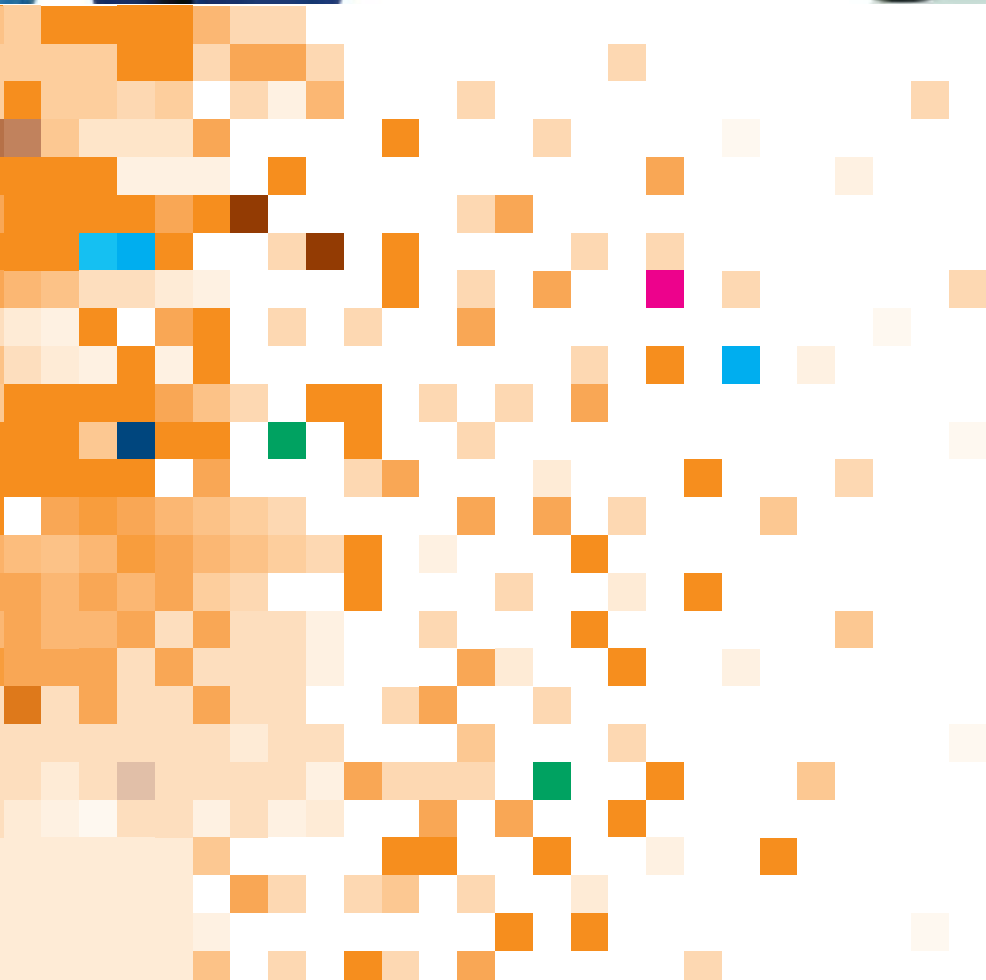
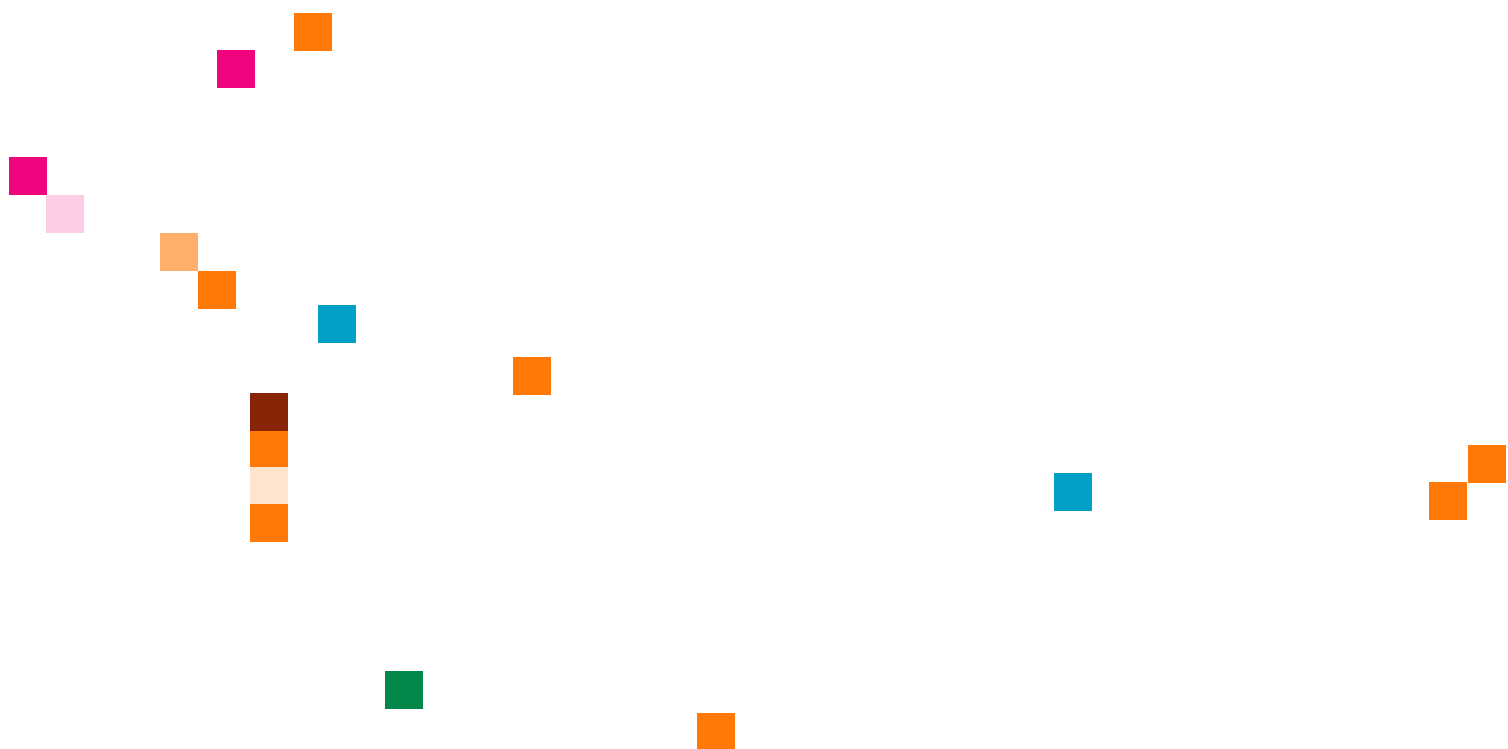


Beyond Five Million

The Victorian Government's Population Policy









Premier's Foreword

There are now, for the first time, five million Victorians.

This milestone is an appropriate time to think about the choices we need to make to shape the future of the community we live in.

Over the next two decades it is projected our population will grow by another 20 per cent, or one million people. That would mean, by 2025, there would be six million Victorians.

This growth is welcome, but it also presents us with challenges as a community. How can we manage this growth to ensure that it is sustainable and beneficial for all Victorians? How do we spread this growth fairly across the State so we all share the benefits? What will it mean for our lives and the 'liveability' of our communities? What will it mean for our natural resources, for example, will we have enough water to provide for our future needs on a sustainable basis?

And by sustainable I don't just mean environmentally sustainable. I also mean socially and economically sustainable.

If we respond positively to these challenges, we will secure the future prosperity of our children. If we fail to plan and make the right decisions, we put that prosperity at risk.

Our Government is planning for the future. We have launched a range of interlocking policies to ensure our long-term sustainability—including *Melbourne 2030*, a plan to ensure Melbourne remains one of the world's most liveable cities.

Population growth is crucial to our economic future because sustainable economic growth and sustainable population growth are inextricably linked. If we are to compete globally, we need a critical mass of people with entrepreneurial skills, the ability to absorb new technology and ideas, and the capacity to share knowledge and build relationships across cultures.

The Government has been building on the strengths of metropolitan and provincial Victoria, by attracting skilled migrants from overseas and interstate. As a result, Victoria's share of the national skilled migrant intake has grown from 19 per cent in 1999 to more than 25 per cent today—an additional 2,500 skilled migrants a year. We attract an even greater share of the total migrant intake.

To many people, population is a dry topic. To me it is a pivotal issue because it is so strongly linked to those things that matter most to Victorians—the health of our families, our economy, our regions and the environment. This new policy outlines how these goals can be achieved through a broadly based population strategy.

Our aim is to break away from a short-term focus and look for long-term solutions that will benefit all Victorians. Population change does not occur overnight, so now is the time to identify a vision and strategy that will underpin Victoria's strengths—now and into the future

Hon Steve Bracks MP
Premier of Victoria



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Premier's Foreword

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As part of its Population Vision the Government has identified four key growth objectives:

To reach a total population of six million people by 2025.

To achieve regional population growth of 1.25 per cent by 2006, resulting in a total population of 1.75 million people in Provincial Victoria by 2025.

To maintain and build on our current levels of migration attraction of 25 per cent of Australia's total skilled migrant intake.

To increase the number of migrants settling in Provincial Victoria.

The key elements of the Government's six strategies are:

1. Addressing Low Fertility Rates

- Since the peak of the baby boom in the 1960s, Victoria's fertility rate has steadily declined and is now well below the replacement rate. Victoria has the second lowest fertility rate in Australia, although it still compares favourably with many other developed nations.
- Research has shown that many couples are having fewer children than they would like to have, indicating that there are opportunities for policy action to address this 'aspiration gap' by reducing the hurdles that are discouraging families.
- A significant factor is the social and economic reality that many women wish to balance a family and a career. Over the last decade this has been reflected in a major trend towards women being older before having their first child.
- The Government has announced a number of policies to improve services for children and young parents, boost maternity services and children's health programs, and to assist parents to balance paid work and family responsibilities. These include improving parental leave, and enhancing affordable childcare and flexible working arrangements. Importantly, these are all areas where the Federal Government has a major part to play.

2. Increasing Overseas Migration

- Migrants have made an immense contribution to Victoria and will continue to be an important source of population growth and cultural diversity.
- Most migrants to Australia settle in large cities. It is important that the benefits of migration are not confined to metropolitan areas. Victoria is seeking to attract greater numbers of migrants to Victoria and to encourage more people to settle in regional areas where labour shortages are more acute.
- Migration to Australia is increasingly focusing on attracting skilled people. Migrants are now highly educated, younger, and job-ready, with the language skills to operate successfully in the Australian workforce. However, attracting skilled migrants is becoming highly competitive between developed countries seeking to mitigate the impacts of an ageing population and avoid labour shortages. Victoria must respond to maintain and improve its position as an attractive migrant destination.
- A key pathway is to influence a greater number of international students studying in Victoria to remain after graduating and use their Australian qualifications to contribute to our economic growth.
- Victoria is a player in the international skills market. Approximately 350,000 Victorians are overseas on a temporary or permanent basis, either travelling or pursuing their careers. Victoria should lay down the welcome mat to encourage native Victorians to eventually return to our shores, and should also seek to involve them in our global economic and social network.

3. Achieving a Balance in Interstate Migration

- Interstate migration is the most variable aspect of population growth. During the 1990s, Victoria experienced a significant loss of people interstate, but there has been a significant turnaround in recent years.
- Victoria's net gains and losses from interstate migration are largely driven by migration exchanges with New South Wales and Queensland. The young are the most mobile, while migration patterns of people aged over 55 tend to be more stable.
- Victoria has been attracting highly qualified, employable, and well-paid people from interstate. Victoria needs to make sure it remains a place where younger people want to work and live. A key to achieving this will be the opportunities created by a growing, dynamic economy.

4. Maintaining Population Growth in Provincial Victoria

- Provincial Victoria is currently enjoying a resurgence after a period of decline in the 1990s. This was triggered by withdrawal of services and an exodus of people (particularly the young) moving to find jobs.
- Victoria has in place a target to lift annual regional population growth to 1.25 per cent by 2006. It is a challenging target that will require new policies.
- Provincial Victoria is older and will age faster than Melbourne. Population change in Provincial Victoria differs from Melbourne's experience. It attracts less overseas migrants but has consistently gained people from Melbourne. Provincial Victoria has been losing young people, but attracting families—people aged between 30-50 years and their children.
- The Government has established a major skilled migration program to boost the number of people choosing to settle in regional centres. The development of new visa categories has also created opportunities to attract skilled migrants to fill professional jobs (particularly in health and education) to meet local needs.
- Population growth in Provincial Victoria varies significantly between regions. Three emerging outcomes are: the increasing influence of regional centres; the growing appeal of lifestyle and high amenity regions; and the outwardly extending influence of the Melbourne metropolitan area.

Population growth and demographic change are issues of national importance because they impact on every Australian in some way. Australia's demographic challenges do not end at State borders.

5. Preparing for the Changing Needs of an Ageing Population

- The implications of an ageing population are a matter of considerable debate. Health and welfare costs associated with an ageing population are likely to be an increasing financial burden for a future (and diminishing) labourforce. However, the potential problems and assumed future costs of an ageing population must be seen in context.
- Ageing will eventually decrease the ratio of workers to total population, and thus could create labour shortages and constrain future growth. Greater emphasis must be placed on promoting workforce participation by people of working age, and increasingly, among older workers.
- The Government has initiated a number of policies to address the issue of workforce participation that will benefit both the economy and individuals who may currently be excluded from the workplace.

6. Ensuring Population Growth is Sustainable

- A growing population is not incompatible with an environmentally sustainable future. Reducing our environmental impact per person is one part of ensuring we can continue to grow our population without placing undue stresses on the systems that sustain us. In addition the Government is seeking to develop strategies that will ensure we do not erode our base of 'natural capital'.
- 'Intangible' factors also influence peoples' decisions about where they live. Government is seeking to enhance the richness of community life in Victoria to promote the best possible living and working environment for its citizens, and to manage population change so as to not compromise our State's renowned liveability.
- It is vital that future change is continually monitored and reviewed, and that an understanding of the implications of demographic change permeates Government policy.

Victoria's Leadership on Population Policy

Victoria has been at the forefront in calling for a national consensus on population, and it will continue to argue the case.

Since sponsoring the first National Population Summit in Melbourne in 2001, the Bracks Government has consistently advocated a national and rational approach to issues of population growth and demographic change.

There is growing momentum supporting Victoria's position. Earlier this year the South Australian Government released its own population policy, also calling for a national partnership on population. In a recent discussion paper, the Business Council of Australia recommended the establishment of a National Population Council to bring together key stakeholders 'to improve coordination, focus and buy-in on population policy'. The Australian Population Institute, which facilitated both the 2001 and 2003 National Population Summits, has called for the development of an integrated national population policy framework by 2005.

Population growth and demographic change are issues of national importance because they impact on every Australian in some way. Australia's demographic challenges do not end at State borders. They are relevant to all tiers of government, to the private sector and to the community at large. Many of the levers to address the challenges of population change lie with the Federal Government, with industry and with global trends, and this is why we must approach this issue together.

For example, greater cooperation is required to ensure that migration programs meet the needs of Australia and its States and Territories. It will increase the likelihood that policies can be implemented that lead to a more balanced distribution of population between metropolitan and regional areas. Cooperation will similarly enable the development of a comprehensive approach to tackling the issue of low fertility rates in Australia.

The Victorian Government believes that a national consensus on population is required. It is vital that the Federal Government provides leadership in establishing a process that will produce a national population policy, with full support and engagement with the States and Territories.

Victoria calls on the Federal Government to include Population as an agenda item for future meetings of the Council of Australian Governments (COAG). As this Policy shows, we have a window of opportunity to think strategically about population issues and how we can derive benefit from them for the future benefit of the people of Victoria and Australia.



In the century since Australia's Federation in 1901, the State's population has more than quadrupled, from 1.2 million people to five million people today.

2. Overview

Victoria is a great place to live, and its greatness stems from our people.

Victoria's population is a story of growth. In the century since Australia's Federation in 1901, the State's population has more than quadrupled, from 1.2 million people to five million people today. Nearly three quarters of this growth occurred after the Second World War.

Most Victorians now were both born and raised here, but for a long time population growth was a result of migration. At first lucrative goldmines and rich pastures attracted people. Nowadays, economic opportunities and a prosperous lifestyle continue to lure people from all over Australia and from around the world.

Past Trends and Future Projections

In the last 30 years, Victoria's population grew on average by just under one per cent per annum. Growth has been particularly strong in recent times—since 1998/99 Victoria's population has grown each year by an average of 1.2 per cent (see Figure 2.1). In the year to June 2004, Victoria grew by 1.25 per cent—the first time in 40 years that the State has grown faster than the national average.¹

Figure 2.1: Population Growth in Victoria: 1973–2002 (Five Year Average) and Total Population

Source: ABS Cat No. 3105.0

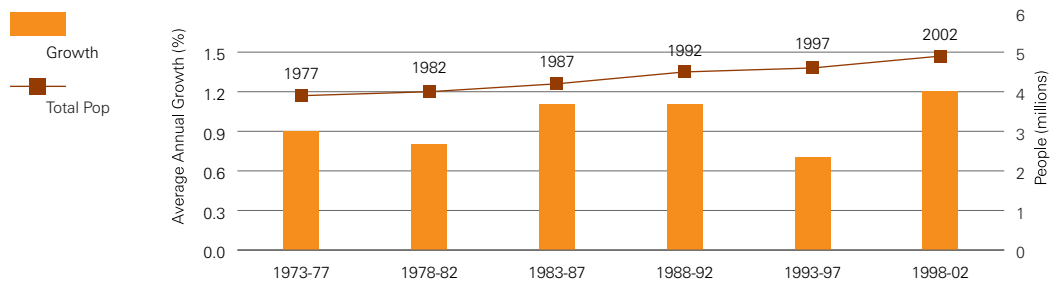
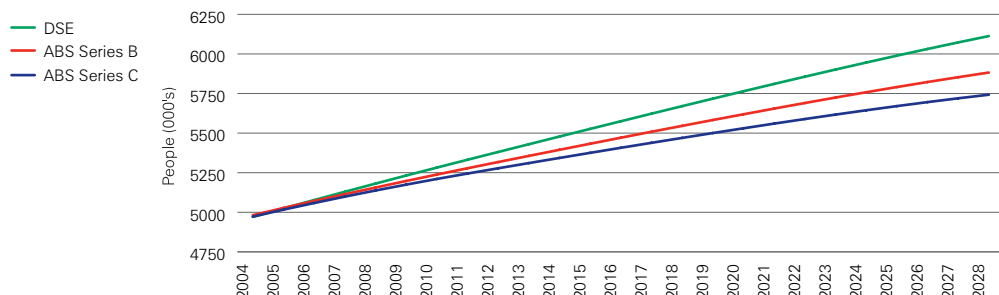


Figure 2.2: Victorian Population Projections: 2004–2030

Source: Victorian Department of Sustainability and Environment (DSE) Projections, ABS Cat 3222.0 (2003)



¹ ABS Cat 3101.0. Based on preliminary estimated resident population (ERP) at June 2004.

Population growth has underpinned Victoria's economic development and contributed to the prosperous lifestyle we enjoy today.

What will Victoria's population growth be over the next 30 years? The answer to this question depends on assumptions about things such as future fertility rates, life expectancy and migration levels. The Victorian Department of Sustainability and Environment (DSE) and the Australian Bureau of Statistics have developed population projections for Victoria, each using different assumptions. Some different scenarios are set out in Figure 2.2, and provide an indication of the sort of growth we can expect in the future. They suggest that Victoria will gain up to one million people by 2025. However, despite this absolute growth in people, the annual rate of growth will actually slow as the population ages and mortality rates increase.

To better understand these future projections, it is useful to consider the three individual components of total population change in Victoria: **natural increase** (the balance of births minus deaths); **migration from overseas**; and **migration from interstate**. Figure 2.3 illustrates the trends for each of these over the past 10 years.

Breaking out the components of growth in this way reveals a number of important trends. First, natural increase has fallen, due to a decline in the fertility rate. Second, levels of net interstate migration have dramatically recovered from the mid 1990s when large numbers of people were leaving Victoria. Third, net overseas migration has been steadily increasing—a result of increased national migrant intakes and Victoria's growing share of the total intake.

Figure 2.3: Components of Victoria's Annual Population Growth: 1993–2003

Source: DSE, *Victoria in Future*, 2004

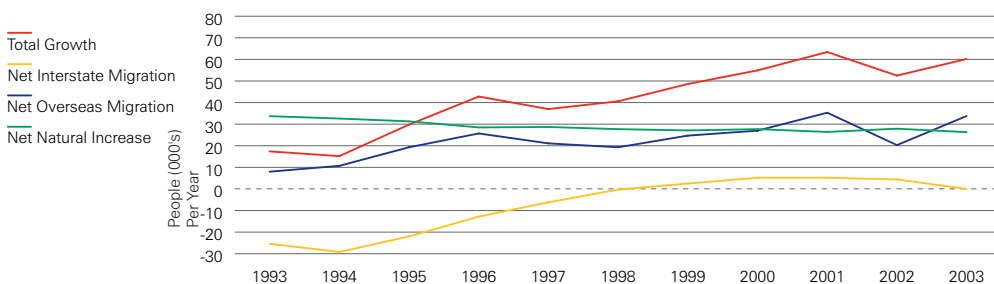
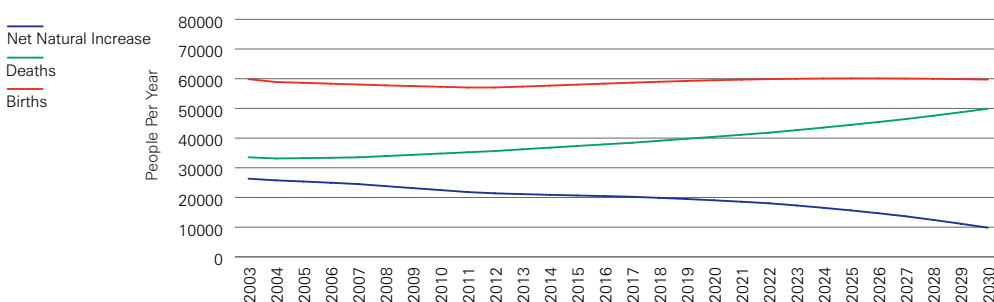


Figure 2.4: Projected Natural Increases in Victoria's Population: 2003–2030

Source: DSE, 2004



The picture for future growth is considerably different. Most importantly, the projections reveal how Victoria, like the rest of Australia, stands on the cusp of a significant demographic change. As the baby-boomer generation ages, our biggest historical source of growth—natural increase—will steadily be eroded (see Figure 2.4). While the number of births will remain relatively constant, the number of deaths will increase significantly because a greater proportion of the total population will be older.

This change will amplify the importance of migration as a source of population growth—Figure 2.5 indicates the differences in the way that Victoria will grow in the future compared with the past.

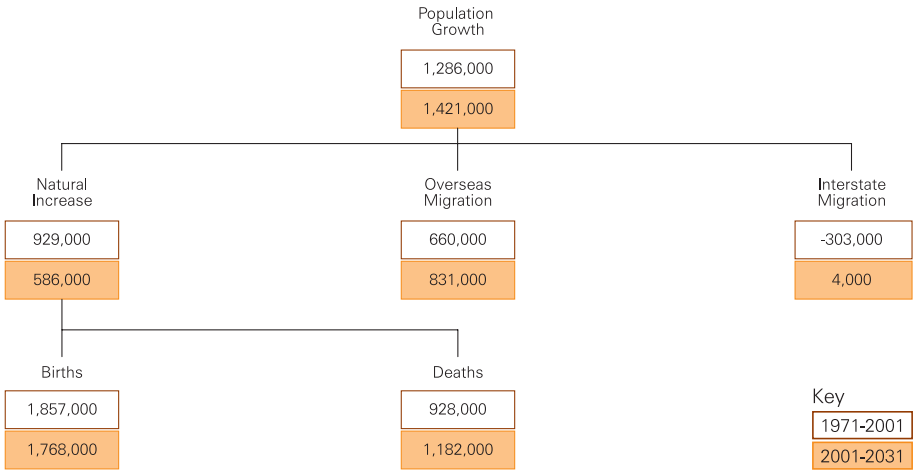
Rationale for Growth

There is increasing public debate in Australia on population issues. In part, this is because we, like most developed countries, face an ageing population. This phenomenon will have many implications for our society. But the debate also focuses on other questions. How can we ensure prosperous communities for our families? Where will people choose to live? How many people can and should our land seek to sustain, looking 50 years into the future?

Population growth has underpinned Victoria’s economic development and contributed to the prosperous lifestyle we enjoy today.

It has been estimated that over the past 40 years, half of Australia’s GDP growth was directly attributable to population growth.² The growth of Victoria’s economy reflects a similar story.

Figure 2.5: Comparison of Population Growth in Victoria: 1971–2001 and 2001–2031 (Projected)
Source: DSE, 2004



2 Henry, Ken, 'The Demographic Challenge to our Economic Potential', Chris Higgins Memorial Lecture, Canberra, 13 November 2002.

Sensible population growth can have a significant positive economic impact. It generates more economic activity, for example, by increasing consumer demand and dwelling investment. The attraction of highly skilled migrants can result in considerable productivity improvements as well as increase linkages with the global economy.

Population growth creates the critical mass necessary to encourage greater investment, particularly for businesses focused on local markets. A larger population can also foster the interactions that drive innovation, a vital requirement for Victoria's increasingly knowledge-based economy.

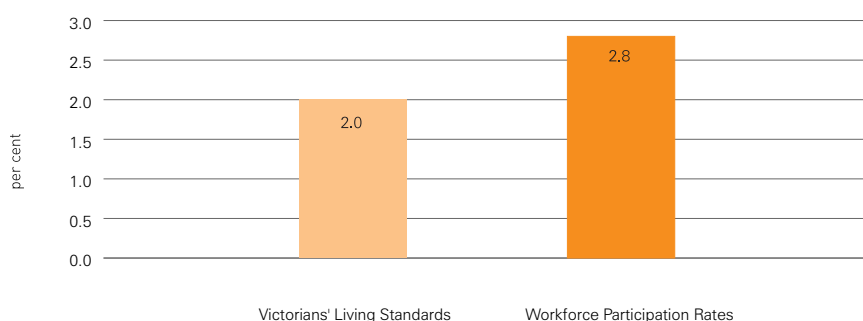
A recent study commissioned by the Commonwealth Department for Immigration and Multicultural and Indigenous Affairs (DIMIA) conducted modelling to estimate the longer-term economic impact of migration. It found that even by conservative estimates, maintaining our current levels of migration over the next 20 years would add approximately two per cent to living standards in Victoria (see Figure 2.6). This improvement will be driven by the significant gains in labour productivity and labour force participation that result from skilled migration.

Greater population size can also mitigate the economic impact of the ageing of the population. It will ensure the continued existence of one of our key competitive advantages—the availability of a large pool of highly skilled workers—and maintain the stable base of taxpayers that is necessary for funding services and infrastructure.

Population growth will have other benefits, many of which are hard to quantify, but are no less important. More people can produce more ideas and innovation. This can increase our global linkages. More people will provide the impetus and scale necessary for creative activities and events. It will also ensure that Victoria continues to have a leadership position in influencing matters of national debate.

Figure 2.6: Estimated Long-Term Economic Impact of Migration in Victoria Based Upon Continuation of Current Intake Levels (% Growth)

Source: DIMIA, *The Impact of the Migration and Humanitarian Programs on State and Territory Economies*, August 2004



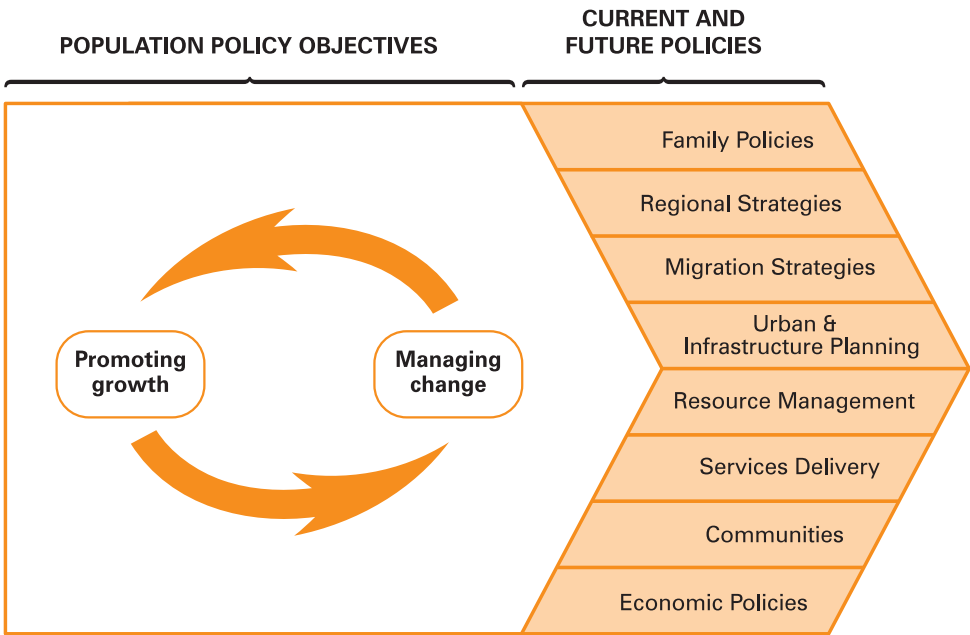
Objectives of this Population Policy

This Population Policy has a number of objectives. It seeks to articulate the Government’s vision for Victoria’s future population. This vision is about more than the issue of population growth and how to achieve it. As importantly, it seeks to provide an overarching framework that links and guides the development and implementation of Government policies that involve demographic issues. Figure 2.7 provides a picture of the objectives of this policy, and its links to other Government policies that are in place or that will be further developed in the future. It illustrates how central demography is to so many areas of policy.

The policy also seeks to signpost the opportunities and challenges that stem from growth and demographic change. In doing so, it identifies the key issues that will require more attention in the future. Addressing these issues will require cooperation between the Victorian Government, the Federal Government, Local Government, businesses and communities.

Finally, the Policy outlines what is being done and how these actions are linked to the Government’s vision for Victorians.

Figure 2.7: The Relationship between the Population Policy and other Government Policies



3. Natural Population Change

Natural population change is the difference between the number of births and the number of deaths over a period of time. As noted earlier, Victoria stands on the cusp of a significant demographic change that will see the steady erosion of natural population growth. This is in part due to the fact that birth rates will not keep pace with the increasing mortality rates that will stem from an ageing population.

Declining Fertility Rates

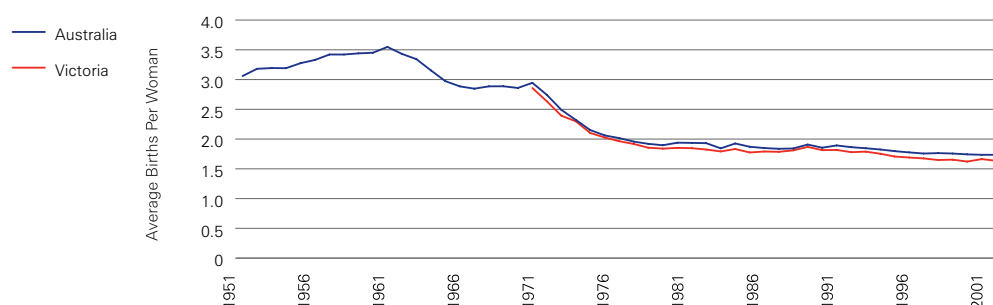
After the Second World War, Victoria, like Australia as a whole, experienced a surge in its fertility rate,³ largely attributable to the 'baby-boom' phenomenon and to high levels of postwar immigration (see Figure 3.1). This boom peaked in the 1960s. Since then, Victoria, like most other parts of the developed world, has experienced a substantial and steady decline in its fertility rate.

This decline was due to a range of factors:

- **Medical advances:** The introduction of oral contraception for women in the 1960s has given people a greater capacity to delay parenthood
- **Social factors:** Research⁴ indicates that married couples are more likely to have children, but today more people are staying single for longer, there is a higher incidence of relationship breakdown, and more couples are remaining in de facto relationships rather than getting married. Further, with expanded choices for women in the areas of employment and education, increasing numbers of women are exercising the options to make choices that preclude having children.
- **Economic factors:** Increasing real incomes and educational and employment opportunities for women have increased the opportunity costs of having children; also, for some people, the costs of having children may act as a disincentive. Also, a sustained decline in housing affordability for first home buyers may mean that the decision to have children is delayed until the family home can be established.

Figure 3.1: Australian and Victorian Fertility Rates: 1951–2003

Source: ABS Cat No. 3105



³ The fertility rate measures the average number of live births women expect to have. The Crude Birth rate is the number of live births registered in any given year per 1,000 resident population.

⁴ For example: De Vaus, *Fertility Decline in Australia: A Demographic Context*, 2004, (www.aifs.gov.au/institute/pubs/fm2002/fm63/dd.pdf)

Future fertility rate projections are by their nature speculative. While the annual birth rate across all female age groups may fluctuate from year to year, it is evident that women of the same age group are tending to have fewer children than in the past, with growing proportions of women expected to remain childless.

Victoria's current fertility rate of 1.67 is the second-lowest in Australia. Melbourne's rate is even lower at 1.59. These are significantly less than the replacement rate of 2.1. However, Australian and Victorian fertility rates compare favourably with other developed countries (see Figure 3.2). In 2000, Australia's rate of 1.76 ranked it tenth among the thirty OECD nations.

These international comparisons highlight two important facts.

First, Europe's experience shows that further declines in the fertility rate are certainly possible. While recent trends suggest a flattening of this decline, this needs to be a sustained trend. Second, it reinforces the fact that now is the time to act if future fertility rates are to be stabilised, or increased.





A Changing Australia

Since 1960...

...Australian fertility rates have halved, from 3.5 to 1.76 children per woman.

...The average age at which women are first bearing children has risen, from 27 to 30 years.

...The proportion of women having five or more children has dropped from 12 to 2.3 per cent.

...The population has been gradually ageing, with the median age rising from 29.6 to 35.4 years.

...Average life expectancy at birth has risen, from 68 to 78 years for males and 74 to 82 for females.

Deciding whether to have children, and if so, how many to have, is a personal choice for couples. However, research⁵ has shown that many Australian families are having fewer children than they would like to have. This indicates that there are opportunities for policy action to address this 'aspiration gap' that would also have a positive impact on Victoria's population growth and age-profile.

'Family friendly' initiatives are the best way for governments, businesses and communities to address this issue, but there is much debate about which initiatives are the most effective and the most equitable. Many policymakers have assumed that declining fertility rates could be arrested by policies that encouraged women to remain at home while they raised a family. This thinking prompted the Federal Government to introduce tax benefits for families where one parent, usually the mother, remains at home.

Most new mothers want to initially remain at home after having a child. But despite Federal incentives to stay at home, an increasing proportion of mothers are choosing to return to work well before their children reach school age. Further, the time period between giving birth and returning to work continues to lessen.

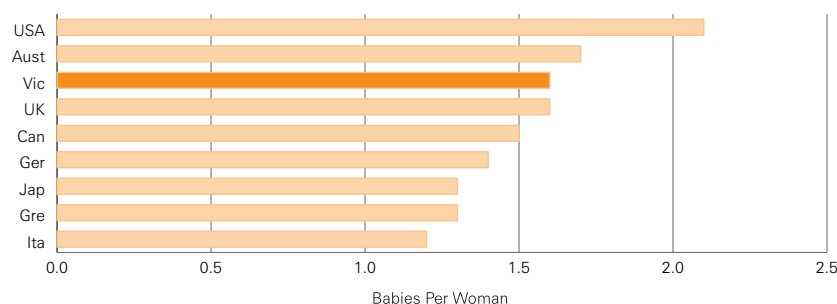
These developments constitute a major sociological shift and reflect the modern reality that women with children are increasingly reluctant to remain out of the workforce for long periods. The reasons for this are very often financial, but can also reflect a desire to not forego fulfilling career opportunities.

Policies that reward mothers who remain out of the workforce, but penalise the majority of mothers who decide to return to work, do not reflect this social reality. The effect of such policies is therefore questionable.

What will prove most beneficial to women, and will more likely have positive effects on fertility rates, are policies that assist parents to *balance* paid work and family responsibilities by promoting adequate parental leave, affordable childcare and flexible hours.

Figure 3.2: Fertility Rates for Selected OECD Nations and Victoria, 2000–2005 (Average Annual Rate)

Source: ABS Cat No. 3301, 2002



5 De Vaus, *Fertility Decline in Australia: A Demographic Context*, 2004.

The importance of such 'family friendly' strategies is supported by cross-national studies, which reveal that similarly developed countries that provide little support for working mothers (for example, Italy), tend to have the *lowest* fertility rates. In contrast, countries, like Norway, that have higher levels of female participation in the workforce now appear to have relatively higher fertility rates. Where having children involves making real sacrifices in terms of career and earning opportunities, families may be less inclined to either have children, or to have the number of children they would ideally like. However, they may be more inclined to have children if policies exist which reduce potential opportunity costs.

The Victorian Government's Strategies

In addressing the vital issues of work/family balance and increased workforce participation, many of the policy levers, such as industrial relations, taxation and superannuation, are held by the Federal Government. In addition to working in partnership with the Federal Government, there is scope for the Victorian Government to take action:

Encourage a better work/family balance

- The Victorian Government is developing policies that will assist parents and other carers to achieve a better balance between work and family commitments. In November 2003, the Victorian Government released an *Action Agenda for Work and Family Balance*, outlining a broad suite of approaches, which include:

- Demonstrating leadership on work and family balance by contributing to debate on work and family issues, raising public awareness about the importance of work and family commitments, and promoting the economic and social benefits of better work and family balance to industry and the wider community.
- Supporting industry in the adoption of practices that enhance work and family balance, and working with Victorian businesses to develop innovative solutions for a better balance between work and family life.
- Working in partnership with communities across Victoria to develop practical solutions to the problems associated with balancing work, family and community commitments.
- Demonstrating good practice in work and family balance in Victorian public employment by providing family-friendly employment conditions such as 13 weeks paid maternity leave and adoption leave (increasing to 14 weeks in 2005) and promoting the use of other work and leave options to assist employees to combine work and family responsibilities.

Family-friendly work policies and practices serve a number of purposes in addressing the issues associated with ageing of the population. Firstly, they assist workers who may have responsibility for caring for older family members such as parents, partners or siblings, as well as children. Secondly, many of these work and leave arrangements could also assist older employees, by allowing them to maintain their labour market attachment, while making a more gradual transition to retirement over time.

Also, promoting affordable housing through our First Home Bonus Scheme, *Melbourne 2030*, VicUrban and the Office of Housing will positively encourage families to establish a home earlier thereby removing one important barrier to having children.

4. Overseas Migration

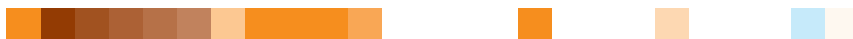
Victoria has been enriched by the presence of people from all over the world. Victorians come from over 200 countries, speak 180 languages and practise more than 100 religious faiths. Victoria has an enviable history of welcoming and absorbing migrants into its society.

Migrants have made an enormous contribution to the community in many areas including business, public service, education, research, sport and the arts. Today, more than 40 per cent of Victorians are immigrants or the children of immigrants. They have contributed to the creation of a harmonious and diverse society, and to our connection and engagement with the wider world.

Immigration will continue to play an important role in maintaining Victoria's recent strong economic performance and achieving the State's population targets. Projected declines in natural population increases will amplify the importance of overseas migration as a source of population growth. Consequently, the Victorian Government will continue to actively support programs to attract migrants to both metropolitan and regional areas.

Migration is about considerably more than achieving population growth targets. Migrants make a significant contribution to the Victorian economy, whether it be by contributing to productivity improvements through the influx of skilled migrants, increasing aggregate demand through consumption, or supplying much-needed labour in regions and industries experiencing skills shortages. Migrants also make a significant social and cultural contribution to Victoria.

Many concerns about migration are overstated or misplaced. Attracting skilled immigrants tends to add to, not detract from, our living standards. Skilled migrants often have higher incomes, pay more taxes and are less likely to be unemployed. They typically bring to the workplace a strong work ethic, business skills and education. Well-planned immigration will not increase unemployment, as it will increase both the demand and supply of labour.



Migration and Ageing

Some people believe that migration has no impact on the ageing of the Australian population because migrants eventually age themselves. However, as the average age of the population rises, the impact of migration on the age structure will increase. This is because the gap between the average age of migrants upon entering Australia (around 25 years old) and the average age of the population (36 years in 2003, but 39 years in 2020) will have become wider.

Future migration will therefore have a more pronounced impact on the age structure of the population than it did last century. Demographer Professor Peter McDonald estimates that by continuing current levels of migration over the next 50 years, the proportion of people aged over 65 will be 24 per cent. With no migration it will be 28 per cent. This suggests that migration policies targeting younger skilled migrants will have the most impact.

Source: Kippen and McDonald, Australia's Population in 2000: The way we are and the way we might have been, in 'People and Place', Vol. 8, No. 3, 2000, p. 10.

It is important that the benefits of migration—economic, social, and cultural—and the ensuing diversity that stems from migrant communities are not confined to metropolitan areas.

Trends and Projections

The Federal Government determines the size of Australia's annual migrant intake. Numbers entering and leaving Australia have generally fluctuated according to economic conditions, particularly labour market conditions. Consequently, migration intakes were lower during the economic downturns of the early 1970s, mid 1980s and 1990s. Expected long-term labour market shortages suggest that overseas migration will remain at the current higher levels, akin to the levels of the 1950s and 1960s.

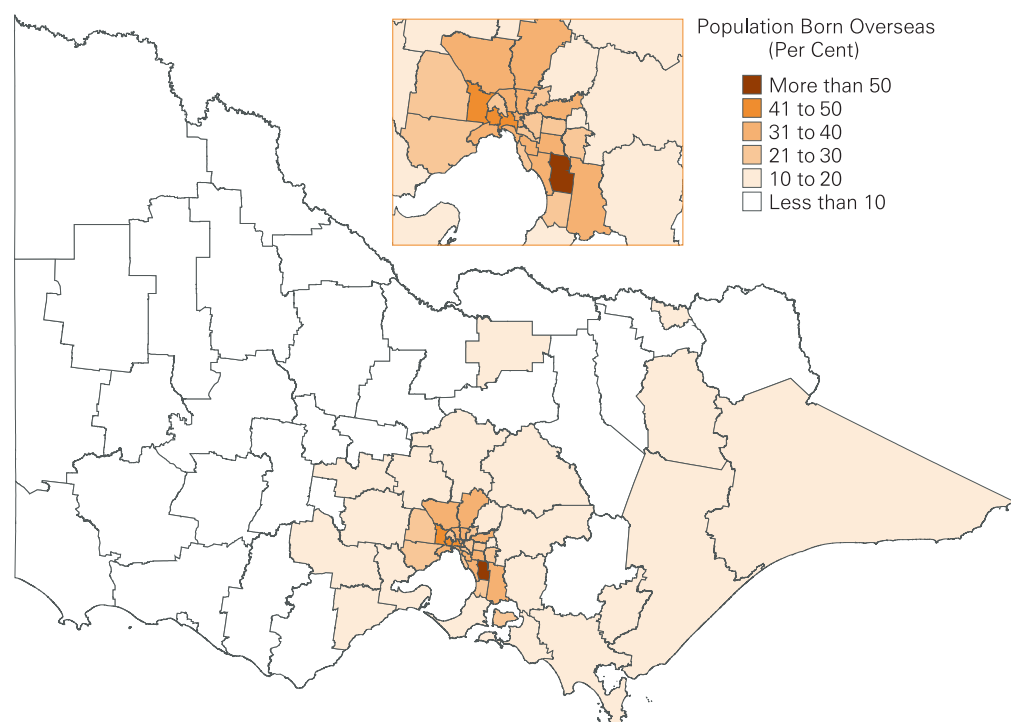
Around one quarter of all new migrants arriving in Australia settle in Victoria. Since 1999/00, 116,000 migrants have arrived in the State. During that period, the largest countries of origin of migrants were New Zealand, China, India, the United Kingdom and Vietnam.

In most migrant-friendly countries, migrants gravitate to larger cities where employment opportunities are perceived to be broader. Victoria's experience has been similar—an estimated 90 per cent of new migrants to Victoria settle in Melbourne. Figure 4.1 indicates the higher concentration of migrants in and around Melbourne compared to Provincial Victoria.

It is important that the benefits of migration—economic, social, and cultural—and the ensuing diversity that stems from migrant communities, are not confined to metropolitan areas. While Melbourne will continue to attract a majority of overseas migrants coming to Victoria, the Victorian Government has made it a priority—and will continue to do so—to develop policies that will encourage greater numbers of all types of migrants to settle in regional areas.

Figure 4.1: Proportion of Victoria's Population Born Overseas, by Local Government Area: 2001

Source: DSE, ABS Census 2001



Types of Migration

Migrants enter Australia in one of three ways: as skilled migrants, as migrants being reunited with their families, or as humanitarian entrants. In addition, a significant number of people enter Australia on a temporary basis, as visitors, students or for a range of specialised purposes (e.g. business).

Skilled Migration

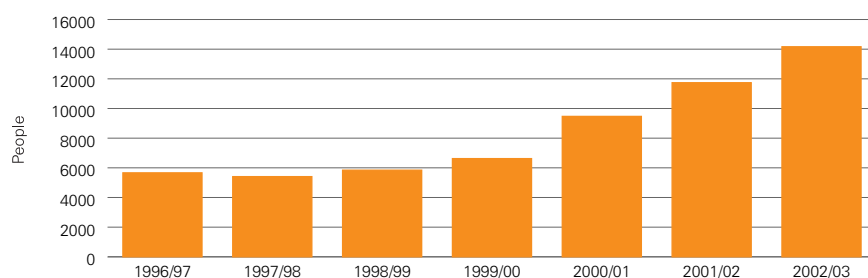
Migration to Australia has changed over time, becoming increasingly focused on attracting skilled people who have the ability to quickly achieve positive employment and settlement outcomes. As a result, migrants are now better educated, younger, and more job-ready, with the language skills to operate successfully in the Australian workforce.

In recent years the Federal Government has increased flexibility for State Governments to be involved in skilled and business migration programs. **The Victorian Government is committed to maximising the outcome of these programs to grow Victoria's share of Australia's migrant intake and the proportion of migrants settling in Provincial Victoria.** This focus on skilled migrants is consistent with the Government's objective of fostering population growth that will improve Victorians' standards of living.

There has already been considerable success. Victoria's intake of skilled migration more than doubled between 1996–97 and 2002–03 (see Figure 4.2), increasing our share of Australia's skilled migrant intake from 18 per cent to 24 per cent.

Figure 4.2: Skilled & Business Migration to Victoria, 1996/97–2002/03

Source: DIMIA



While Victoria has significantly improved its attraction of skilled migrants, in a highly mobile world, attracting skilled migrants is becoming increasingly competitive.

This growth has been achieved through new and expanded initiatives for skilled migrants, Victorian employers, industries and communities, including:

- Establishment of a dedicated Skilled Migration Unit in 2000;
- Expansion of the Business Migration Unit; and
- Increased funding to the Overseas Qualifications Unit to assist migrants to obtain recognition of their skills in Victoria.

While Victoria has significantly improved its attraction of skilled migrants, in a highly mobile world, attracting skilled migrants is becoming increasingly competitive. Victoria faces competition for skilled migrants from other states and internationally from countries around the world.

Increased competition for migrants is driven by two factors. The first is the need for migration as a mechanism to cope with population ageing in developed countries. The second is global competition for migrants amongst countries where human resource skills are regarded as an engine for economic growth and where skills shortages are constraining growth. Victoria must increasingly position itself to capitalise on its competitive advantages in attracting people.

Humanitarian Entrants

Australia's Humanitarian Program reflects its commitment as a global partner in the system of international protection to share the responsibility for the protection of refugees and people facing significant difficulties. Victoria is committed to the acceptance and settlement of humanitarian entrants and refugees into our community. In 2002/03 Victoria attracted 36 per cent and 39 per cent of the total Australian intake in the Special Humanitarian Program and Refugee categories respectively. The State's tradition of compassion has enriched Victoria, with many refugees succeeding in rebuilding their lives.

Humanitarian entrants have particular needs and require considerable assistance during the settlement period. To complement Commonwealth-funded settlement services, the Victorian Government provides additional funding and programs for refugee and humanitarian entrants, many of which are also available to Temporary Protection Visa holders. These additional services are mainly provided by the Department of Human Services and associated agencies, and include public housing, trauma and counselling services, home and community care and additional language classes.

Temporary Entrants

At any one time, there are thousands of temporary visa-holders in Victoria. They include international students, working holidaymakers and employer-sponsored workers. The benefits of attracting such people are considerable. It strengthens our links with the global economy; it enables a sharing of ideas and work practices; and it can provide a valuable source of labour, for example, fruit-pickers in the Goulburn Valley.

Temporary entrants also make a significant economic impact. For example, the annual intake of international students—an area where Victoria has shown real leadership—generates more than \$1 billion in revenue for our educational institutions, and a \$500 million spillover into other areas of economic activity such as accommodation. In fact, international education is one of Victoria's fastest-growing export industries, with over 60,000 students studying in Victoria in 2003.

In addition to these benefits, there are also important long-term effects, as many temporary entrants eventually seek to remain permanently in Australia. Again, international students are a good example of this opportunity.

International students today represent a significant and growing proportion of skilled permanent visa recipients. They are a highly desirable target migration group as they are already in Victoria, have Australian qualifications, have established social networks, and are more familiar with local labour market conditions. This means that permanent migration can be mutually beneficial for the individual and for Victoria.

Victorians Abroad

The international movement of highly skilled labour is becoming an increasing reality. Victoria is not immune from this phenomenon. A recent report by the Lowy Institute For International Policy on the Australian Diaspora⁶ noted that approximately 760,000 Australians reside overseas, and a further 265,000 are temporarily abroad at any given time. It would be reasonable to assume that at least a quarter of this number are former Victorians.

The Lowy Institute noted that those living abroad are often our best and brightest, attracted to opportunities abroad that may simply not be available in our smaller labour market. Typically, they have departed for reasons of 'career advancement' and are highly educated, well-paid and under 45 years old. Importantly, surveys indicate that expatriates retain a strong sense of 'Australian-ness' and that many intend to eventually return home.

Expatriates are a very valuable resource, and maintaining links with the expatriate community is a potential way of harnessing global connections. Such linkages are also important, given that many expatriates do eventually return to Australia. In addition, the repatriation of high-calibre people can provide the focus and recognition needed to attract other expatriates back to Victoria and to build skills locally.

The Victorian Government's Strategies

Research suggests that the key reasons why migrants choose to settle in a particular location are employment opportunities, family links, natural attributes and lifestyle. Victoria, with its vibrant economy, excellent health and education systems, cultural diversity and established migrant communities is well placed to capitalise on these 'pull' factors.

The Victorian Government will continue to place a major focus on migration attraction policies. Key initiatives include:

Continued advocacy to the Federal Government to increase Australia's migration intake, particularly skilled migration

Immigration has enjoyed bipartisan support in Victoria. State governments have consistently lobbied the Federal Government for increases in the overseas migration intake on the grounds that migrants enhance the State's economic and social wellbeing. The Victorian Government will continue to advocate that the Federal Government increases migration levels, with a strong focus on skilled migration. This issue should be considered by a proposed State and Territories Council, within the broader context of a full discussion about the development of a National Population Policy.

6 Fullilove and Flutter, *Diaspora: The World Wide Web of Australians*, The Lowy Institute Paper 04, 2004

Increased focus on attracting more migrants to Victoria, particularly Provincial Victoria

The Victorian Government has allocated \$6 million over four years to attract more migrants to Victoria. In April 2004 it released *Start Your Future Here: Victoria's Skilled Migration Strategy*. This strategy sets out in detail how the Victorian Government will seek to attract more migrants to the State. The strategy has three key components:

- An **international and domestic marketing strategy** to attract business and skilled migrants. It includes enhanced Internet-based communication activities, which are increasingly becoming the preferred medium of communication between potential migrants and Victoria.
- Establishment of a **Regional Migration Incentive Fund** to provide direct financial support to regional areas to assist them to implement local strategies to attract, receive and retain skilled and business migrants.
- Funding **targeted programs** to help migrants obtain appropriate employment and assist communities to settle migrants in their areas.

Increased coordination with Federal Government migration programs

Migration is an issue for all levels of government. Recognising this, in 2003 a Commonwealth-Victoria Working Party on Migration was formed to identify opportunities to work together in this area of policy. The Working Party was a collaborative exercise and has resulted in a number of key areas for action, including:

- Introduction of a new regionally-focused visa specifically designed to attract skilled migrants to regional areas;
- Establishment of an ongoing Commonwealth-Victoria Migration Steering Committee to ensure integrated implementation of programs; and
- An in-principle agreement to conduct a trial program in regional Victoria for the settlement of an increased number of humanitarian entrants.

Continuing to grow Victoria's international education sector

Recognising the importance of international students to Victoria, the Government is working with Victoria's secondary and tertiary education institutions to identify ways of attracting more international students to Victoria. In 2004, the Victorian Minister for Education launched *Global Pathways: International Education for Victoria*, which identified three key strategies to enable Victoria to make the most of opportunities presented by the continuing growth in demand for international education: Global Learning, Positioning Victoria; and Quality Assurance.

The Government will continue to work with the Commonwealth in relation to visa policies for temporary entrants.

Victoria is committed to the acceptance and settlement of humanitarian entrants and refugees into our community.

Fostering a Common Understanding and Appreciation of Cultural Diversity

Victoria's social, cultural and economic life has been invigorated by successive waves of immigration, providing an outstanding example of the positive effects of our cultural and linguistic diversity. This has made Victoria an open and inclusive society that readily embraces the rest of the world, delivering many benefits for our community.

In 2004 the Government introduced and Parliament passed the *Multicultural Victoria Act* to Parliament, operational from 1 January 2005. The Act will foster a common understanding of the importance of cultural diversity and how it enriches Australia by:

- Establishing principles of multiculturalism;
- Establishing reporting requirements for Government departments in relation to multicultural affairs; and
- Incorporating the existing Victorian Multicultural Commission, which acts as the primary conduit between Victoria's culturally and linguistically diverse communities and the Government.

The Act builds on the Government's existing policy framework and legislation to demonstrate a commitment to promoting multiculturalism, achieving social cohesion and espousing the values of cultural diversity as guidance for public policy-makers and for service delivery.

Capitalising on opportunities of Victorians living abroad

The Victorian Government has developed, and will continue to refine, specific programs targeting expatriates:

- The Victoria Expatriate Network, which aims to facilitate international collaborations, business opportunities, and knowledge exchange between Victoria and expatriates in their adopted homes.
- The Victorian Endowment for Science, Knowledge and Innovation, which aims to develop programs to leverage expatriate expertise and encourage the return of talented expatriates.

An ongoing commitment, through the Government's *Innovation Statement*, to fostering innovation and world-class research and development will help ensure that Victoria enhances its status as a destination of choice for talented individuals, including ex-Victorians now living and working overseas.

Migrants have made an enormous contribution to the community in many areas including business, public service, education, research, sport and the arts. Today, more than 40 per cent of Victorians are immigrants or the children of immigrants.

5. Interstate Migration

Migration to and from other States is a key component of population change in Victoria. It is the most variable aspect of population growth, and as such, represents an important area of focus.

Trends and Projections

Until five years ago, Victoria experienced major losses of people interstate. Such losses reached a peak in the 1990s when Victoria lost more than 25,000 people in a single year. In the past five years, Victoria has seen a marked turnaround and has experienced migration gains (see Figure 5.1).

Levels of flows have been influenced by relative economic opportunity within Australia. Victoria's recent interstate gains coincided with the strong performance of the Victorian economy. More recently this has fallen back to an approximately net neutral position.

Victoria's net gains and losses from interstate migration are largely driven by migration exchanges with New South Wales and Queensland. These two States account for approximately two-thirds of Victoria's total movements to and from the rest of Australia (see Figure 5.2). Migration gains and losses from other States are much smaller.

DSE projects that future interstate migration to Victoria will be neutral—we will gain about as many people as we will lose. In part, this expected departure from past trends from interstate migration losses, reflects the changing nature of the Australian economy. The increasing

concentration of key 'knowledge-based' industries (e.g. business services, financial and property services, Information and Communications Technology) in Sydney and Melbourne is resulting in these two cities drawing away from the rest of Australia in terms of employment opportunities.

Furthermore, Melbourne has greater physical capacity to expand than Sydney and hence affordable housing opportunities may be more forthcoming. In turbulent modern economies, big cities and their labour forces are highly adaptable to change in comparison to the smaller, less diverse nature of rural and regional economies.

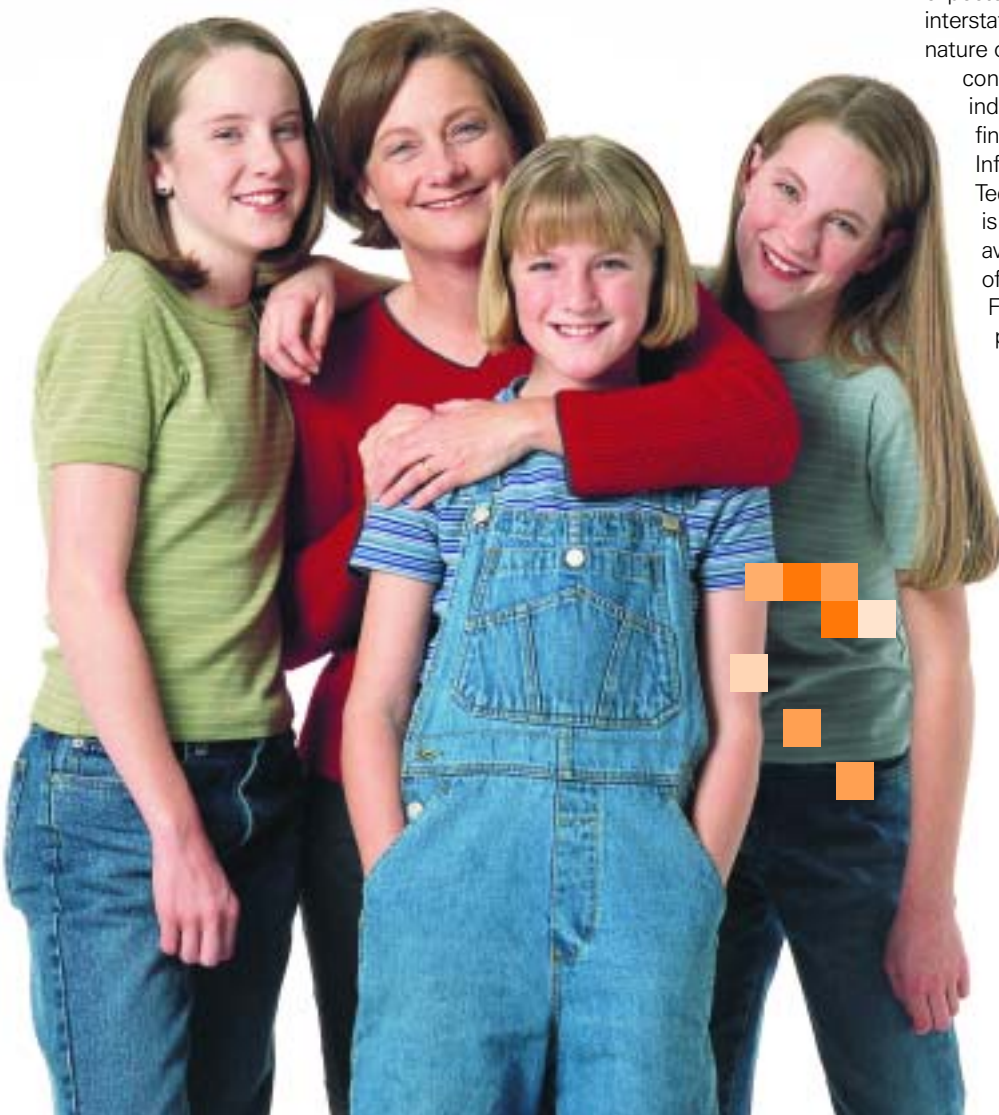


Figure 5.1: Interstate Movements To and From Victoria: 1987–2003

Source: ABS Cat No. 3101.0, Dec 2003

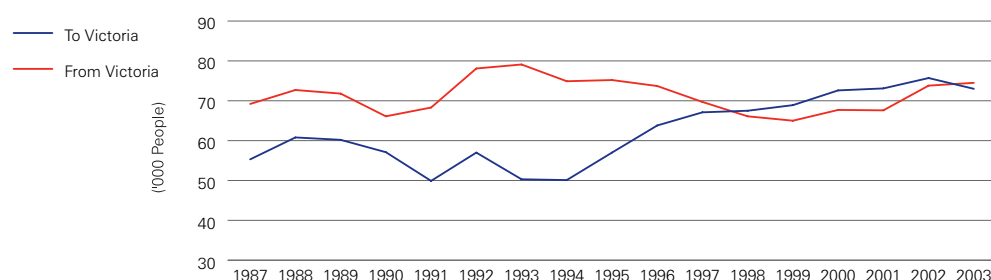
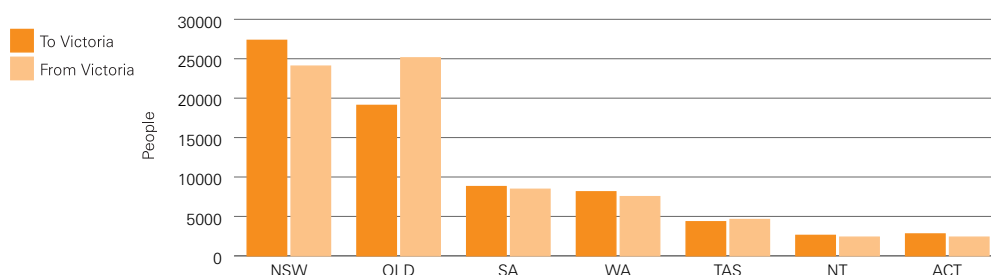


Figure 5.2: Interstate Movements To and From Victoria, By State/Territory: 2003

Source: ABS Cat No. 3101, 2003



Profile of Interstate Migrants

Unsurprisingly, in Australia the young are the most mobile. In 2002/03, 60 per cent of all interstate movers to and from Victoria were aged between 15–44 years, and 26 per cent were in their twenties.

As can be seen in Figure 5.3, a turnaround in the migration patterns of these younger age groups drove the large turnaround in Victoria's net migration position in the late nineties. More recently, a fall in these age groups has driven the more recent fall in net migration to Victoria.

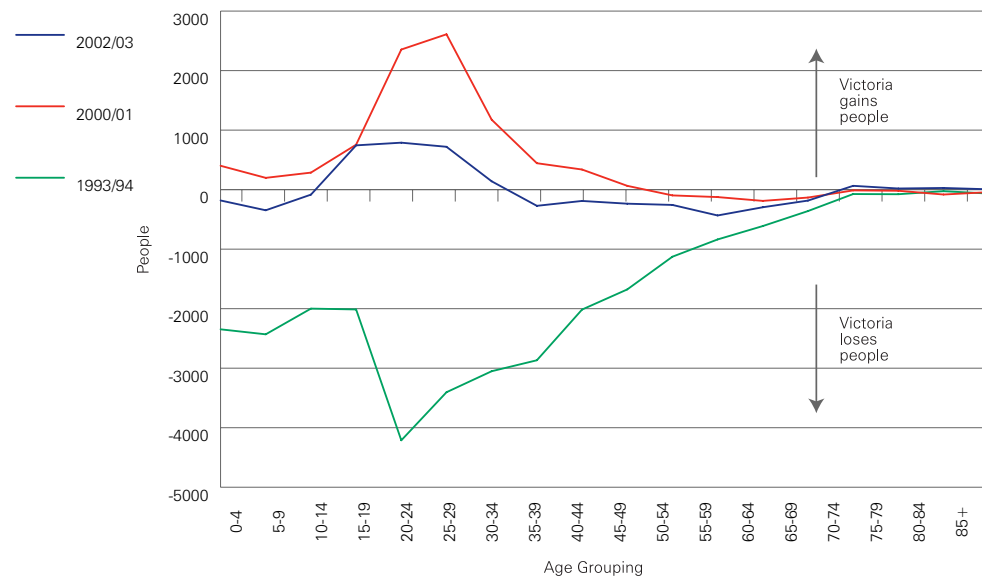
Migration patterns of people aged over 55 tend to be more stable, showing a long-term trend of small net migration loss. Total movements in these age groups are much lower than in younger age groups—movements of people aged over 55 accounted for only 11 per cent of total interstate migration in 2002/03, despite 23 per cent of all Australians being in that age bracket.

Victoria's recent interstate gains coincided with the strong performance of the Victorian economy.

Victoria has been attracting young, highly qualified, employable, and well-paid people from other States.

Figure 5.3: Net Interstate Migration in Victoria, By Age Category For Selected Years

Source: Unpublished ABS data, DPC Analysis



Data from the most recent Australian Census indicates some of the characteristics of those people moving to Victoria. This data shows that Victoria has been attracting young, highly qualified, employable, and well-paid people from other States. Retaining and attracting younger people, particularly those with qualifications and skills, can have considerable economic benefits for the State. Economic modelling by the

Department of Treasury and Finance shows that attracting younger skilled migrants results in employment growing faster than population, and living standards (as measured by Gross State Product per person) growing faster than if there was no additional migration.

Victoria should therefore focus on continuing to attract and retain younger interstate migrants to maximise our population gains and capture the ensuing economic benefits.



Older interstate migrants

Overall, the notion of a 'mass exodus' of retirees and older people to Queensland seems to be somewhat overstated. Movements from Victoria to Queensland are about the same as movements to New South Wales for these age groups. What creates Victoria's net loss to Queensland in these age groups is that similar numbers of older people have not been moving the other way (that is, from Queensland to Victoria).

There is a need to maintain a focus on growing the economy and creating job opportunities that will retain Victorians and attract people from interstate and overseas.

Factors Influencing Interstate Migration

A person's decision to move to a new city, town or State is a complex one involving many factors. The availability of suitable employment is frequently identified as a key factor in this decision. Recent interstate migration trends reflect the performance of the State economy—when the economy is performing relatively strongly, demand for labour grows and people are attracted from other States.

A second important factor that can influence migration patterns (interstate and intrastate) is the availability of affordable housing. In the future it will be essential to ensure that there is an adequate stock of affordable housing in Melbourne and Provincial Victoria. As our population grows, this will enable Victoria to maintain its attractiveness as a destination of choice for migrants.

There are also a number of other factors relevant to a person's decision to relocate. Liveability, proximity to other friends and to family, educational opportunities, and the culture and character of a city will all be considered. The relative influence of these factors is difficult to ascertain and future work should aim to identify and determine the importance of each of them.

The Victorian Government's Strategies

Young people tend to be more mobile than older people, and are more likely to move in their twenties and early thirties, before they have established families. In order to maintain and increase our gains from interstate migration, Victoria needs to make sure it remains a place where younger people want to come to work and live, or to remain if they are already Victorians.

Fostering continued economic and employment growth

Economic growth and responsible population growth go hand-in-hand. A strong economy with a wealth of job opportunities will attract new people and ensure current residents are less likely to go looking for opportunities elsewhere.

Employment growth is a key driver of interstate migration. Strong and consistent economic growth has been a feature of Victoria's economy in recent years, and has underpinned Victoria's turnaround in attracting interstate migrants. Thick labour markets of talented, creative people are attractive to businesses looking for locations to establish operations. Areas with growing populations are attractive to businesses looking for new markets, and can help to underpin capital investment, construction activity and housing demand.

Because of this, there is a need to maintain a focus on growing the economy and creating job opportunities that will retain Victorians and attract people from interstate and overseas. Direct Government actions such as those outlined in *Victoria: Leading The Way*, as well as a general commitment to economic and financial management, will help to ensure the Victorian economy continues to offer opportunities that attract businesses and talented people from all around Australia and the rest of the world.

Identifying factors influencing interstate migration

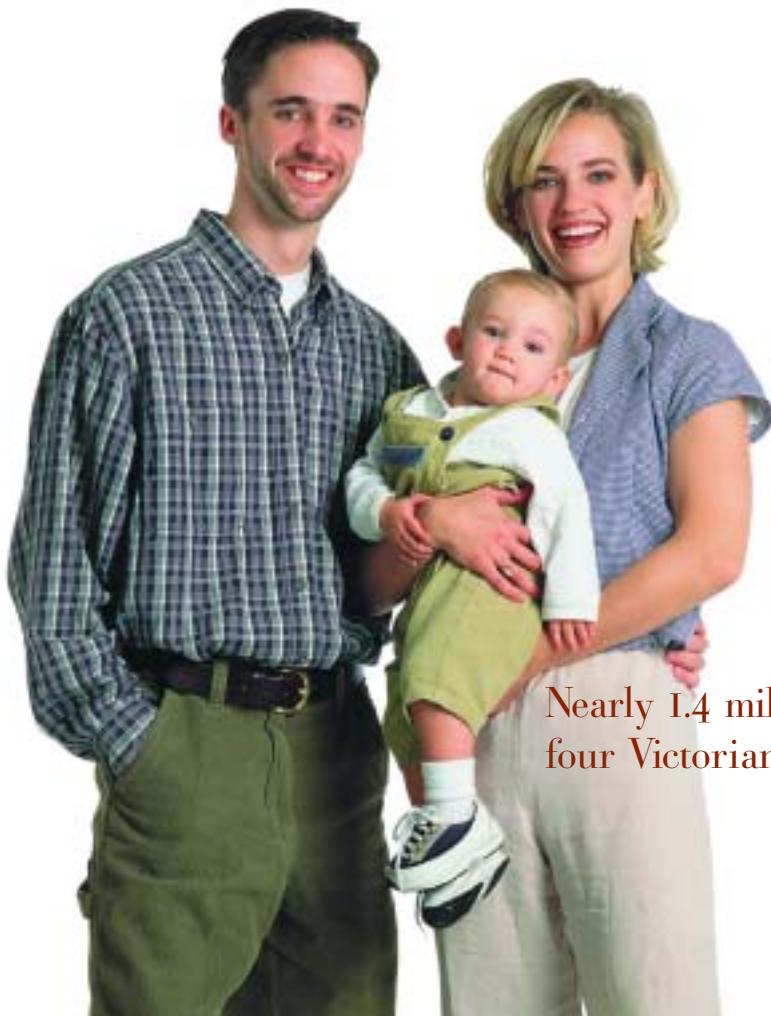
Future work should aim to identify other factors that influence people to move from interstate, and should concentrate on ensuring that Victoria continues to be a place where people from other States want to come to live and settle.

Nearly 1.4 million people, more than one in every four Victorians, live in Provincial Victoria.

- contribute to a more balanced distribution of population growth across Victoria, thus easing population pressures on Melbourne
- stimulate additional regional economic growth, investment and employment opportunities
- address regional skill shortages
- develop the critical mass required to maintain and improve services in regional areas
- result in more diverse and vibrant local communities.

Since 1999 Provincial Victoria has grown by an average 1.0 per cent each year. As illustrated in Figure 6.1, although this growth is a significant improvement on that experienced in the mid 1990s, it has not returned to the relatively high levels of up to 1.5 per cent per annum experienced in the 1980s. Future growth rates are projected to decline, not because regional Victoria will attract less people—in fact it will likely attract greater numbers—but because of an increasing mortality rate as the population ages.

While Provincial Victoria is projected to continue to grow, it is older and will age at a faster rate than Melbourne. Its median age is currently 38.3 years, compared to Melbourne's 36.2 years. By 2021, 31 per cent of the population will be aged 60 years or older. In Melbourne, the comparable figure is 22.8 per cent (see Table 6.1).



Nearly 1.4 million people, more than one in every four Victorians, live in Provincial Victoria.



Many regional centres have experienced strong annual population growth since 1999. These include Ballarat (1.4 per cent), Wodonga (1.9 per cent), Warrnambool (1.6 per cent) and Mildura (1.4 per cent).

Figure 6.1: Population Growth, Regional Victoria: 1976–2031

Source: DSE

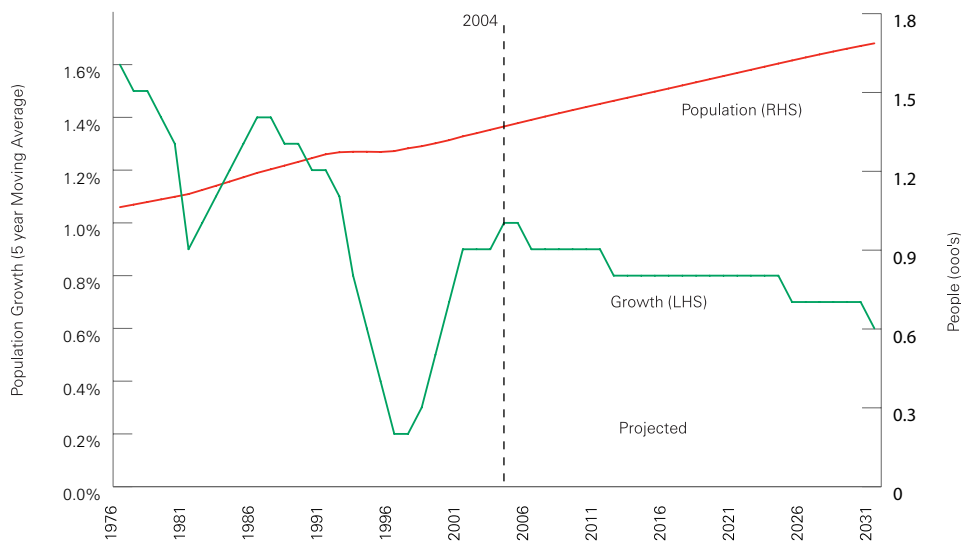


Table 6.1: Percentage of Population Aged 60+ Years in Provincial Victoria and Melbourne (2006–2021)

Source: DSE

Year	Provincial Victoria	Melbourne
2006	21.3%	17.3%
2011	24.5%	19.2%
2016	27.7%	20.9%
2021	31.0%	22.8%

Components of Population Change

Population change in Provincial Victoria differs from Melbourne's experience. One significant difference is that overseas migrants predominately settle in Melbourne, especially upon initial settlement. Further, Provincial Victoria has tended to lose people to interstate destinations, even during the recent period when Melbourne was gaining interstate migrants.

A key source of population growth in regional Victoria is natural increase. It accounted for half of the population growth between 1996 and 2001. However, like the rest of Australia, this will change in the future due to the ageing of the population. DSE estimates that from the mid-2020s, there will be more deaths than births in Provincial Victoria.

The other key source of growth has been Provincial Victoria's ongoing attraction of people from Melbourne. This has been a consistent pattern since the 1970s. For example, between 1996 and 2001, Provincial Victoria gained 30,000 people from Melbourne.

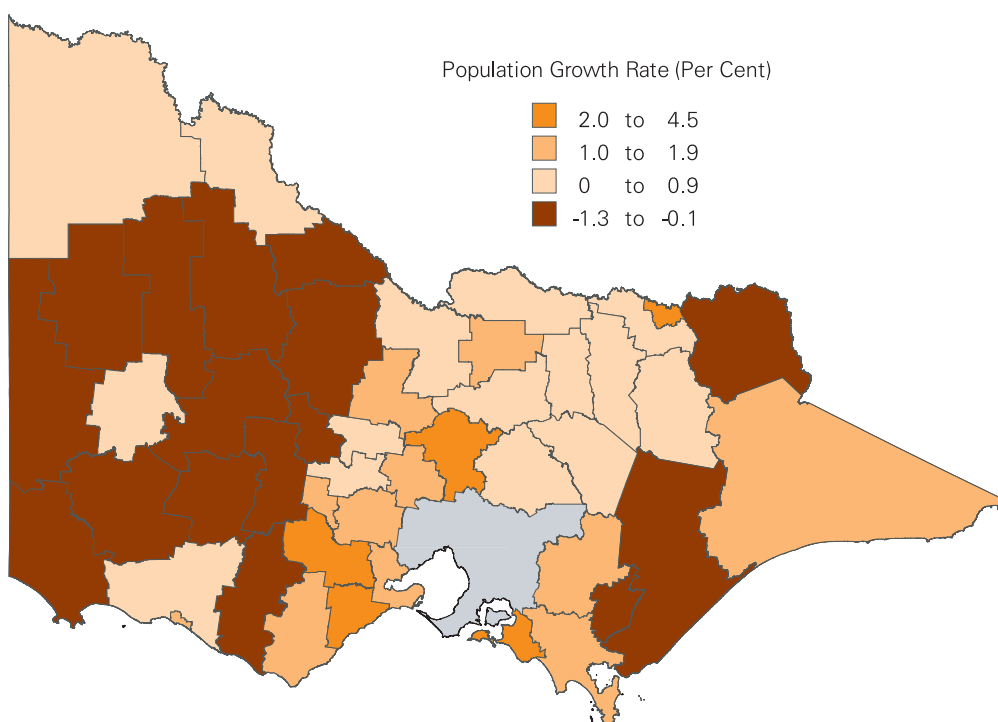
This net migration to Provincial Victoria is the result of it losing its young people (aged 20–29 years) to Melbourne to pursue tertiary education, careers, or simply the lifestyle of a big city. This net loss is not a new phenomenon and is likely to continue. Families—people aged between 30–50 years and their children—moving to Provincial Victoria counterbalance this out-migration. This trend reflects both former regional Victorians returning to raise their families as well as new families seeking lifestyle and employment opportunities. To a lesser extent, Provincial Victoria also attracts retirees.

As Victoria's population ages, it is likely that net population movements from Melbourne to Provincial Victoria will increase. This is because there will be a smaller pool of young adults in Provincial Victoria, which results in lower losses. Further, a larger pool of retirees in Melbourne will likely result in more movement out of Melbourne.

... Drivers of population movements include: access to employment, services and education opportunities; affordability and availability of housing; and 'value shifts' incorporating lifestyle decisions, downshifting, and changing work patterns.

Figure 6.2: Population Growth, Regional Victoria LGAs, 2002–2003

Source: ABS, DSE



Patterns and Drivers of Growth

Population growth in Provincial Victoria varies significantly between regions. This variation is evident in Figure 6.2, with losses occurring predominantly in the west and the strongest gains being focused in the State's central corridor.

Many regional centres have experienced strong annual growth since 1999. These include Ballarat (1.4 per cent), Wodonga (1.9 per cent), Warrnambool (1.6 per cent) and Mildura (1.4 per cent). In absolute terms, between 1996 and 2001 regional centres accounted for over 70 per cent of total regional growth—an additional 30,700 people.

Research for the Victorian Government shows that while the number of people living in rural areas and small towns remote from regional centres increased between 1981 and 2002 (from 225,415 to 227,726), their share of the State's population declined from 5.9 to 4.9 per cent.

Four key geographical patterns are evident:

1. Strong growth in most regional centres and their surrounding areas.
2. Strong growth in areas with significant 'natural amenity', particularly along the coast and the Murray River.
3. Strong growth in areas on Melbourne's urban fringe in centres like the Mitchell and Macedon Ranges.
4. Population decline in the western part of the State and in smaller towns outside the periphery of either regional centres or Melbourne.

Population movement in Provincial Victoria is significant and complex. Key drivers of these movements include: access to employment, services and education opportunities; affordability and availability of housing; and 'value shifts' incorporating lifestyle decisions, downshifting and changing work patterns. For example, advances in information and communications technology are challenging our traditional ideas of the workplace, allowing workers to 'telecommute' from regional areas. These drivers are reshaping how people live and work in Provincial Victoria, with three particular outcomes emerging:

1. Increasing influence of regional centres:

Many regional centres, together with their surrounding high-amenity landscapes and a network of commuter and lifestyle towns, are experiencing record growth based on the range of lifestyle options on offer as well as easy access to the services, employment and education located at the regional centre.

2. Growing appeal of lifestyle and high amenity regions:

High growth in coastal areas reflects a broader national phenomenon. In Victoria, this 'sea change' effect has extended to other lifestyle areas. Key drivers include strong natural amenity (water, scenery, environment); rural ambience and aesthetic qualities of small towns and their communities; diversity and affordability of housing; and good and improving transport links to Melbourne.

3. Extending influence of Melbourne:

This has resulted in very strong growth in regional areas on the periphery of Melbourne. There are many people who wish to live in Provincial Victoria but retain ready access to Melbourne. Improved transport linkages, changing work practices and improved range of local services have facilitated this growth in the commuter population.

The Victorian Government's Strategies

From the above, a number of conclusions can be made:

- Provincial Victoria is growing but needs to grow faster to maximise jobs growth and economic opportunities.
- Intrastate migration from Melbourne offers the greatest source of growth for Provincial Victoria.
- Overseas migration is a small but potentially greater source of growth.
- Provincial Victoria is not homogenous—different areas are experiencing different levels of growth and demographic change.
- Growth is driven by a variety of factors, especially employment, access to services, housing, and lifestyle opportunities.

The Government is focusing on four key strategies to stimulate and manage growth in Provincial Victoria. These strategies reflect the need for a holistic approach that still leaves flexibility for tailored programs (through local partnerships) to address the particular needs and issues of regions. The Government's new statutory body, Regional Development Victoria, will lead and coordinate these activities.

Driving new investment and jobs across Provincial Victoria

An important factor in retaining and attracting people to regional Victoria is the creation of employment opportunities. This will require, and will generate, investment. The Government is pursuing policies that stimulate economic growth through a variety of programs, including:

- *Provincial Economic Partnerships Program* to assist regional councils capture economic opportunities.
- *Regional Innovation Clusters Program* to support development of regional clusters that build on existing strengths in key sectors.
- *Community Regional Industry Skills Program* to facilitate opportunities for businesses to enhance workforce skills and address skills shortages.
- *Regional Business Investment Ready Program* to assist firms and local governments attract funds for investment and infrastructure projects.

The movement of older people to regional Victoria, and the ageing population, will bring significant new wealth to regional areas and provide further opportunities for the development of growth sectors, including service-based industries. Growth in sectors such as recreation, health and aged care, driven by a growing regional population, will provide career opportunities and jobs for skilled workers and young people. The Government will work to ensure that local communities are supported in preparing for this growth.

Increasing awareness of opportunities to live and work in Provincial Victoria for Melburnians and overseas migrants

Attracting people to regional areas requires that people are aware of what Provincial Victoria has to offer. The Government will focus on changing perceptions about Provincial Victoria and on addressing information gaps. Key policies include:

- Continued support of the *Make it Happen in Provincial Victoria* marketing campaign.
- Delivery of Victoria's Skilled Migration Strategy *Start Your Future Here*, with its strong focus on attracting more skilled migrants to regional

Victoria through the *Regional Skilled Migration Incentive Fund* and the promotion of the new Skilled Independent Regional visa.

Investing in regional infrastructure

Infrastructure is a key part of building competitive capacity and generating sustainable investment and economic development. Funding of regional infrastructure projects contributes to the ongoing revitalisation of regional communities.

Government policies in this area include:

- Continued funding of the *Regional Infrastructure Development Fund (RIDF)* and the *Small Towns Development Fund*.
- Advocacy for the establishment of a National RIDF funded by the Federal Government.
- Continued funding to other infrastructure initiatives relating to areas such as water, roads, rail, housing and information and communications technology (ICT).
- Infrastructure investment to enhance Victoria's 'Transit Cities', such as the fast rail project.
- Investigate the use of advanced ICT to enable remote and mobile work to boost regional business, increase productivity and enable skilled workers to effectively locate in and telecommute from regional areas.

Continuing to restore regional services

Access to high-quality facilities and services is an essential requirement to attract and retain people. The Government will continue to restore regional services, especially in the areas of health and education, for example:

- Funding to upgrade hospital and other health services in Provincial Victoria.
- Investing in regional schools and TAFE facilities.
- Improving community safety with new and upgraded police stations and guaranteed funding for seasonal fire-fighters.

7. Population Ageing

Our ageing population means that we stand on the brink of a significant demographic change in Victoria. Now is the time to think about preparing for this change. The Government's response to the Productivity Commission's research into the economic impact of ageing, *Preparing for Victoria's Future: Challenges and Opportunities in an Ageing Population*, considers this issue in detail, particularly the economic implications of an ageing Australia.

A Changing Victoria

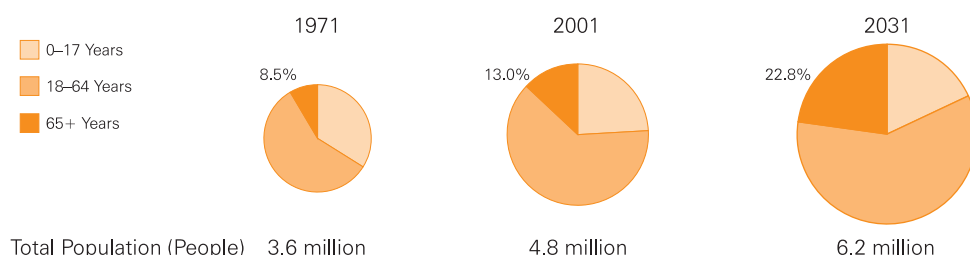
The baby boomer era made Victoria's population younger and caused mortality rates to decline. Subsequent improvements in nutrition and health care mean that people are living longer, further lowering mortality. Between 1971 and 2001 the average life expectancy of Victorian men increased from 68 years to 77.5 years. For women, the figure has risen from 75.2 years to 82.7 years.

Over the next few decades, it is likely that advancements in medical science and improvements in public health will further increase the average length of life. However, as the population grows older, mortality rates will rise despite these higher life expectancies, as there will be a greater proportion of elderly people (see Figure 7.1). It is projected that the number of deaths in Victoria will exceed the number of births sometime in the mid-2030s. Once this occurs, migration will become the sole source of population growth.



Figure 7.1: Victoria's Changing Age Structure: 1971–2031 (Projected)

Source: DSE



The implications for Australia, and Victoria, of an ageing population are a matter of considerable debate. Health and social welfare costs associated with an ageing population are likely to mean an increasing financial burden for a future (and diminishing) labourforce.

Modelling by the Victorian Department of Treasury and Finance (DTF) suggests that ageing and slower productivity and labour force growth could reduce our economic growth to around one-half that of the past 40 years.

One particularly significant issue associated with ageing will be the cost pressures arising from having more older people increasingly dependent on health and age-related services. DTF estimates suggest that a growing 'fiscal gap' will emerge over the next three decades as the impacts of ageing become more pronounced.

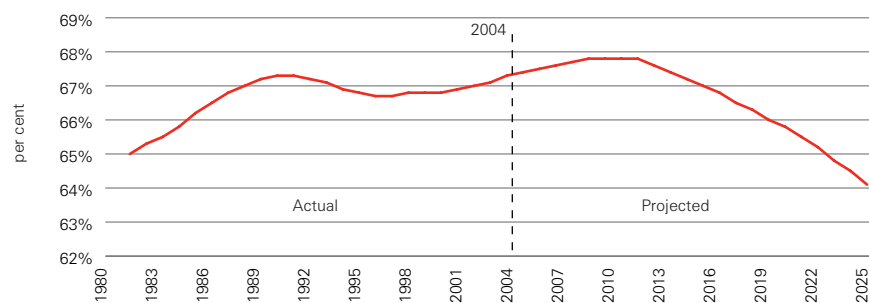
However, the potential problems and assumed future costs of an ageing population must be considered in context. For instance:

- While public health expenditures will certainly rise as a proportion of GDP, this may be offset to some degree by the improved public health outcomes resulting from more advanced medical technology and pharmaceutical products and improved personal health management. Seniors in the future are likely to be far healthier than previous generations of older people.
- Continued increases in living standards mean that many seniors in the future will likely have higher levels of personal wealth than previous generations, and may thus be better positioned to contribute to the costs of their own health care.

Another potential consequence of an ageing population is that while the population as a whole may continue to increase for several decades, the labour supply may start to decline well beforehand, as the workforce ages and the ratio of workers to total population also declines (see Figure 7.2). A potential labour shortage may then constrain economic growth, even if workforce productivity improvements continue. Participation rates will also decline, as older age groups have lower levels of workforce participation.

Figure 7.2: Working Age Population (15–64 years old) as a Proportion of Total Population in Victoria: 1980–2025

Source: DSE



However, this potential shortage is likely to be offset in part, firstly, by future immigration, and secondly, by the increased capacity of older workers, who are healthier and better educated than their forebears, and who will have opportunities to continue to work beyond the current retirement age of 65, should they so choose. It can also be offset by ensuring that a wide range of people who want to enter the workforce, or re-enter it, are able to do so through appropriate training, more flexible work arrangements, and good health and safety practices. For example, there is strong potential to increase the workforce participation of women aged over 45 years, given their current participation rate of only 39.5 per cent. Already, the proportion of people aged 60–64 who are working has increased over the last two decades, from 25.7 per cent in 1984 to 37.4 per cent in 2004.

It must also be borne in mind that an ageing population can have significant social and economic benefits that offset increased costs. For example, although they traditionally have a lower participation rate in volunteer activities, the elderly tend to donate more of their time when they do volunteer. An expanding pool of older people, and therefore of potential volunteers, will be a great social resource and will strengthen communities. There are also considerable economic opportunities to be had locally in catering for the emerging needs and consumer preferences of an ageing population.

Between 1971 and 2001 the average life expectancy of Victorian men increased from 68 years to 77.5 years. For women, the figure has risen from 75.2 years to 82.7 years.

It must also be borne in mind that an ageing population can have significant social and economic benefits.

The Victorian Government's Strategies

Promoting Participation in a Prosperous and Innovative Economy

The Victorian Government recognises the importance of long-term planning to ensure that Victoria has the workforce it needs to continue growing. In this context, the Government is developing a *Victorian Workforce Participation Strategy* to identify ways to encourage greater participation among particular groups currently under-represented, such as older workers and some age groups of women. As well as this strategy, the Government is working to promote greater workforce participation by improving the employment prospects of Victorians through a range of initiatives. These include:

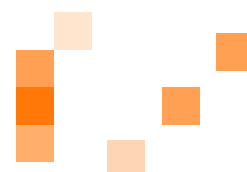
- Programs to assist young people to gain work experience, training and qualifications, such as the *Youth Employment Scheme* and the *Jobs for Victoria* and *Jobs for Young People* initiatives.
- Working to improve the employment prospects of mature-age people by countering age stereotypes and employment practices that discriminate against older workers.
- Developing strategies to promote lifelong learning and to improve participation and achievement in education and training, including partnerships with community-based adult education organisations.
- *Parents Return to Work* grants to assist parents to return to the workforce.
- Providing support to retrenched workers through the Department of Education and Training's *Skill Up* program.

Boosting Productivity to Address the Fiscal Pressure of an Ageing Population

As noted in *Preparing for Victoria's Future*, improving productivity growth is an important way in which we can help address the cost pressures associated with ageing. Small gains in productivity will deliver significantly higher living standards in the future, and increase our ability to pay for the higher service needs of the aged.

The Victorian Government is continuing its efforts to secure future prosperity for Victorians and to build a competitive and innovative economy, in part by ensuring a competitive environment and ensuring that impediments to market activity are minimised. This will be a key role for the newly-established Victorian Competition and Efficiency Commission.

The Government is also seeking to foster productivity improvements through continued investment in education and training and skills.



8. Future Challenges: Sustainability and Liveability

The impact of population growth must be carefully managed. The Government's population-related initiatives seek to complement its broader vision of a strong and growing economy, a healthy environment, and a vibrant and diverse society.

The Environment

Environmental sustainability means managing our development so that we don't limit the options of future generations.

Victoria faces several important sustainability challenges. Like so many societies around the world, we have come to recognise the full extent of our impact on our environment.

The environment not only provides essential resources for life such as water and clean air, it also provides the natural resource base that will allow our economy to continue to grow. For example, five of Victoria's top ten exports (milk, milk products, wool, wheat and cattle) rely directly on the health of Victoria's environment.

A growing population need not be incompatible with a sustainable future. However, managing this balance will depend on our ability to improve the way we use resources and energy, limit waste and pollution, and preserve and enhance the natural landscape.

The Government is actively tackling a broad range of environmental issues, and supports growing our population in a way consistent with our environmental sustainability goals. An increased population, without an improvement in the way we use natural resources, would lead to greater resource use and hence environmental impacts. Reducing our environmental impact per person is one important way of ensuring we can continue to grow our population without placing undue stresses on the systems that sustain us.

But a reduction in individuals' environmental impact will of itself be insufficient. This is because Victoria's environmental challenges include managing our natural resources in a way that allows our environmental systems to replenish. In this regard, there are a number of particular areas of importance:

- water
- greenhouse emissions and energy
- protecting biodiversity and native vegetation
- land degradation and salinity
- reducing the amount of waste going to landfill.

Victoria's industry profile is a key driver of our resource usage patterns and environmental impacts. Encouraging the uptake of environmentally sound practices and technologies in these industries is an important role for Government. Fostering growth in knowledge industries in Melbourne and Provincial Victoria is one possible pathway that will further separate population growth and environmental impacts.

The distribution of people across Victoria impacts on the distribution of environmental and resource stresses. The need to ensure the sustainability of water stocks and flows, maintain and enhance land productivity, and control other localised environmental stresses is particularly important in high-growth areas. Some areas are already facing environmental stresses which need to be addressed before these areas can sustain greater numbers of people.

The Government's population-related initiatives seek to complement its broader vision of a strong and growing economy, a healthy environment, and a vibrant and diverse society.

The Victorian Government's focus on environmental sustainability is aimed at ensuring all regions can share in the benefits of population growth without placing undue stress on the environment that sustains them.

'Intangibles' and Population Growth

While access to employment, affordable housing and other amenities are arguably the principal drivers of where people choose to live, the importance of more subjective or 'intangible' factors must be recognised. These factors include the character and identity of a place, and its capacity to satisfy non-material needs; for example, the need for community and a sense of belonging.

People are often happiest when they have a personal attachment to the locale where they live, where the character of that locale is stimulating to them, and where they feel that their own sense of identity is affirmed by the environment in which they live and work.

One of Victoria's chief assets is the diversity and richness of its urban and rural residential experiences. For example, Victoria offers its people a range of potential living experiences suited to differing individual needs and preferences. For instance:

- Many parents are likely to be drawn to more lower-density, family-friendly suburbs, with ready access to schools, supermarkets, and sport and recreational facilities.
- So-called 'cultural creatives' might feel drawn to cosmopolitan precincts in inner metropolitan suburbs such as Fitzroy, Carlton and St. Kilda.
- Many people are drawn to regional towns and cities for different kinds of urban experiences.
- Many people are attracted to the relaxed lifestyle found in regional coastal areas and to the tranquillity and closeness to nature found in rural and more remote areas.
- Foreign students, professionals and 'empty-nesters' may be drawn to the high-density apartment-living found in and around the CBD.



Population Density and 'Liveability'

Melbourne enjoys a reputation as one of the world's most liveable cities. Most of the other international cities consistently ranked as highly liveable (including Vancouver, Vienna and Copenhagen) have population densities far greater than Melbourne. The experiences of these other cities suggest that higher density living need not be incompatible with liveability. In fact, the social, cultural and economic synergies that can flow from higher urban density help make such cities thrive, and great places to live.

It is estimated that there will be more than 600,000 new households in Melbourne by 2030. The ageing population means that many of these will be one and two person households. The challenge is to grow the number of dwellings needed to meet this demand for new households in a way that enhances the city's liveability, limits urban sprawl and makes optimum use of urban infrastructure. Even with this growth, Melbourne will still have one of the lowest urban density levels in the OECD.

Our Society and Our People

Victoria's greatest strength is its people, and the society we have created. As our population grows and evolves, resulting in an increased proportion of older people and migrants, we will need to continue to promote a society that is open and welcoming to all people, in order to preserve and enhance our quality of life and well-being as a community.

And as we strive to promote environmental sustainability and a prosperous and innovative economy, we should not lose sight of other equally important factors which underlie our strength as a society: the sense of community that derives from an inclusive, active civic life, in which people work together; where democratic values are promoted and community participation is encouraged; where creativity and lifelong learning is valued and promoted; and where there is universal access to high quality health, education and community services. By continuing to foster these fundamental core values, and thus promoting safe, caring and creative communities, we will be well positioned to meet the challenges that will face us as a society into the future.

We have said that these challenges do not end at State borders, but are likely to affect Australia more generally, and hence will require a coordinated response from Governments across the nation. For this reason, it is vitally important that the Federal Government provides leadership in developing a National Population Policy.

The Victorian Government's Strategies

There are a number of ways in which the Government is playing a role in enhancing the richness of community life in Victoria, and in doing so promoting the best possible living and working environment for its citizens. The Government is focused on ensuring that population growth and demographic change is managed such as to support our State's renowned liveability.

Fostering a sustainable environment

Through the vision outlined in *Growing Victoria Together*, the Victorian Government is committed to building protection of the environment into everything we do, including the way Government acts and makes decisions. Strategies and programs are well developed to address the key concerns associated with environmental issues in Victoria, including water, greenhouse and energy issues, materials use, biodiversity, and land use (including public land and coastal areas).

The Victorian Government is taking action on these environmental issues, with a focus both on improving efficiency of resource use and replenishing our natural asset base. These issues will remain a priority for State Government in future years. Business, local governments and communities also have an important role to play in addressing environmental impacts, and have led the way in encouraging better use of resources and changing environmental behaviour in their areas of influence.

Recent key policy developments include the *Our Water Our Future* White Paper, and the *Victorian Greenhouse Strategy*. Both these policies examine opportunities both to reduce wastage and replenish our natural environment.

A growing population need not be incompatible with a sustainable future. However, managing this balance will depend on our ability to improve the way we use resources and energy, limit waste and pollution, and preserve and enhance the natural landscape.

Enhancing liveability through urban planning

- Urban and rural planning is an important way of ensuring population growth and change is managed properly. Under the *Melbourne 2030* planning policy blueprint, the Government is working to ensure that as Melbourne grows, the features that make Melbourne a great place to live and work will be maintained and strengthened. This will include:
 - o preserving the cultural identity and character of neighbourhoods by protecting heritage values
 - o improving social infrastructure
 - o ensuring that development and growth occurs in an appropriate and sustainable way (i.e. focused on growth corridors and activity centres)
 - o promoting excellence in urban design
 - o ensuring the long-term protection of Melbourne's parklands and open spaces (green wedges).
- Recognising the growing appeal of coastal locations, the Government is developing a Coastal Sustainability program to manage growth and development in these areas.

Promoting diversity and tolerance in our community

- The Victorian Office of Multicultural Affairs and the Victorian Multicultural Commission assist migrants of differing ethnic backgrounds to participate fully in the social, economic, cultural and political life of the Victorian community, through such initiatives as the *Language Services Strategy* and the *Multicultural Grants* programs; and to promoting diversity, tolerance and a better understanding of the needs and aspirations of different community groups in Victoria.

Fostering Victoria's reputation as a tourist, cultural and major events destination

- Tourism Victoria is continuing to develop and market Victoria as a premium tourist destination for Australian and international travellers. Tourism is valuable not only for its financial benefits, but also as a way of promoting awareness of opportunities and lifestyle in Victoria.
- The Victorian Major Events Company is continuing to successfully promote Victoria as a destination for major international sporting and cultural events.
- The Arts are central in fostering diversity, a vibrant cultural life, and in promoting a sense of wellbeing in the Victorian community. Under Arts Victoria's *Creative Capacity+* policy, the Government is working to promote a dynamic and inclusive Arts sector. Victoria has an array of cultural and heritage institutions that have great appeal for both Victorians and visitors to our State.

Building active, confident and resilient Victorian communities

- The Department for Victorian Communities (DVC) was established in 2002 and designed to focus on the sustainability of communities through investing in community-strengthening activities and the facilitation of joint approaches to planning, funding and service delivery at the local level.
- Community-strengthening is about creating sustained networks through local-level partnerships involving key stakeholders and community representatives to achieve agreed policy and service delivery objectives/outcomes for a community.
- Community-strengthening initiatives are simple (such as supporting volunteers, crime prevention, funding local community infrastructure such as libraries, sporting and recreational infrastructure, and supporting partnerships between government and the community and private sectors), and can improve the amenity and social connectedness of communities. Government investment in community-strengthening is an important strategy whereby local communities can be supported to develop strategies for arresting population decline and attracting new residents.

Future Monitoring and Communications

Given the importance of population issues for Victorian society, it is vital that future growth and change continues to be monitored and reviewed, and that an understanding of the implications of demographic change permeates Government policy. This will ensure that policy responses can be dynamic and can address issues using adequate foresight and planning.

The Victorian Government will continue to play a lead role in monitoring and communicating demographic issues across Government, to external stakeholders, and to the community at large. This reporting is consistent with the Government's regular reports on progress set out in *Growing Victoria Together*.

The recently released population projections for Victoria, *Victoria in Future*, provide detailed statewide and local demographic profiles (see www.dse.vic.gov.au/victoriainfuture), and provide a facts-base that will be valuable in monitoring and managing population change.

People are often happiest when they have a personal attachment to the locale where they live, where the character of that locale is stimulating to them, and where they feel that their own sense of identity is affirmed by the environment in which they live and work.

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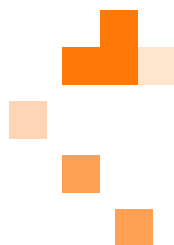
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