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# Population Growth Needs To Be Part Of The National Economic Conversation: Investigation Report

A report discussing the potential risk towards the nation's economic well-being, through the influence of population growth. Whilst considering the effects upon the following factors on the upcoming federal election, immigration, education, The Australian budget, living standards and wages.

## Bibliography/Reference

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The discussion surrounding population growth and whether it should be part of the economic conversation has been faced by many countries especially powerhouse nations. Although population growth would seem to benefit economic development, this is not the case. The increase in population will influence a nation's economy, both positively and negatively which are measured through the public and private sectors in addition to dignified living standards.

## 1.1. Impact on the Australian Economy

With an increase of over 388,000 people, Australia's population has grown more than twice the rate of both USA and the United Kingdom. Cities such as Melbourne and Sydney will progressively suffer more density due to high levels of immigration intake, which for some is considered a positive. This supports the notion that a higher population leads to economic growth. However, Senators such as Pauline Hansen believe that its necessary Australia should impose an immigration ban. In favour, the Morrison Government has decided to "freeze" immigration allowing infrastructure to catch up. Citizens also claim that roads, buses and trains are starting to become congested for Australian cities to handle, decreasing their non-material living standards. In addition to this, houses are starting to become overpriced, due to the relatively high demand, which will ultimately influence the limited opportunities Australians have in the housing market.

## Source 1

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The graph provided in Source 1 displays the trend in population growth between 'natural increase' and 'net overseas migration', which calculates the immigration levels in comparison to births subtracted by deaths within Australia. We are given the idea that through the time period following the global financial crisis to 2018, 'net overseas migration' increased and 'natural increase' had progressively decreased. This means that more deaths are frequently happening in contrast to births due to Australia's well-known aging population, and their growing immigration intake. Whilst to some, immigration may mean the drainage of resources and the rising competition between workers relative to the decreasing job supply. Although the Migration Council released a report, stating that Australia's population will reach 38 million by 2050, where migration will contribute to \$1.6 trillion (AUD) to Australia's GDP, if the current trend continues. In addition, this'll mean that migration will have added 15.7 per cent to our workforce participation rate and 5.9 per cent in GDP per capita in growth.

### 1.3. Impact on the Global Economy

The relationship between population growth and economic growth within the global economy has been a controversial issue. On one hand, some analysts believe that economic growth in high-income countries is likely to progressively slowdown in the upcoming years, as population growth in these countries is predicted to slow considerably. Others argue that population growth has been and will continue to be a problem for society, as a larger population means more use of the finite resources available on earth, therefore reducing long-term potential growth.

For example, in a country such as India, population growth will act negatively as limited resources and a larger population puts pressure on the resources that do exist. Whilst some other countries such as Russia are willing to accept more immigrants and a higher population, due to their large land mass in comparison to the population.

### 1.4

Stakeholders such as the Liberal Government in Canada have been facing the issue on how to increase their population. The quote on quote "bold" advice recommended that permanent immigration should gradually rise to 450,000 people per year by 2021, which would be a 50% increase to current immigration levels. Moreover, if the Canada decided to cut immigration, Government spending would increase by more than 40% towards the national GDP and their aging population would additionally increase, meaning more pensions for the elderly would be imposed.

### 1.5. Impact on salary/wages

#### Source 2

The diagram shown in Source 2 displays the 'real wage growth' in comparison to the 'average real wage growth'. Real wage growth measures the goods and services than can be bought by consumers through their income, whilst average real wage growth refers to the rate of real wage growth and determines whether there has been an increase or decrease in those sectors taking inflation into account. In this case, we see the trend gradually decrease overtime. The main factor of this issue is immigration, as Australia receives high levels of overseas migration, which would mean more workers and an increasingly competitive labour market. This will benefit big

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businesses, increasing the amount of consumers and applicants they receive which positively affects their profits. However, workers will more likely suffer the after effects of lower wage growth with factors including stagnant and sticky wages as there are more people looking for jobs. Although, some politicians argue that the issue is that Australia has a 'skills shortage', where businesses struggle to find skilled workers for a role for the pay and conditions that they are willing to offer.

## 1.6. Impact on the Budget

Countries commonly rely on high population growth to assist their budget into surplus. This supports the notion that having a higher population means more economic growth, explaining why mass migration in underpopulated nations such as Australia is highly anticipated. Although, the Morrison Government plan to "freeze" migration levels of permanent visas, this will not overcome the 17 per cent increase in net overseas migration towards the 2019-20 Budget. This ultimately means that others factors such as overseas workers and international students are influencing higher rates of migration within the short-term perspective. However, inconsistent rates of migration could be due to the notion that around half of permanent visas that are granted are provided to individuals already living in Australia. Therefore, slowing down the rate of which migration falls.

## 1.7. Evaluation

The relationship between population growth and the economic growth has had recent discussions in shambles, where speculations have been thrown around amongst economists. In theory, population growth gradually decreases the finite amount of resources to more scarce amounts, where higher quantities of individual suffer the effects of disease, starvation and war. Efforts to reduce population without wasting any resources have been exploited such as China's one child policy, where couples only had one child in order to stabilize long-term economic prosperity and control population. Whilst other nations are making efforts to increase population such as Germany, where immigration is becoming a substitute for the low birth rates occurring amongst couples. This has become both an economic and social problem for long-terms projectiles and has the potential to affect the GDP, as the youth get older less workers will be available economic growth. In addition, if a high populated country with low-income levels will experience slow developmental rates. For example, countries like Nigeria accommodate around 191 million people but receive a real wage of 42,500 NGN, which is equivalent to 117.40 USD meaning the income being earned by individuals cannot suffice the nations GDP in comparison to the growing population. This supports the idea that the effect of population growth on a countries per capita output level, relies upon the population pattern.

## 1.8. Conclusion

Majority of this report supports the idea that population growth is an important factor towards economic development and to an extent contributes to increased growth in per capita output in some situations. In low income nations, population growth would act negatively within short term perspectives, however in the long run will create a demographic dividend where the next generation will experience more efficiency than the last. In high-income countries, population is most likely low and creates a larger proportion of elderly citizens. The burden on the elderly can be decreased if population growth tends to happen towards the younger generation to prevent

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Government spending amongst pensions and allocate those funds somewhere else. There are still many who make exclusions to verdicts such as these, debating that the world is currently overpopulated putting “unsustainable” pressure on resources and the environment but because population growth plays an important role in overall economic growth, the evolution of world population will continue to be a major global concern.

## 1.9. Glossary

- Real wage/income - refers to the income of an individual or group after taking into consideration the effects of inflation on purchasing power.
- Net overseas migration - is the net gain or loss of population through immigration (migrant arrivals) to Australia and emigration (migrant departures)
- Natural increase - The difference between the number of live births and the number of deaths during the year. The natural increase (or natural decrease) is negative when the number of deaths exceeds the number of births.
- Inflation - is a situation of a sustained increase in the general price level in an economy. Inflation means an increase in the cost of living as the price of goods and services rise.
- Surplus - The extent to which generation of goods, services, and resources (such as capital) exceeds their consumption.
- Stagnant wages - Stagnation is a situation that occurs within an economy when total output is either declining, flat, or growing slowly. Stagnation results in flat job growth, no wage increases, and an absence of stock market booms or highs.
- Sticky Wages/Salary - refers to a wage that is slow to adjust to its equilibrium level, creating sustained periods of shortage or surplus in the labour market.
- GDP - is the sum of the market values, or prices, of all final goods and services produced in and economy during a period of time.
- GDP per capita - GDP per capita is a measure of a country's economic output that accounts for its number of people. It divides the country's gross domestic product by its total population.
- Non-material living standards - non-material living standards are made up of intangible things like environment, freedom of speech, free elections, crime rates, and time off work.
- Material living standards - Material living standards refer to goods and services including cars, houses, health services, etc. The total number of goods and services available measures material living standards.
- Demographic - is the study of a population based on factors such as age, race, and sex. Demographic data refers to socio-economic information expressed statistically, also including employment, education, income, marriage rates, birth and death rates and more factors.
- Dividend - is the distribution of reward from a portion of the company's earnings and is paid to a class of its shareholders.