by some rhetoric that Australia is soon going to be "full up" merely because of migrants coming in at historical rates of 100,00 or so a year. Even in Sydney, the major focus for arrivals from overseas, the city loses almost as many people through out-migration as it gets from immigration each year. The basic reason Sydney has been growing is natural increase which, as seen, is now declining.

This is not to say there are not important urban problems of crowding and pollution to be dealt with. But they should be addressed by direct urban and environmental policies not population control. It is also not to say that Australia does not have its share of other environmental problems eg river salinity, biodiversity loss etc. But many of these are the products of practices of a small and declining rural share of the population, not the growing cities. Rural land use issues arise in Australia because of supply of world markets and are largely unrelated to local population. Again, direct environmental policies and sensible planning policies are the required first best response.

And this is not to say either some immigration program elements cannot contribute to this objective in other ways. The growing success of the regional migration programs within the general migration program is one example of this. Numbers under these programs have risen in five years to 25% of the skilled entry program, and are capable of further beneficial development including perhaps by more delegation of decision-making to state and regional authorities to encourage better community support arrangements, while combined with tighter review of eligible areas such that large metropolitan areas would be excluded and smaller provincial centres included. It is a

puzzle why cities such as Canberra, Newcastle and Wollongong are not eligible for some migration regional concession schemes, while Melbourne is.

What of **social integration** concerns? One issue can be disposed of quickly. With the controlled and balanced program that Australia has run, migrants have contributed more to the public purse than they have taken. Certainly humanitarian entrants have cost more in the earlier years of residence, but this is more than offset by the budget contributions of other arrivals and by their own later contributions, including in the second and subsequent generations. While the first generation of Vietnamese in Australia arrived as refugees and experienced very high unemployment, the second generation has university participation rates twice those of locally born.

Nevertheless public perceptions and acceptance of these processes of population growth can be fragile. In the absence of strong community and moral leadership, populist views of migration and multi-culturalism can come to the fore-as they did in the latter 1990s with the Pauline Hanson One Nation Party experiment and as they did later in Sydney with the so-called Lebanese gang rape court-cases. But analysts conclude that opinion here is not intense except for a very small minority. It is therefore manageable by leadership that eschews populism and explains the controls in place and the benefits that do ensue, and which commits itself to mitigation of costs of an expanding population.

Managing the social dimensions of immigration also requires assiduous attention to maintaining program diversity and effective settlement outcomes. The second wave of Lebanese refugee migration was a classic case of loss of recognition of these principles which have otherwise served Australia so well, Jim Jupp has pointed out how, over time, our policies have changed emphasis to require officials to become prison warders instead of social workers. But it is notable also that this is not only or even a matter of immigration or race. Cronulla, Redfern, and Macquarie Fields share a common source in growing locational disadvantage and segmentation that goes well beyond beyond any issues of immigration or race (see Wayne Swan's and Brendan Gleeson's recent books)

People are also concerned that more migrants create unemployment, that they put pressure on wages and inflation. They feel migration might cause a balance of payments problem because you have got to import things they need. Or, again, migrants might be a burden on the public budget because of welfare costs and they might have adverse affects on income and wealth distribution, particularly in terms of competing for employment with other workers.

But there are probably about 70 or 80 Australian empirical studies in this area now and they almost uniformly find that none of those views is sustainable. There is hardly one study supporting the existence of these sorts of problems, but there is a large number of studies using a whole range of data techniques and methodologies indicating that migration is, on the whole, beneficial to the nation economically. This is not to say it need always be thus-only that given

the settings we have adopted in Australia it has worked this way (Withers 2003)

It is therefore either misunderstanding or, more often, fear of any major change that is the real problem, and this latter is manifested in conservative opposition not just to migration but any major changes in traditional ways of living eg moving to a republic, the changing nature of the family. But this can be assuaged by national and community leadership which diffuses the negative by condemning the politics of race and defining the positive by providing policies for nation-building⁷.

For this reason recent engagement by senior politicians over symbolic cultural issues in immigration and settlement, such as over citizenship, has been disappointing. Treasurer Costello and Andrew Robb in particular have offered contributions that are disappointing because they are simply poorly thought through. Serious reflection and thorough investigation is necessary from leaders before speaking out on these topics, including especially so by persons normally well-disposed to sound migration and population policies.

Yet some recent discussion from senior respected, politicians is simply ill-informed and illogical. For example, the Treasurer has called for respect for the law as a foundation Australian value and of course it is-even though it hardly a uniquely Australian value. Yet he immediately goes on to single out respect for Sharia law as a potential contradiction to this. Yet this is selective. There are in fact other eminently respectable legal traditions we might willingly wish to consider, and respect advocacy for that eg civil law as practiced in Europe versus common law as established in Anglo-American tradition. Do we exclude Europeans who might wish law reform here in that alternative direction? No. We want respect for our existing laws and for the democratic right to seek their peaceful change. Or again, other countries do in fact run dual systems, which allow respect for both components eg Malaysia, And Australia itself increasingly respects traditional (indigenous) law in the legal process in sentencing.

My own view happens to prefer a uniform and common law system, but I value the ability of a dynamic society to evolve its institutions democratically in response to changing needs and circumstances.

Or again, Mr Robb suggested the need for an English test for citizenship. And I have been one who values our common language and was disappointed when one recommendation from a Committee I chaired regarding English testing for extended family immigration was not accepted by the then Minister.

⁷ For this reason recent lapses in judgement by senior Ministers over issues ranging from Sharia law, through citizenship tests and dual citizenship issues are not such as citizenship tests are not very constructive. It is disappointing that Treasurer Costello and Andrew Robb in particular have taken questionable stances here, when in other contexts they have been most supportive of an immigrant Australia. A little more thought and investigation seems especially needed here, as some discussion is simply ill-informed and illogical eg ill-informed over Sharia law and the precedents already here in Australia here with recognition of other law such as traditional law in legal processes: and illogical in seeking to define core Australian values with contradictory, overlapping and undefined assertions eg is the rule of law different from respect for democracy?

I was delighted however when other recommendations for points test reform I made suggesting additional points for additional languages as well as for English were accepted. And now all independent migrants are in fact English tested, so Mr Robb's remarks can only apply now to older longstanding residents or to spouses or refugees. Is this what he intended? Does he think support for language training for these groups is adequate and can it work, say, for special groups such as older refugees we accepted as torture and trauma victims-or are they forever to remain as non-citizens? Indeed should we be perhaps thinking of some other alternatives such as the reconsidering the range of positions in the Australian Public Service where citizenship is a requirement for public service employment. The failure to reflect cultural diversity in the Commonwealth bureaucracy is a condemnation. And a more nuanced approach could work better. I do not know my own final answers to these issues. But I do know we need to take integration more seriously. And that we must do it in an informed and holistic manner-and not operate only or mostly by sound-bites which can cater more to fears than aspirations

Okay, but what of Tampa, Children Overboard and mandatory indefinite detention, children behind razor wire, the Pacific Solution, Papua refugees and all that?

It is clearly the case that the wider public very much values strong enforcement of bona fides. This covers fraud in program entry eg bogus marriages, fraudulent English tests, forged qualifications. It also covers weak entry criteria such as very extended family preference, and it covers especially strong border enforcement, and the associated discouragement of "queue jumpers" in terms of unauthorised arrivals especially by sea. When the public is convinced of the commitment to strong enforcement in such matters there is a very discernible corresponding rise in public opinion polling in terms of support for regular migration and even for orderly humanitarian entry.

But this can be taken too far at the expense of basic human rights. And Australia's status as the only developed country with indefinite mandatory detention for unauthorised boat arrivals and indeed for associated offshore rendition-like processing is a step too far. The latter seems especially discriminatory in how it differentiates the mode of arrival-aircraft versus boat. I am not even convinced that in utilitarian terms it has been effective. I believe the drop in unauthorised arrivals is linked more to:

- A drop in source country disturbance
- A dramatic and long-overdue improvement in co-operation with transit countries and
- Our assistance to those transit countries in capability building and their internal motivation for enhancing their own migration, customs and security areas⁸

⁸ The loss of co-operation with Indonesia in this area may be a little acknowledged price of principle in our treatment of Papua asylum seekers, though this is not to disown that principle. Certainly it was only regional co-operation that allowed us to resolve earlier refugee episodes satisfactorily with respect to Vietnamese and Chinese boat people. Offshore processing, and the Tampa "announcement effect" were also part of a "package" of tougher border protection that some (eg Hatton and Lim at ANU) have

This is not to deny the need for effective control of unauthorised movements⁹. And Australia's geography almost uniquely makes illegals a manageable problem for us. But it is to suggest that shifts such as in the better treatment of children are still a great improvement, and that greater official enthusiasm would be welcome for community-based "detention", or even more use of biometric identifiers as a basis for voluntary release of all except the few verifiable cases that are genuinely high risk to the security of the community¹⁰. And, as with the recent problems of body transport for defence personnel, or the goings-on of a privatised AWB, I think the public is concerned at the continued reliance upon privatisation and loss of accountability and transparency for core state functions such as those involving deprivation of liberty ie corporate –run immigration detention. When it reflects, the public respects "tough but fair"

Similarly I am not sure the Australian public will in the long-run be proud of continuing to enforce family separation for temporary protection visa holders, who have established a valid claim on protection, nor be proud of the very begrudging basic maintenance provisions that apply for persons on bridging visas. Indeed some relaxation of work rights for such persons would be a mutually beneficial policy, the potential payoff from which has been recently rather well documented (Uniting Church 2005)^{11, 12}.

FUTURE POLICY FOR POPULATION

Bertrand Russell once visited Australia and, upon departure, said that "I leave your shores with more hope for mankind than when I came among you." For an atheist this was a rather elevated conception of self, but the sentiment observed was a worthy one. The assimilation of people from all around the world in reasonable harmony and prosperity, and certainly as much or more than any other nation, has been an achievement worthy of the accolade "hope for mankind-including women".

claimed has had a statistically demonstrable deterrence effect. But Hatton and Lim too ignore the transit country issue, particularly the turnaround in Malaysia and Indonesia co-operation with Australia at precisely that same time. ;

⁹ At the same time I do think Tampa did play a bigger role in the 2001 election outcome than Liberal Party officials have suggested. They have tended to rely on party polling that found a small direct attribution by respondents to Tampa, but the polling was so poorly constructed so that alternative responses for specified vote determinants, such as "leadership" and "security", could easily encompass the same motivation.

¹⁰ A 2005 Biometrics Bill passed by the Federal Parliament for immigration provides a solid foundation for proceeding more along these lines, as is happening in a number of other advanced countries.

¹¹ The issue of aged parents also remains as a test of our magnanimity. Certainly the long queues that remain for parental entry, 23000 or more, deny our supposed commitment to the family as a bedrock social institution in Australia. The improvements in entry for contributory parents has been a step forward, but dilemmas here are also still in place.

¹² The imposition of serious penalties for employers who employ illegal migrants is also a helpful contribution to maintaining public confidence in the system.

Can it continue to be the case? One question is the simple one of whether there is the likelihood of ongoing migration interest out there in coming to Australia anyway? In particular can Australia attract a good component of skilled migrants? Such skilling has arguably played an important role in public acceptance of a substantial immigrant intake.

The fact is that the points score cut-off for migrants is twice the score of the average Australian, and that is the cut-off not the migrant average. Not a single member of the Federal Cabinet in the Australian Government would pass the entry test as a migrant, that test being one of determining the potential to make a national contribution! So there is plenty of scope for adjusting the test without causing massive social dislocation. Moreover there is plenty of scope for seeking out willing and qualified migrants from countries such as Argentina, China, India, Eastern Europe and so on¹³. And, in the process, joint benefits through trade, knowledge and investment can be generated for source and host countries¹⁴.

While the Australian points system is state of the art, it is arbitrary in the weights it uses for the different components and for the numerical scales that it applies in each component. It has been improved over time by addition of overseas student skill points, extended English and other language points provisions, spouse skill supplementary points, regional location points and by administrative enhancements such as two-stage (temporary to permanent) visas and on-line application.

It has also added an intricate and complex set of skill shortage points that are less clearly improvements because of difficulties in forecasting shortages and because of lack of transparency and accessibility in the skills process, as was evidenced by the long neglect of trade skill inclusion in the MODL¹⁵ recommendations, and because of continuing difficulties in the qualifications recognition regimes in Australia. While there is structured discussion of such issues under way under various auspices, it is usually via a unanimity process without sanctions and with opt out provisions that inhibit serious progress.

What is really needed is a full stocktake of the former National Competition Policy legislative reviews of occupational regulation and examination of the extent to which they addressed overseas qualification issues. Performance payments to States and Territories should then be made available for implementing evidently efficient and fair recognition procedures, with the size of that payments pool being readily verifiable from studies that document the

¹³ Government has now responded to long demands that it facilitate migration promotion by pro-actively informing domestic interests of means of accessing migration, by assisting in the administration of that in partnership with states, regions, business, community groups and unions, and in marketing Australia as a land of opportunity overseas at fairs and exhibitions. If anything, the Government may have gone too far on the overseas front in its official sponsorship and participation!

¹⁴ Diaspora studies and policies are now all the rage, following the earlier success of such initiatives in countries such as Taiwan. In Australia Graeme Hugo has produced much of the necessary research in this field.

¹⁵ The skills shortage listing process could be made more transparent and it could even be more articulated, just as are qualifications and age. But at least it is now revised on a six monthly basis, as opposed to past practice which was annual and, earlier, every three years.

economic pay-offs from proper recognition. We do qualifications assessment and recognition better than any other country, but it has a long way still to go.

Perhaps the revamped National Competition Council agreed upon at the last COAG could conduct this analysis as a first priority-since it is needed also to properly address the skill shortage issue. This would discipline the more politically compromised processes that otherwise are operated by “responsive” bureaucrats under COAG processes. In the meantime COAG has produced a formal commitment to greater uniformity in trades skill recognition, an improvement only if it gets the common standard right, and to expeditious overseas trades qualification evaluation prior to arrival, an improvement provided it overcomes all the problems that led to abandonment of the older TRA system for doing this.

The area where points still can be improved further relate, inter alia, to the treatment of age, spouse skills, children and to education. To take age, as an example, there is a points cut-off for age at 45 and even an overseas student with a fresh ANU PHD who turns 30 will not pass the admission score because of age.

Yet it can be attested that the age rating used in the test is simply based on one 1984 estimate of the net cost to government of all citizens by age, using 1970s data eg pre compulsory superannuation. At that time and by that data, net cost broke even on average at 45, so points were set at zero for age after 45 and severely scaled down anyway for anyone over thirty. The precise scaling adopted was rule of thumb and the weight (eg for full points for a young adult applicant) was arbitrary. Moreover the calculation was concerned only for government benefit not any wider calculation of even national economic benefit.

To give one minor example of the problems involved, recent research by Gregory and Clarke show that net health costs to government with age are dominated by a small group of citizens with medical conditions that migration health testing for independent entry simply excludes. The points test therefore needs rigorous updating as we may be excluding people of great potential contribution unnecessarily¹⁶as, for example, the calculation behind the points settings took no account of the rigorous health test that migrants must pass.

Space does not permit like review of other points elements, but there are major anomalies in areas such as spouse and children supplementary points, regional settlement definition and criteria for university qualifications. Two quick examples only will suffice. One is to ask whether the exclusion of Canberra from student points for regional universities is consistent with inclusion of Canberra in other elements of regional preference ? This actually may itself be due in part to use of outdated Inter-Censal population growth rates, rather than current rates or, better, projections as administrative practice. The fact that this continues to be the case when ANU and UC are

¹⁶ There is said to be a review of points in place by Richardson, Birrell and Hawthorne, commissioned by DIMA, but I am unaware of its terms of reference, progress or public status.

demographically challenged and the ACT is the slowest growing State/Territory in terms of population is both a testament to the ineptitude of the lobbying power of the ACT Government and our esteemed universities, and an indication of the need at the administrative level for a little more imagination in effective policy design¹⁷.

Similarly, within the points system, it seems that a first degree counts for a certain number of points, a masters for a higher number and a phd for more. But the present system gives no extra credit, I believe, for double degrees which, in Australian Universities, have increasingly replaced honours as a preferred qualification set for highly capable and motivated students.

So management can evolve on a continuous improvement basis –and this very fact shows how there are opportunities for increasing migration of quality. Australia can therefore envisage technically sustaining a dynamic population policy.

What might the further settings of that policy look like? A proactive population policy is needed, based on a preferred population path rather than an inevitably arbitrary single number. It should encompass structure as well as numbers. It should be comprehensive across fertility and participation, as well as immigration. It should be a matter for all governments, not just the federal government, and it should be a matter for major stakeholders in consultation and cooperation with governments.

The policy must ensure that there are complementary policies in place to support it. Australia needs, for example, to expand education, so that the country doesn't bring in skilled people at the expense of the future of its own children. Infrastructure needs to be in place and appropriately planned for that population and it is essential to ensure appropriate protections for the environment. Equity and human rights issues also need to be managed appropriately. But it was indicated earlier that the social savings, for instance, by a higher population trajectory might generate about 25 billion dollars, about five per cent of GDP. That is precisely the increase that was calculated as needed in overall investment as a share of GDP for Australia's optimal growth to deliver prosperity, fairness and sustainability. Australia can "have its cake and eat it", partly supported by a balanced population policy

On that basis, Australia should aim for population growth of around 1.25% per annum, which is actually the rate of the last several decades. The policy needs to ensure that there is a balance between natural increase and migration, with migration increasing as natural increase falls. The policy should also seek to establish and maintain the conditions for informed, free and capable choices in the fertility area under family friendly policies.

¹⁷ There is also some suspicion of wider politics being involved here too, arising from sometime tensions in the relations between the ACT Stanhope Government and the Federal Government and inrelationships between the ANU and the Federal Government.

Skilled immigration should make up at least 50% of our intake, because public confidence in immigration can be eroded if there isn't an evident, substantial economic benefit, but within the balance, there is need to strongly support humanitarian and family migration. And there is a need a strong *bona fides* framework.

To return to the historical themes that began this presentation, in the end, population policy along the lines specified can help get Australia back to where it was in the latter half of the 19th and the beginning of the 20th centuries viz. Australia actually had the world's highest per capita income in the second half of the 19th century. It was democratically and socially progressive by the standards of the day, and its affluence came not simply because of the exploitation of natural resources, but also because the country was integrated with the global economy and it was a clever country.

The now deregulated Australian economy combined with the economical welfare state arrangements underpinned by an expansive immigration policy has provided the opportunity for Australia to "go back to the future", particularly if complementary policies on education and innovation can also be revived and matters neglected in the past are also addressed-such as gender issues, indigenous issues and the environment.

CURRENT DEBATES

There are still problems to be overcome in immigration itself, and the need to remedy these as well as commit to broader complementary policies are the negatives that, if not properly addressed, have the potential too to offset or undermine our immigration achievements and pay-offs..

Problems such as with indefinite mandatory detention, restrictions on admission of aged parents and flaws in recognition of overseas qualifications have been already canvassed above. But, oddly, perhaps the biggest current dangers are not those of failure but of success viz. the desire from certain interests to keep expanding immigration even further and even faster, for the immediate perceived short-term needs of the economy. To cater to this pressure unthinkingly could turn over a well-balanced and carefully controlled system to opportunism and excess, with the associated risk of under-mining the foundations of one of the world's more successful immigration projects. The long-run validity of the Australian immigration policy, and ongoing public support or acceptance, depends crucially on keeping its role well-focussed and well-protected.

In terms of this logic, while total program size for **settler migration** does needs steady expansion over time to compensate for falling domestic increase in the workforce, it does not need any major short-term step-up overall to meet immediate skill shortages. One of the absolutely clear and dominant findings of Australian research on immigration economics is that immigration creates as many jobs as it fills. The recent decision by Government therefore not to increase the skilled entry migration program

further for the next year, particularly after a 20,000 increase the preceding year, is fully in line with the implications of this view and is to be commended.

Using the settler program to deal with business cycle skill shortages overall is ultimately a self-defeating exercise, akin to a dog chasing its own tail. Settler migration settings should be for more long-term nation-building purposes understood by the electorate as such, and not for short-term fixes which could undermine that understanding. It is the case in an overheating economy that more immigration simply maintains the pressure, and not ease it. The increased expenditure impacts of immigration stand directly alongside the labour supply impacts.

A steady gradual growth is far better for government and business planning and for steady economic management, than major short-term ups and downs in the migration program. Settler migration has already risen from 74,000 in 1996/97 to 140,000 at present, and humanitarian entry is also up a little to 13,000. Faster expansion at a time of infrastructure shortage and bottlenecks would indeed begin to outstrip our capacity to provide properly for that growth.

Perhaps a pause is useful therefore and the opportunity could be taken in a time of such prosperity to make a smaller but significant national gesture and commit instead to a modest but overdue **further increase in humanitarian entry** to show we are serious about orderly entry for refugees. Minister Vanstone, to her great credit, has increased the most needy share of the humanitarian program by some 50% as of last year. But there remains something morally questionable still about our choice as a nation to increase skills entry by almost 70,000 to 140,000 over a period in which humanitarian entry rose only from 12,000 to 13,000. Program balance as well as economic benefit is needed to underpin long-run legitimacy. Australians need to feel good about themselves as well as feel prosperous. Modern behavioural economics is increasingly confirming analytically the disconnect between income and happiness.

Further, ramping up the **temporary skilled entry program** also to address ongoing and sustained skill shortages is increasingly running into the danger that it is allowing government and employers to avoid the necessary investment in the greater capitalisation of production systems and investment in skill upgrading through education and training for higher value added jobs and more advanced production for locals. It is also leading to strange new policies such as the re-introduction of a new comprehensive above-award minimum wage system for section 457 visa holders, just when the government is seeking to reduce such arrangements generally to give workplace flexibility.

These schemes have grown from 20,000 to exceed 80,000 workers in a short period being resident at any one time on a long-stay basis, and while they do bring major benefits including new knowledge from practice elsewhere, we do need to be reassured that uncapped open entry is delivering the right balance in this area. What is needed is a thorough public review of the costs and benefits and operation of this system, including the assurance of adequate

training for our own future generation. Again, as with settlers, long-term entrants have expenditure impacts that offset their labour supply advantage- but research has yet to establish precisely what that balance is for this group, as opposed to the massive research available for settler effects. A connect is that many such temporary workers convert to becoming settlers on-shore, which is an excellent policy to be maintained whatever the outcome on desirable numbers.

But opening up of **guestworker schemes for unskilled workers** is to be assiduously avoided. The universal experience of such schemes wherever they operate is that they lead to economic and social management problems with exploitation, non-assimilation and overstayer issues. This is the uniform experience whether it is Germany, Malaysia, or the USA. It would be ironic if we moved to such schemes just when countries like Malaysia and Germany are seeking to emulate our settler schemes.

The one exception, just as NZ is an exception for visa-free entry, would be for a carefully managed program for selected small Pacific Island economies as part of a carefully constructed economic development aid package for them, where the guestworker system operates under tight repatriation controls and provides for key training for home benefit. Working Holiday Maker entry and Overseas Student Visa entry all provide for work rights for this sort of work and provide now a stock of up to a quarter of a million workers, but under carefully controlled forms of entry without undesirable social integration problems¹⁸.

But for the special case of small Pacific Island nations it would be possible for us perhaps jointly with New Zealand, to find entry solutions that are constructed so as to provide a Pacific Compact and not just access to cheap labour. Labour market access to Australia would there need to be part of our foreign aid capability building. The troubles in the Solomons show only too readily that what is needed is a development program and not a cheap labour fix¹⁹.

Another current danger is the issue of Government culture and Department culture. Can we overcome the shocks to the professional management of our world standard immigration project that can come from an overzealous Government and a too responsive Department? Essentially Cornelia Rau and

¹⁸ In February 2005 Minister Vanstone canvassed a guestworker scheme which Treasurer Costello rejected as “not consistent with the Australian ethos”. A January 2006 discussion paper by DIMA suggested that a modest improvement in take-up from working holiday makers could add an extra 15,000 workers to the casual workforce for such purposes, and Workforce Participation Minister Sharman Stone suggested the greater use of traineeship visa holders to meet rural labour shortages. The National Farmers’ Federation has nevertheless called for a seasonal worker visa scheme for Pacific Islanders, which is now the subject of a Senate Committee Inquiry.

¹⁹ Let alone a “Pacific Solution” that has possibly more in common with the dubious reported “rendition” practices of US Intelligence and Security agencies, in terms of its use of extra-territorial third party agency, than it does with constructive aid and support for sustainability of regional economies and societies.

Vivian Alvarez were accidents waiting to happen-just as has been the AWB²⁰. It will be hard to reform political instincts and practices-that is a wider agenda, including review of the role and nature of Ministerial staffers and their professionalism, as well as revisiting matters of Ministerial accountability and, indeed, even the nature of our parliamentary and federal institutions.

But improved machinery of government would help such as the need for a new Population and Infrastructure Advisory Council, to give proper policy co-ordination in this area within Federal Government, across governments and in co-operation with business. Commitment to such reform was actually an explicit promise as far back as the Coalition's 1996 Election Campaign (Prime Minister's Third Headland Speech) The emergence of the "infrastructure crisis" over the last five years, limiting export activity, represent the price of inaction and the emergence of "non-core promises" as a political reality .

There is also the need at Government level to bring Housing and Infrastructure into DIMA's portfolio for the Commonwealth to ensure that these directly population-driven matters can gain better policy focus and co-ordination. At present these functions float uneasily around portfolios and across portfolios and , as a result, lack consistency and drive in federal policy such that they are either neglected or dealt with in an ad hoc, partial or sporadic manner. Given the sensitivity of the electorate to housing matters and given the importance of infrastructure to economic growth, this neglect in the governmental arrangements is politically and economically dysfunctional.

At the bureaucratic level, it remains to be seen how well DIMA reforms itself, as is now being required of it. It has always had an internal contradiction between migration, settlement and compliance cultures-and these became unbalanced. New technical and administrative training and new systems are part of the answer-but so is a need for rebuilding a wider professionalism and pride that can only come from a more open and engaged culture. It is ironic that we can create world best practice in immigration management, and yet suffer administrative crisis. Much is the fault of our politicians.

The warning signs started some time back, as with Minister Hand and the National Population Council's abolition, followed by Minister Bolkus's debasement of the need for program balance. It was followed by the quite unwarranted dismissal of the Secretary of Immigration by the incoming Howard Government in the night of the long knives that saw six Secretaries summarily dismissed without courtesy or consideration. By contrast later senior bureaucrats who met the Government's sense of "responsiveness" were advanced, honoured and protected. Minister Ruddock's style in

²⁰ And for DIMA we cannot say it is the UN's fault, which is the odd excuse being used by Government to explain why it missed the AWB breaches of sanctions. One would have thought that a "responsive" bureaucracy would have recognized the Government's distrust of UN competence and motivation and carefully scrutinized all UN activities in such a field of central importance to Australian interest as wheat sales to Iraq, quite apart from formal obligations to do so. The "post box" defence is a weak one-and the failure of senior bureaucrats and staffers to identify the danger is appalling. What we need is a thoroughly professional bureaucracy and not simply a responsive one. Responsiveness can too easily degenerate into catering to what government likes to hear rather than what it needs to know.

expressing the Government's commitment to border integrity also inevitably produced a more inward and defensive culture in DIMA.

The abolition of the Bureau of Immigration and Population Research as a first-up decision of the Howard Government, just before the break-out of One Nation sentiment was upon us, continued a bi-partisan tradition of short-sighted governance equivalent to Labor's earlier abolition of the Bureau of Labour Market Research after two reports challenged several Labor shibboleths. The policies so challenged were both abandoned within a year in the face of reality and the Government turned to deal with the escalation of youth unemployment to record levels without an ongoing intelligence base for new policy design.

But there is still much that can be done, in the face of Government challenges of this kind, if there is strong professional bureaucratic leadership. As a modest litmus test, had the new DIMA leadership in the Howard Government reshuffled leadership across the internal silos, brought in more transfers from other agencies and outside the bureaucracy, engaged in external training in partnership with organisations such as universities and rebuilt its research function in ways that allowed for a genuine marketplace of ideas, the administrative excesses of recent times might well have been much moderated.

It is said that a new College of Immigration is to be established to respond to these concerns now, but if it develops a cautious, inward looking, functional mode of operation and does not stretch and challenge management in relation to the really big issues of ethics, risk, strategy and change management, then we will not have learned the real lessons. There has to be thinking at all levels as to what DIMA is doing and why-and not just how. And even some contracting, as with training to registered training providers and research to commercial consultancies will not be enough. Something a little less comfortable must also be built in to the new DIMA culture.

DIMA now has adopted a "Triangle" (roughly accountability, fairness and proficiency) as the lens through which it is progressing reform. And this is very valuable indeed as it embraces many of the specifics of the recommendations of the Palmer and Comrie reviews of the Rau and Alvarez cases. But, perhaps as a result of these origins, these strike me as very generic process oriented, and do not as evidently convey the distinctive purpose and mission of DIMA as the bedrock to which professional values, processes and proficiencies are to be directed and devoted. DIMA has a great national project given to it by Government and the Australian people to motivate what it does.

As a further litmus test, I have found it telling that approaches from Universities to agencies such as DIMA pre Rau, and others including Intelligence agencies pre September 11, to look at education, training and research partnerships, were typically met with disinterest, indifference or caution at best and in some notable cases were greeted with arrogance, disdain and dismissal. The emergence of the Australia and New Zealand

School of Government is a sign of an improved climate now for professionalism in Australian governance, though it too is subject to subtle pressures from its clients to play safe.

And perhaps it must be acknowledged that it takes time for a bureaucracy to rebuild morale and a commitment to “frank and fearless advice” after 30,000 of its 140,000 staffing was chopped within two years of the election of the First Howard Government and when judges, military leaders, universities, religious leaders, police commissioners and others were subject to various forms of clear depreciation of their professional integrity by Government. It is understood that for Government after 14 years out of Office, there is a learning period too. But whatever the explanation, it remains a realpolitik truth that what Government sows, so does it reap.

This is not to yearn for some golden age of superior wisdom of mandarin government. It is to say that integrity and professionalism in leadership are an enduring and valid aspiration for a country with Australia’s advantages. Creation of this can be supported and enhanced structurally and by good process as well as by the exercise of wise leadership. DIMA’s reconstruction can aspire to this and we await the results.

Australia has achieved much by world standards in population and immigration. There is much in our journey to be proud of. And we can do better still.

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