



**REGIONAL
AUSTRALIA
INSTITUTE**

REBALANCING THE NATION

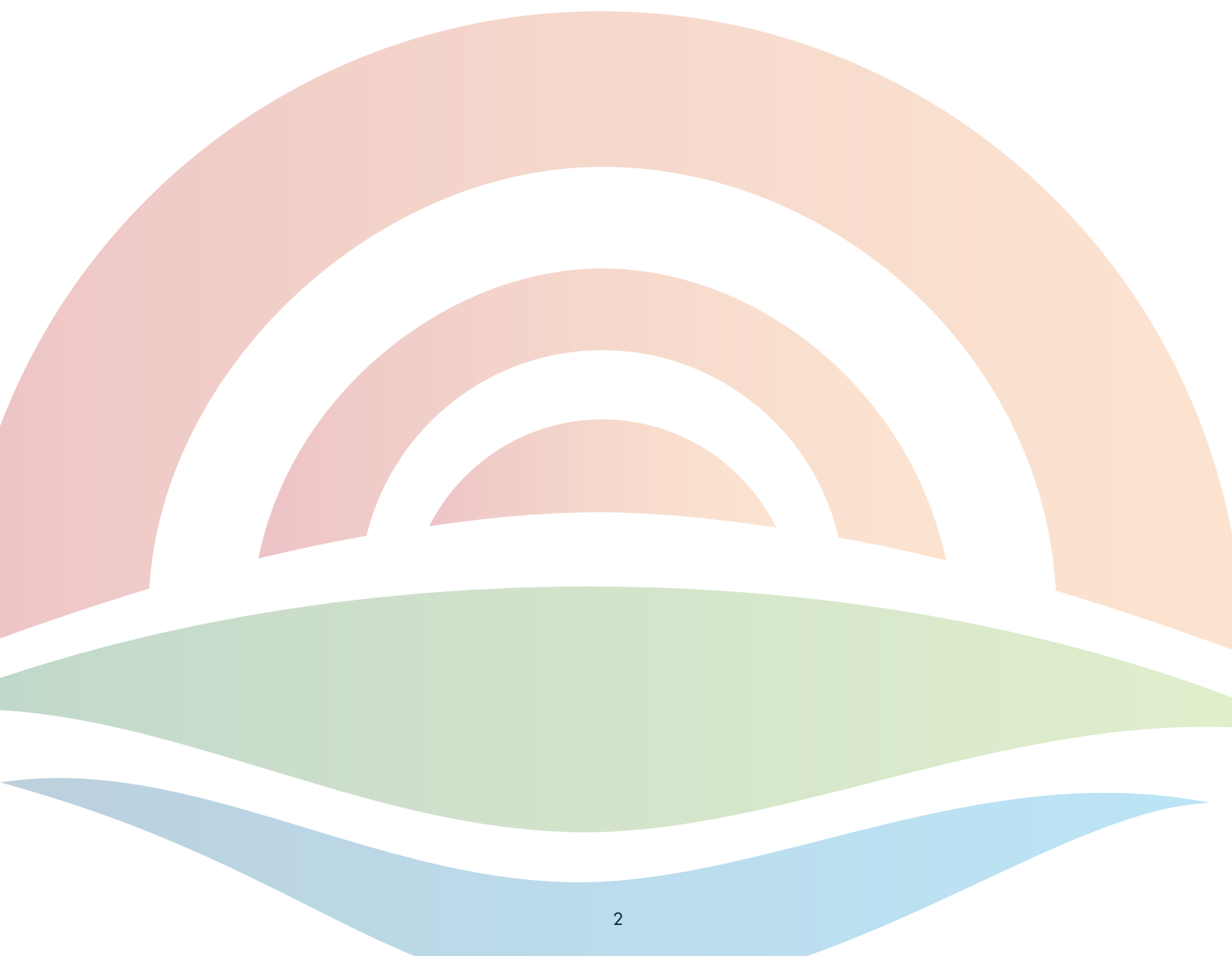
REGIONALISATION CONSULTATION PAPER

March 2022



ACKNOWLEDGEMENT OF COUNTRY

The Regional Australia Institute (RAI) acknowledges the Traditional Owners and Custodians of Country throughout Australia. The RAI recognises the strength and resilience of Aboriginal and Torres Strait Islander peoples and acknowledges and respects their continuing connections to country, rivers, land and sea, and recognise that they never ceded sovereignty. We also pay our respects to Elders past, present and emerging and extend that respect to all Traditional Custodians of this land.



ABOUT THE REGIONAL AUSTRALIA INSTITUTE

Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians. The RAI was established with support from the Australian Government.

DISCLAIMER AND COPYRIGHT

No responsibility is accepted by RAI Limited, its Board or its funders for the accuracy of the advice provided or for the quality of advice or decisions made by others based on the information presented in this publication.

Unless otherwise specified, the contents of this Consultation Paper remain the property of the Regional Australia Institute. Reproduction for non-commercial purposes with attribution of authorship is permitted.

CITATION

This paper can be referenced as:

Regional Australia Institute, Regionalisation Consultation Paper, RAI Canberra, 2021.

FURTHER INFORMATION AND WRITTEN SUBMISSIONS

Sarah McCosker, Senior Policy Officer

P. 02 6260 3733

E. info@regionalaustralia.org.au

Further information can be found at www.regionalaustralia.org.au



Contents

Introduction	4
Partners in Developing the Framework	7
What is Regional Australia?	8
What is Regionalisation?	10
Principles for Developing the Framework	11
Foundations of Regionalisation	13
Population	14
Jobs and Skills	18
Liveability	21
Productivity and Innovation	26
Sustainability and Resilience	29
Conclusion	32

Introduction

Australia is experiencing a dramatic time in its history. The COVID-19 pandemic has impacted our lives and our livelihoods and prompted reflection among many Australians about our values and lifestyles. A shift is occurring, with net migration to regions at its highest level on record as more Australians turn away from city life.¹ The opportunities of a regional lifestyle have been thrown into stark relief as our largest cities frequently shut down due to the pandemic, and as remote working has broadened the horizons of many people. We have an opportunity to seize this unique moment in time, to plan and shape the nation for generations to come.

For the past 10 years, the Regional Australia Institute (RAI) has been dedicated to providing authoritative and trusted research and policy advice on regional issues. Much of the RAI's focus has been on pushing the boundaries for regional Australia, testing and modelling to see what can be done better and identifying pathways for maximising potential.

Several key themes have emerged from the extensive work that the RAI has undertaken over the past decade:

- Our work investigating population growth and mobility has emphasised the importance of the **population** narrative, both in attracting **workforce and skills** to regional Australia and in ensuring that Australia does not become a nation of crowded mega-cities.
- Our creation of the regularly updated Regional Jobs Vacancy Map and monthly Regional Jobs Update continues to highlight the **availability and quality of jobs** in regional Australia.
- The importance of **strengthening liveability** has emerged from our work on population, workforce and jobs. This relates to the quality of life in regional Australia, including the availability of **housing, services and infrastructure**.
- Our work has a strong focus on **regional economic growth**, equipping regions with the knowledge and tools they need to understand their unique opportunities for growth and how to harness **innovation** to increase their **productivity**.
- We have researched issues of **disaster recovery and resilience** seeking to ensure that regional communities and businesses stay strong in a future impacted by climate change.
- We have emphasised the importance of **place-based planning and decision-making**, calling for an elevation of regional voices and leadership.

All of our research firmly points to the conclusion that Australia will be a stronger, more prosperous nation if our regions are stronger. It shows the enormous potential for regional Australia to optimise its growth, bringing significant benefits to the entire nation and increasing opportunity for all Australians.

Other work from a range of stakeholders around the country also calls for stronger investment in our regions, better planning, and more place-based, targeted solutions to ensure that our regional communities can thrive into the future. Despite the broad acceptance that more can be done to strengthen regional Australia, there remains no single national framework which draws together the various themes which are all necessary to consider, in order to maximise opportunities and fully unlock the extent of regional Australia's potential.

This is a clear void, one which we want to fill by creating a 10-year National Regionalisation Framework which will ensure that our traditionally metro-centric policy-making and investment does not become entrenched, and which provides a set of critical targets and actions to strengthen regional Australia. Regionalisation will create a more equitable, balanced and prosperous future for all Australians, not just those who live within the city limits.

By creating the Framework, the RAI is seeking to lead a shift in mind-set, one in which there is a strong and targeted focus on regional Australia. We believe that regionalisation will create a lasting legacy, with the potential to shape the nation for future generations.

- The Framework will serve to define and describe agreed areas of focus which, if implemented, will lead to a stronger regional Australia and a stronger nation.
- The Framework will be a point of reference on regionalisation for policy makers, industry and community leadership.
- It can guide governments, industry, business, and community on impactful actions to maximise the economic and social potential of Australia's regions.
- It will serve as a reference for further planning, policy, investment, and growth.



Further Reading: 2011 – 2021: A Decade of Achievement



The RAI is calling for a **rebalancing of the nation.**

We want a more dispersed population so that our cities become more liveable, while our regions gain the population that many of them need to thrive into the future.

We want regional Australia to sustainably achieve its enormous potential in productivity, increasing the prosperity of the nation.

And we want regional towns and cities to boast the services and infrastructure that they need to attract new residents, retain locals and ensure that everyone enjoys the quality of life that Australia, the lucky country, can offer to all Australians.

DEVELOPING A NATIONAL REGIONALISATION FRAMEWORK

Regional Australia is strong, productive and offers enviable lifestyle opportunities. It has powered Australia's recovery after the GFC and the pandemic. It is home to a third of Australians and makes a significant contribution to Australia's overall prosperity and to its unique strengths. The RAI has long championed Australia's region as the backbone of the nation. At the same time, we know that there are 'imbalances' between metro and regional Australia, with population skewed to the cities, workforce shortages biting regional businesses, and gaps in services and infrastructure in many regional places². Investment and policy focus in Australia has been heavily metro-centric. It is time to change that, to shine a light on regional Australia and to call for a regionalisation of the nation.

The National Regionalisation Framework will draw together common priorities for supporting a stronger regional Australia. It will build the case for future settings for Australia's ongoing prosperity, informed by the past decade of the RAI's research and thought leadership and in consultation with government, industry and regional leaders and communities.

The Framework does not seek to replace, replicate or eclipse the work of other actors, including governments and regional organisations with their own strategies and action plans. Much exciting work is being done around the country to power regional Australia into the future. Rather, the Framework seeks to draw together common priorities to develop a holistic vision for unlocking the true potential of regional Australia.

This Consultation Paper kicks off the process for developing the Framework. It sets out five themes which the RAI has identified, through its 10 years of research, as those which form the foundations of regionalisation in Australia. These are:

- 1. Population**
- 2. Jobs and skills**
- 3. Liveability**
- 4. Productivity and innovation**
- 5. Sustainability and resilience.**

The Consultation Paper explores each of these themes, highlighting the recent trends and impact on regional Australia, and the opportunities that could be realised with a bold regionalisation vision. Key questions have been identified under each theme.

The RAI will use its reach with governments, industries and local communities to consult on the themes and key questions explored in this paper. Consultation will be held throughout April and May 2022 through workshops, targeted stakeholder engagement, a publicly available survey, as well as direct submissions and feedback, to collate as many perspectives and insights as possible. The purpose of the consultation period is to inform the right targets and actions in the Framework and to gain insights and perspectives from the many stakeholders who work in the regional development arena as well as the broader Australian public who would like to contribute to shaping the Framework.

From the insights and data gathered, and using its institutional knowledge, the RAI will develop the Framework which will include a set of pillars with priority targets and actions.

- It will set out the critical areas for strengthening regional Australia and rebalancing our nation.
- It will be holistic, understanding the interplay between these areas such as population, jobs, housing, connectivity, productivity and innovation.
- It will set aspirational yet achievable targets and will identify realistic and practical actions.
- The Framework will be launched at the RAI's National Regions Rising Summit, in August 2022.

The power of the Framework is that it can be implemented not only through plans and policies, but also through actions.

The Framework will be designed to build momentum and translate into action by all Australians. A system of pledges will be established to help all stakeholders show their commitment to regional Australia, as well as to demonstrate their leadership on regionalisation. A pledge is a voluntary undertaking to help drive the implementation of the Framework. Any stakeholder, government, community organisation, business or individual will be able to make a pledge to further one or more of the targets or actions. This is in recognition that every small action makes a difference and will help to shape and rebalance our nation.

Put simply, by developing the Framework, the RAI is issuing a call to action. Every one of us will have the power to make regionalisation a reality. Every one of us can play a part in creating a genuine shift in mindset to ensure we build a more productive, prosperous and sustainable future for Australia.

"Shaping the building blocks for Australia's economic and social future is a shared responsibility. Government, industry and the community all have a vital role to play."

Liz Ritchie, CEO Regional Australia Institute, National Press Club, 2021

Partners in Developing the Framework

The development of the Framework by RAI is being supported by the Regional Australia Council 2031 (RAC2031) and the Regional Activators Alliance.

RAC2031 was established by RAI in 2020. Its purpose is to convene influential and committed organisations and leaders to prioritise regional Australia. Currently, 18 of Australia’s leading corporations are members of the Council. RAC2031 Members work with the RAI to progress the regionalisation agenda.

Members of the RAC2031



The Regional Activators’ Alliance (RAA) is a powerful coalition of regional stakeholders who work with the RAI to change the narrative and show the rest of the country the opportunities available to live, work and invest in regional Australia.

Inaugural Regional Activator Alliance Members



What is Regional Australia?

There is no single definition of what constitutes regional Australia. Many different definitions exist and can vary depending on the user and the purpose for which the definition is required.

The RAI uses a broad definition for its research, policy and advocacy work. For the RAI, regional Australia includes **all the cities, towns and areas outside of Australia’s largest capital cities: Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra.**³

While this definition is a useful starting point to conceptualise what “regional Australia” encompasses, it is more important to recognise and acknowledge the diversity that exists throughout regional Australia. There are different types of regional communities and different factors that will shape their futures. When analysing future trajectories of regional communities, the most relevant factors are their population, their industry and their proximity to a capital city. On this basis, the RAI has identified four different regional types. Called the Foundations of Regional Australia, they provide a basis for understanding the range of unique pathways to future prosperity that exist across regional Australia.

The four regional types are:

- **Regional Cities**, which have populations of over 50,000 people. They have diverse economies and the chance to use their size and diversity to shape their own future.
- **Connected Lifestyle Regions** do not have city population size but are close to our major metropolitan regions. They will be influenced by their connection with these cities.
- **Industry and Service Hubs** are regional centres with between 15,000 and 50,000 residents, located further from major metropolitan areas. Their performance is linked to industry outcomes, but their population size means they could be resilient to change.
- **Heartland Regions** are smaller regional areas that are not close to other major metropolitan or Regional Cities. Industry trends and local ingenuity will shape their future.



It is important to recognise that the Australian Bureau of Statistics (ABS) offers the Australian Statistical Geography Standard (ASGS) which provides different ways of defining “regional” for the purposes of statistics. For example, the

Greater Capital City Statistical Areas (GCCSA) covers the eight state and territory cities and their surrounding areas. The rest of the State or Territory can then be considered “regional”.

Additionally, the Australian Statistical Geography Standard Remoteness Structure defines five categories of relative remoteness across Australia on the basis of the road distances that people have to travel for services: Major Cities, Inner Regional, Outer Regional, Remote and Very Remote. Roughly therefore, using this structure, “regional Australia” is all areas outside the Major Cities.

Government portfolios also use different definitions for different purposes. For example, the Australian Department of Health uses the Modified Monash Model⁴ to determine remoteness in terms of access to health service. The Australian Department of Home Affairs has designated all of Australia apart from Melbourne, Sydney and Brisbane as regional⁵ for the purposes of certain visas.

These different classifications and boundaries mean that, depending on the definition used, there can be different figures or data presented, for example when referring to population counts.

Throughout this Consultation Paper, we will use the RAI broad definition of regional Australia and, where necessary, will reference any figures that have been arrived at by others using a different definition.



Further Reading: *Foundations of Regional Australia*

“The strength of Australia lies in the diversity of its regions, its industries and the communities that make it home. The challenges and opportunities that have and continue to shape our regions are equally broad.

Shifting economic fortunes and patterns of trade, changes in population, settlement, productivity, liveability and technology, natural disasters and climate change all continue to redefine what it means to live in regional Australia.”

Infrastructure Australia, Regional Strengths and Gaps, March 2022.

What is Regionalisation?

Regionalisation is the process of rebalancing the nation, meaning that the opportunities and potential of regional Australia are realised, leading to a more productive, more balanced and more equitable Australia, for the benefit of all Australians.

Regionalisation will see more balanced population growth between metro and regional Australia and more people living in the regions. This will mean that more jobs will be filled, and more skills will be available in regional Australia, benefiting regional businesses and the economy. At the same time, there must be a greater focus on “liveability” which means improving access to health and education services, increasing housing availability, reducing the digital divide between city and country and supporting infrastructure, amenity and lifestyle.

To ensure that regional Australia prospers into the future, there needs to be a focus on increasing production in a

sustainable way, fostering innovation and strengthening resilience against shocks. The impacts of climate change are impossible to ignore in regional areas, which bear the brunt of bushfire, drought and other natural disasters. Taking real action to adapt to our changing world is also an integral part of a Framework which seeks to strengthen our regions.

Key Questions:

1. **What sort of Australian lifestyle do we want for our children and grandchildren?**
2. **What aspects of regional Australia must be preserved and protected in an era of change?**

“The greater goal of regionalisation is to be a better, stronger nation with regional cities that are underpinned by innovative industries, built on the competitive advantage of each region, that are supported by a skilled and stable workforce, and that are great places to live.”

Senator Bridget McKenzie, Minister for Regionalisation, National Address on Regionalisation, Wodonga,

12 November 2021

Principles for Developing the Framework

The Framework will outline a clear vision and targets that will work to create a more prosperous, more equitable Australia. There are several key principles which we consider to be integral to such work.

PARTICIPATION

Participation in developing and delivering the Framework will be broad and equitable. This will be a Framework for all Australians. It is important that regional Australians of all cultures, lifestyles and interests are able to participate in the development and implementation of the Framework, and in the policies and plans which may be put in place to further regionalisation. A genuine diversity of voices should be engaged in both the planning and implementation of the Framework.

Aboriginal and Torres Strait Islanders, as the traditional owners of Australia, have a key voice in shaping the nation for the future. The Framework will be guided by learnings from Aboriginal and Torres Strait Islander peoples of the importance of community control and connection to Country, and with respect and consideration for the wisdom of Elders and local decision-making.

Hearing from a variety of people from diverse backgrounds, experiences and points of view is important to strengthen debate about shaping the nation and will bring a richness of perspective to the development and implementation of the Framework.

PARTNERSHIPS

Collaboration and partnerships will be the most effective way to achieve the vision of rebalancing Australia. More effective linkages are needed between the work being done by different actors and by different levels of government. There are both duplication and gaps in regional development efforts, impacting their efficacy and sustainability. True partnerships are necessary for genuine engagement. They can take a variety of forms:

- Public/private partnerships
- National/state/regional partnerships
- Partnerships among regions
- Partnerships within the community
- Partnerships which develop pathways, for example from school through to tertiary education and to the workforce.

PLANNING

Many regional entities and organisations have developed strategic regional plans, which seek to determine short- and medium-term plans to benefit a particular region.

The Framework does not seek to replace nor eclipse the importance of these regional plans, recognising that place-based strategies are central to regional development.

To support regional planning, the Framework will seek to provide a bold, longer-term vision for rebalancing the nation, setting goals which will help realise regional Australia's full potential.

Regionalisation will be overwhelmingly positive for the nation, moving all Australians to a better lifestyle and better future, wherever they live. As such, it is politically impartial and capable of being incorporated into long-term future planning for the nation.

PLACE-BASED APPROACH

There is no single manifestation of regional Australia, it is diverse and dynamic. This means that approaches to regional development must be place-based, taking into account local needs and local conditions. The Framework will be broad and high level, but able to be implemented as needed at the local level.

The development of the Framework also recognises the role of regional leaders in decision-making for their community. Regional leaders can be found in local council and development associations, in industry, in service provision and among community members. They are frequently on the front line of managing recovery from natural disasters and helping regions adapt to changing economic and social circumstances. They can be mentors and role models in their community and have a role in ensuring their community is inclusive. They know their own region and they have a passion for seeing their region thrive.

The RAI has long called for a changed national approach to regional development. Central to this is the idea that local leaders are empowered to make decisions on priorities, which are then endorsed and resourced at a higher government level. Regions are best placed to understand and secure their own interests. They are their own greatest vehicle of change and future well-being. As such, regional leaders are critical stakeholders and partners in both the shaping and implementation of a National Regionalisation Framework.



Further Reading: *Delivering Better Government for the Regions*

CLOSING THE GAP

The National Agreement on Closing the Gap is an agreement between Australian Governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations (the Coalition of Peaks), which outlines key priorities and targets to achieve by 2031. The Agreement seeks to accomplish equality in life outcomes for all Australians, centred on 'Closing the Gap' of inequality for Aboriginal and Torres Strait Islander people.

The RAI recognises the importance of the current National Agreement on Closing the Gap⁶ for Aboriginal and Torres Strait Islander people in regional Australia. At the forefront of the design of the National Regionalisation Framework is the importance of not contradicting these targets but ensuring the Framework will further support the National Agreement.

THE NATIONAL AGREEMENT ON CLOSING THE GAP

The National Agreement upholds 17 targets across important socio-economic indicators for the partnership (of governments and Coalition of Peaks) to achieve. Each target clearly outlines the outcome desired, with measurable actions and goals (with accompanying indicators) that allow for transparent monitoring of progress of the partnership.

Several of these related targets for the National Agreement are highlighted below:

EDUCATION

- By 2025, increase the proportion of Aboriginal and Torres Strait Islander children enrolled in Year Before Fulltime Schooling (YBFS) early childhood education to 95 per cent.
- By 2031, increase the proportion of Aboriginal and Torres Strait Islander people (age 20-24) attaining year 12 or equivalent qualification to 96 per cent.
- By 2031, increase the proportion of Aboriginal and Torres Strait Islander people aged 25-34 years who have completed a tertiary qualification (Certificate III and above) to 70 per cent.

EMPLOYMENT

- By 2031, increase the proportion of Aboriginal and Torres Strait Islander youth (15-24 years) who are in employment, education or training to 67 per cent.
- By 2031, increase the proportion of Aboriginal and Torres Strait Islander people aged 25-64 who are employed to 62 per cent.

LIVEABILITY

- By 2031, increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88 per cent.
- By 2026, Aboriginal and Torres Strait Islander people have equal levels of digital inclusion

Population



Jobs & Skills



Liveability



Productivity & Innovation



Sustainability & Resilience



Foundations of Regionalisation

Through its research, RAI has identified five important themes for regionalisation: Population, Jobs and Skills, Liveability, Productivity and Innovation, and Sustainability and Resilience. These themes are interlinked and addressing each of them is needed to fully unlock the potential of regional Australia. For example, more people in regional Australia will see more jobs being filled and more skills in the regions, leading to increased productivity, yet services and infrastructure including housing must be strengthened to sustainably support regional population growth.



POPULATION

SNAPSHOT

*Regional Australia's Estimated Resident Population (ERP) growth is **lower than the Australian average.***

***79 per cent** of Australia's population growth occurred in our capital cities.⁷*

***Increasing by 1.9 per cent** between 2017 and 2018, compared to the national average of 1.6 per cent.⁸*

*Australia is the **4th most urbanised nation** in the OECD ⁹*

***Over 80 per cent** of Australia's **overseas born** population live in capital cities, compared to 61 per cent of Australian born.¹⁰*

*People movements within Australia have seen **net outflows from capital cities** to regions since at least 2006.¹¹*

*Migration from capital cities to regional Australia was **15 per cent higher** during the global pandemic in 2020 and 2021 than in the previous two-year period.¹²*

Australia is a heavily urbanised nation, with around 65 per cent of all Australians living in our handful of main cities. It wasn't always this way. In 1901, just over one-in-three Australians lived in capital cities. That rose to over 50 per cent in 1944 and by 2016, two-thirds of the population lived in the capitals.¹³ These patterns reflect global trends towards increasing urbanisation and employment growth in city-based service industries. (see Figure 1)

To some extent, that trend seems to be shifting. Australians are "voting with their feet" and are looking to alternate opportunities offered in regional cities and towns. This is due, in part, to the challenges facing capital cities in keeping pace with improved infrastructure, increased services, and equitable access to housing. In the 2006-2011 and the 2011-2016 Census periods, we have seen more people moving from capital cities to regions than the other way around.¹¹

That shift away from cities has been considerably boosted by the COVID-19 pandemic which, in some states, has prompted significant movement from capital cities but equally ensured that regional people also stayed in place. The Regional Mover's Index, a new index developed by the RAI in partnership with the Commonwealth Bank, provides the nation's most current analysis of movements between Australia's capital cities and our regions.

Further Reading: *Regional Movers Index and The Big Movers: Understanding Population Mobility in Regional Australia.*

Despite these encouraging trends, our cities accounted for 79 per cent of Australia's population growth between 2018 and 2019.¹⁴

Even allowing for pandemic-related movements away from Melbourne and Sydney, if we continue with current geographic patterns of settlement, an even greater proportion of our future population will reside in our major capital cities. On our current trajectory, by 2056, Sydney and Melbourne will approach global megacity status of

around 10 million residents each, with Brisbane and Perth projected to grow to the scale of Sydney and Melbourne today. Most growth would be in the outer suburbs of these cities. Rapid urban population growth creates challenges that are already clear to residents in the outer suburbs of our major cities. Rising congestion and high house prices having to be paid by people on average wages have already emerged as key points of debate as we consider the population growth to come.

We want to change Australia's future of crowded megacities and actively work towards more even population distribution across the nation.

The benefits of doing so for our cities is clear: reduced congestion, and reduced pressure on infrastructure and services. For outer urban areas, more dispersed growth would improve housing affordability and reduce commute times.¹⁵

There are also clear benefits for our regions. People are the driving force behind local economies; they drive demand for production and supply the invaluable human capital and intellect that creates innovation, drives productivity and delivers long term growth. People power our economies. More people accessing services such as schools means that funding allocations for those services in regional Australia will increase. More people working in highly skilled jobs in regional Australia will also help generate the taxes need to fund these service expansions. By increasing population in regional Australia, regional cities and towns will gain diversity, economies of scale and, as shown by the RAI's modelling¹⁵, achieve higher average incomes and agglomeration benefits.

Further Reading: *A National Population Plan for Australia and Regional Population Growth – Are we ready?*

There are various levers that can help Australia achieve a rebalancing of the population.

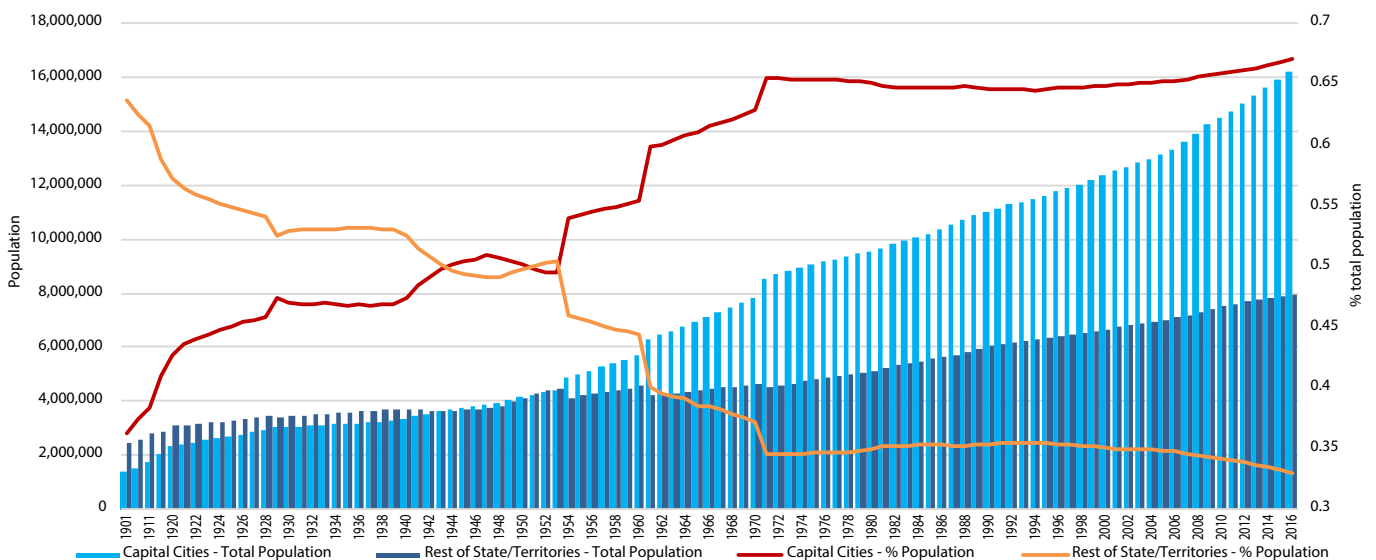


Figure 1: Australia's Population Shifts – Comparison of Capital Cities and Rest of State¹³

PROMOTING REGIONAL AUSTRALIA

One lever to encourage movements away from the cities is to ensure that city dwellers have current and practical information about the jobs, the potential benefits and the lifestyle opportunities in regional Australia. To be able to decide on a “tree-change” or “sea-change”, our city residents need to have the knowledge and tools to be able to make the life-changing decision to move away from the bright lights.

In 2021, the RAI launched the first Australian national awareness campaign on regional living, Move to More funded by the Commonwealth Government. It seeks to raise awareness and share information about the opportunities and lifestyles available in regional Australia. The campaign has an interactive platform, www.movetomore.com.au, that can help city dwellers find the regional place best for them. Regional councils can freely use the campaign assets and become involved in order to showcase their particular region.

The campaign was based on an extensive survey of residents in Melbourne, Sydney, Brisbane and Perth, conducted in late 2020, which showed that almost one in five people were considering a move to the regions. Around half of these were already considering shifting before the pandemic, but COVID-19 significantly increased interest for about 20 per cent of people considering a move. The main attraction was the positive appeal of regional Australia, notably the space, the natural environment and the perceived overall well-being offered by a regional lifestyle. Common “push factors” away from the city were a desire to escape the traffic and long commutes, to lessen stress as well as the high price of housing and general cost of living.

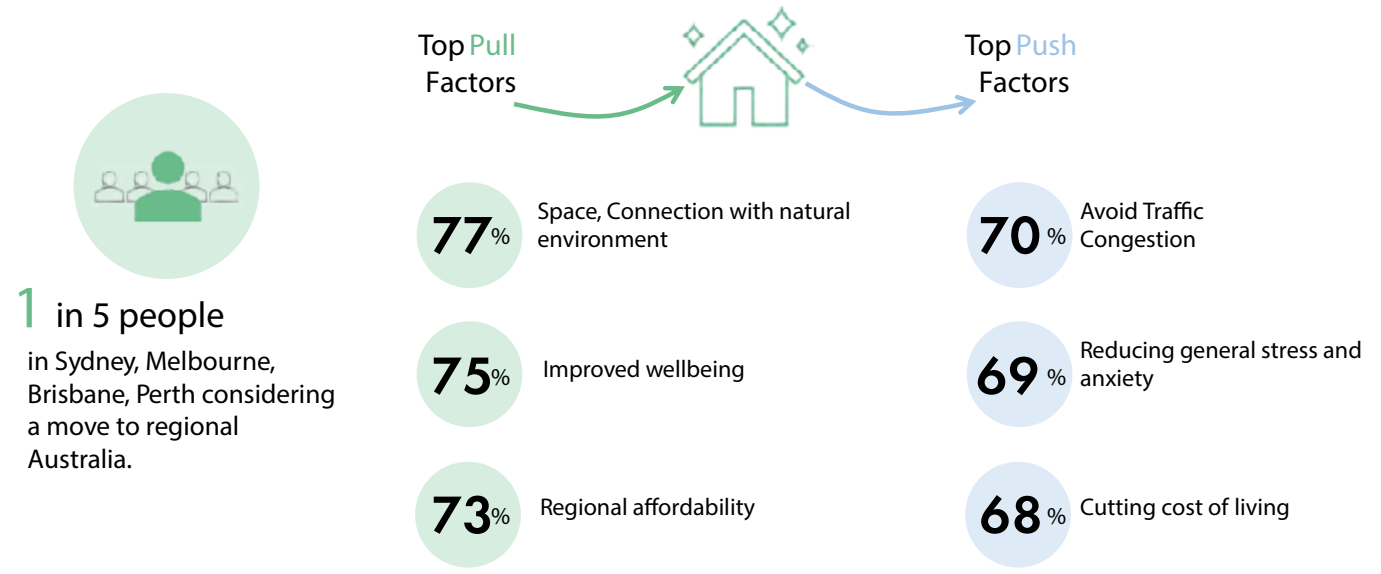
SUPPORT FOR REMOTE WORK

The pandemic has completely changed the way we view work, showing us the extraordinary possibilities of remote work. The Australian Productivity Commission considers that the level of working from home is likely to remain much higher than it was before the pandemic.¹⁶ Many workers enjoyed the flexibility and better work/life balance offered by remote work. Employers who may have never considered having a remote team have been shown that in many cases it can be effective and productive. This means that many workers now have the possibility to move to a region, while retaining their job. Several of Australia’s most influential corporations fully support an increase in flexible work and recognise the need to embed changes in their policies, procedures and culture to better support remote work. Increased remote and flexible work means that more city office workers are able to “live where they love” and move to regional Australia, freeing up time and money for those aspects of life they enjoy and value most.

“The primary benefit for workers is the avoided commute. In 2019, full time workers in Australian major cities spent an average of around 67 minutes per day commuting, which in terms of forgone earnings amounted to \$49, not including vehicle costs. For those taking public transport, the average time value and transport cost totalled \$57 per day.”

Productivity Commission, Working from Home Research Paper¹⁶

 **Further Reading: Market Research: Understanding Metro Dwellers Desires to Move to Regions**



MIGRANT ATTRACTION AND RETENTION

Another important lever for population growth is to help regions attract and retain migrants. The RAI's work on regional migration shows that, while around 80 per cent of new arrivals to Australia settle in the cities, those who have moved to regional areas have made a positive impact on population growth as well as community renewal.¹⁷ Migrants from overseas have long been important to the fabric of regional Australia. The 2016 Census figures showed that international migration was the main source of population growth in 151 Local Government Areas across regional Australia. More migration to regional Australia is needed, to revive declining or ageing populations, to fill jobs and to bring the benefits of diversity across the nation. A range of actions can be implemented locally to encourage international migrant settlement. Many regional communities have launched their own locally led migrant attraction strategies. Job-matching, settlement assistance programs, support for migrant entrepreneurship and community sponsorship of humanitarian entrants are all potential levers which would see more migrants in regional areas.



Further Reading: *The Missing Workers and Steps to Settlement Success A Toolkit for Rural and Regional Communities.*



Key Questions:

3. Can we increase regional Australia's rate of population growth and do so sustainably?
4. What are the best levers or combination of levers to achieve this?

JOBS AND SKILLS

SNAPSHOT

OECD research finds that Australia has a **high rate of skills mismatch**, suggesting that labour resources might be more efficiently allocated.¹⁸

60 per cent of employers outside the Greater Capital Cities are having trouble recruiting.¹⁹

Indigenous employment is **32 percentage points lower** than non-Indigenous employment in predominantly rural regions in Australia.²⁰

Of all people living in regional Australia in 2016 aged over 20, **41 per cent completed Year 12** compared with 61 per cent for metropolitan cities.²¹

The more remote the region the lower the Year 12 completion rate. In Regional Cities the rate was 45 per cent in 2016 and in Heartland Regions it was 34 per cent.²²

In December 2021, there were over **70,000 job vacancies** across regional Australia, an increase of 36 per cent since December 2020.²³



The RAI's examination of job vacancies across Australia consistently shows that, every month, there are thousands of job vacancies in regional Australia, with regional job vacancies increasing by 36 per cent in 2021.²² Many regional areas are experiencing a declining population, a lack of needed skills and an ageing workforce. Current regional vacancy trends show that the regions with the highest vacancy growth rates usually have the lowest population growth rates, highlighting the difficulties many inland regions are having in attracting and retaining the workers needed.

The extent of labour shortages across the country severely impacts the growth prospects of regional businesses and critical industries. Importantly, regional Australia is facing skills shortages as much as labour shortages, as over the past 10 years the number of skilled trades and professional vacancies has grown faster than vacancies for lower-skilled occupations. The most in-demand skills are well paid, being mid- to high-skilled professionals and mid- to high-skilled trades.

Broadly speaking, there are three main sources of labour and skills: they can be brought in from overseas, drawn from other parts of the country or, more sustainably, grown from within. The RAI considers that this last source, while being needed, has had insufficient policy attention. More focus is needed to ensure that young people can stay in regions and that local education provides the skills needed to fill local jobs. Rebuilding regional learning options in both the VET (trades) and higher education sectors is critical to the growth of regional Australia.

“Regional leaders are calling for regional policy development to be more than the implementation of large infrastructure projects. Instead, leaders want education and skills development of regional residents to be a priority. The real driver of growth in regions in the 21st Century is people, their skills and how they work together.”

RAI Policy Hack Summary 2019²³

Rebuilding regional learning options in both the VET (trades) and higher education sectors was the main thrust of the National Regional, Rural and Remote Tertiary Education Strategy (the Napthine Review) delivered to the Federal Government in 2019. The Napthine Review highlighted that increasing access to tertiary education for regional Australians would have three important benefits. It explains that:

- Individuals will benefit from having more opportunity to reach their potential and gain better employment with higher incomes and improved health outcomes.

- Communities will benefit and remain vibrant through releasing the currently untapped potential of many rural, regional and remote Australians.
- The nation will benefit through maximising the talents and skills of more Australians, which will strengthen the national economy, as well as foster greater aspiration in young people.

This Napthine Review led to the appointment by the Federal Government of the first Regional Education Commissioner in December 2021, to oversee the recommendations set down in the Review, and improve regional education outcomes.

Strengthening regional educational outcomes would have profound impacts on the nation as a whole. In comparison to people from metro areas, residents in regional, rural and remote Australia are around 40 per cent less likely to gain a higher-level (Certificate 4 or above) tertiary education qualification and less than half as likely to gain a Bachelor-and-above qualification by the time they are 35 years old.²⁴

DIFFERENCE BETWEEN CAPITAL CITIES AND REGIONS IN COMPLETION OF A BACHELOR'S DEGREE

There remains a significant **gap between Australia's capital cities and regions in completion of a bachelor's degree or above**. Capitals in every state and territory lead regional areas in the share of the population (aged 15 and over) with a bachelor's qualification.

For example, in New South Wales, where about 16 per cent of the population (977,000 people) have a bachelor's degree or above, the share of the population is vastly divergent between Sydney (led by North Sydney and Hornsby with 50.7 per cent) and some regions (the lowest being Hunter Valley exc. Newcastle with 11.9 per cent).¹⁸

Similarly, Inner Melbourne leads in Victoria with a 49.1 per cent share, compared to North West Victoria with the lowest share of 11.7 per cent.

The RAI estimates that if people in the regions had the same share of Bachelor level qualifications as in metro areas (in 2016 this was 11.4 per cent compared with 19.5 per cent), there would be just over 461,000 more graduates living and working in regional Australia, collectively earning about \$26 billion each year, based on the average salary for a graduate.²⁵ This represents a significant opportunity for regional Australia.

REGIONAL LEARNING SYSTEMS APPROACH

Better regional skilling pathways will, over time, enable local residents to build the skills they need to enter the workforce and continue to develop their capabilities throughout their working lives. It will position them for better jobs, in the places they already know. Moving up the qualification ladder will bring an increase in real wages; an increase that will be secure for the long term. Improving access to post-school training for regional residents must be an important priority for regional development.

Aligning skill supply with skill demand requires proactive and innovative education and training practices that involve a wide range of participants such as employers, young people, educators, trainers, older job seekers and even families and communities more broadly. It also requires that regional development actors and agencies assist with regeneration and job stimulus. This more inclusive, systemic approach to targeted skills development needs to monitor and forecast trends within the labour market (particularly the need for replacement workers), the education and training market as well as how skills are being used and sourced.


The RAI calls this comprehensive approach to regional workforce development the “Regional Learning Systems” approach.

An important feature of the Regional Learning Systems approach is that it extends the analysis beyond the skills gap as determined by business interests, to include a broader understanding of skill formation and transition challenges as a result of structural change in regional economies. In other words, it remains flexible and is geared to ensure that the needs of the future labour market are also considered.

In pursuing a Regional Learning Systems approach, there are a number of key areas where local level interventions can create significant impact. For example:

- Aligning school pathways with community and local government goals and priorities
- Supporting close connections among community, employers, industry, education and training providers
- Providing students with a sense of ‘what’s next’, be it pathways to continue schooling or pathways beyond schooling (further study or employment), and
- Equipping students with various skillsets and a strong base of soft skills to be able to pursue multiple pathways.

Putting such an approach in place across regional communities will be an important lever to reduce and eventually eliminate the skills shortage that is hampering the growth of regional Australia.



Further Reading: *The Future of Work: Setting Kids up for Success and The Future of Regional Jobs.*

Case Study




PAVING THE WAY FOR REGIONAL CAREERS THROUGH LOCAL COLLABORATION

Two schools in the Barossa, South Australia have developed **strong connections with the local wine industry**, incorporating various aspects of wine-making into the curriculum.

In Year 10, students learn about winemaking from the point of growing the grapes to designing the wine labels and hosting a dinner to showcase food and wine created and paired by students. As well as cultivating specialist agriculture skills to produce a high-quality, commercial-grade product, students involved in the program also develop industry skills and awareness of career opportunities presented by the wine and viticulture industry.

The program helps make connections between the school and the community and aligns the school with community and local government priorities. It demonstrates the effectiveness of taking a **local approach** to building connections between employers and industry with schools to increase the **employability of local students** and to build the **potential for regional workforce retention**.



Key Questions:

5. What are the key actions to address the skills gap in regional Australia?
6. What actions can be taken to effectively fill regional jobs vacancies?

LIVEABILITY

SNAPSHOT

Regional areas have a Digital Inclusion Index score in 2021 of 67.4. This is **3.6 points less** than the national average, and **5.5 points less** than metropolitan Australia.²⁶

The proportion of students enrolled in non-government schools **decreases with remoteness** – from 35.9 per cent in major cities, compared to **12.7 per cent in very remote areas** (26.2 per cent for outer regional areas, and 33.9 per cent for inner regional areas).²⁷

There are 110 full time General Practitioners per 10,000 people in major cities, but only **half as many in very remote areas**.²⁸

In October 2021, house prices across regional Australia were **24.3 per cent higher** than a year earlier, compared to 20.8 per cent in capital cities.²⁹

Regional Australians rate their satisfaction with 'life as a whole' **higher than city dwellers** – the Global Life Satisfaction average score in 2020 was 72.3 in regions, compared to **69.4** in capital cities.³⁰

The average **commuting time to work** for regional Australians was **48 minutes** in 2017, compared to over an hour for capital city workers.³¹



Many parts of regional Australia offer enviable lifestyles, with abundant access to green spaces and recreational opportunities, shorter commute times, affordable living and strong community connections. Such regional communities are growing based on their existing services, accessibility and infrastructure. However, the picture is diverse across the country, with more remote parts of regional Australia having unequal access to services and opportunities.

“Popularised by the Economist Intelligence Unit’s Global Liveability Index, liveability has become a key term to describe a place, community and a person’s quality of life. The term has evolved, but at its core it attempts to describe and assess the key elements influencing the human experience of our towns and cities.”

*State of Place, 2021 Australian Liveability Census*³²

While people choose to move to regional areas for economic and employment-related reasons, other factors also influence these mobility decisions such as the ‘liveability’ of the location.

The importance of liveability in regional development has been increasingly recognised at all levels of government, shifting from siloed infrastructure planning to a more holistic understanding of what makes a community ‘liveable’. Infrastructure Australia, the national independent infrastructure advisor, recognises that ‘place-level’ planning that considers integrated infrastructure, services and housing is integral to creating liveable, growing communities.³³

Defining exactly what is meant by liveability is not straightforward. There is no single accepted definition. It means slightly different things to different people and the way that we assess liveability is subjective and highly personalised. People make different assessments based on their needs, their aspirations, and their stages of life. This means that what makes a place liveable for one person might differ to what makes it liveable for another. For example, while access to good early childhood or primary education may make a place liveable for a young family, schooling will not necessarily feature in the liveability assessments of retirees.

However, the RAI’s research³⁴ has found that there are several aspects of regional Australia which broadly contribute to overall liveability. These are:

- Services such as health, education and connectivity
- Cost of living, including the cost of housing
- “Amenity” which includes the natural, physical and cultural attributes of a place
- Connection with the community, and
- Lifestyle and opportunities, including cultural, artistic, sporting and leisure activities.

In this Consultation Paper, we consider the aspects of liveability that are common to a significant proportion of regional communities across Australia and which are areas where policy focus and action are most urgently needed, namely, health, education, housing and connectivity.



Further Reading: *Understanding Liveability and the Liveability Toolkit*

“To manage our projected population growth and prepare for the future, governments will need to ensure the delivery of new housing occurs alongside upgrades to the infrastructure and services required to make a place ‘liveable’... This will require better collaboration across levels of government and a greater focus on strategic-level planning.”

*Infrastructure Australia, December 2018*³³

ACCESS TO HEALTH CARE SERVICES

Access to diverse health care offerings is a critical piece of the liveability puzzle in regional Australia. These services are important not only for the wellbeing and quality of life of people in regions, but they can also support the economic development of a region itself. Provision of equitable access to timely and affordable health services provides the essential physical and social infrastructure that enables people to live confidently in regional places.

There are a number of factors that impact on the provision of quality health care in regional Australia. These can include geographic spread, low population density, limited infrastructure and the higher costs of delivering health care, particularly in rural and remote areas.³⁵ Workforce is a significant challenge, and the Australian Government has developed a system of incentives to encourage health professionals to train and practise in rural and remote areas, including the Stronger Rural Health Strategy. Despite the existence of such valuable initiatives, the differences between cities and regional areas are stark. Data from the Australian Department of Health shows that major cities have 454.5 FTE medical practitioners per 100,000 people, medium towns have 236.9 FTE and small rural towns have 119 FTE medical practitioners per 100,000 people.³⁶ The Australian Institute of Health and Welfare (AIHW) has found that remote areas in Australia have seven times fewer specialists compared with major cities.³⁷

In terms of allied health professionals, the National Rural Health Commissioner reports that, of the 195,000 allied health workers in Australia, less than 15,000 (7.7 per cent) work in rural and remote locations. Most are in capital cities.³⁸ In 2016, 83 per cent of psychologists, 81 per cent of physiotherapists, 79 per cent of optometrists, 77 per cent of pharmacists, and 75 per cent of podiatrists worked in metropolitan locations where only 70 per cent of the population resides.³⁹

The difficulty in accessing health care contributes to the poorer health outcomes that people in rural areas have compared with those living in cities. Australians living in rural areas have shorter lives and higher levels of disease and injury compared with their metropolitan counterparts.⁴⁰

As well as the public sector initiatives on increasing the health workforce, the private sector is playing a role in improving access to healthcare. It is bringing more diverse health and allied health services to regions. The depth and diversity of health offerings is also being enhanced in some regions by concerted local action. Regional and local action connects businesses and services to enable better planning for growth and sustainability through improved service coordination, management of the distribution of the health workforce, resources and skills across the sectors employers.

Case Study



ALPINE HEALTH'S 'LOCAL SERVICES FOR LOCAL PEOPLE'

Alpine Health is a multi-purpose health provider in Victoria's High Country. Its decision to place community at the centre of all its operations is led by the philosophy that community health is best served through local, decentralised service models. **'Local services for local people'** is believed to enable better experiences for patients and consumers and better health outcomes for the community. This community partnership is evident in three key innovations.

First, Alpine Health has established Community Health Advisory Groups (CHAG), led by community members and focused on service development and the principle of meeting local needs.

Second, establishing the confidence of the community is seen as central and Alpine Health has placed emphasis on the role and importance of community volunteers.

Third, Alpine Health has built a registered training organisation (RTO) – the Alpine Institute – to ensure that the local people have access to skills development needed to work within the health and social assistance sector locally. The Alpine Institute also works with training overseas graduate nurses, building a steady source of nurses that are familiar with the community and its needs. Rather than spending large amounts of money on recruitment, the Alpine Institute started generating an income while it was building a local workforce. The Institute provides a range of certification courses including community care and social assistance courses. This has quadrupled the number of qualified community care workers in the community. Alpine Health now requires all employees – whether catering, administration, or support staff – to hold some kind of qualification or to be in training.

ACCESS TO EDUCATION FACILITIES

While there are excellent educational facilities in many regional centres, issues of provision, access and quality to education exist across many parts of regional Australia, particularly rural and remote areas.

“RRR [regional rural and remote] areas are often “thin markets” for education provision, particularly in outer regional and remote areas where a low population density can make it unsustainable for providers to operate or provide a large suite of academic programs.”

National Regional, Rural and Remote Tertiary Education Strategy (Naphthine Review)²⁴

Provision of schools in smaller regional areas can therefore be vulnerable to population shifts, falling enrolments and the threat of school closure.

The issue of access to educational opportunities, from pre-school through to tertiary education, can impact on levels of educational participation and attainment. For students in remote parts of Australia, access to education may be dependent on transport and distance, challenges which can be overcome through distance learning, which raises issues of the adequacy of, and access to, digital connectivity.

The RAI’s research on liveability also found that access to quality educational offerings is a key factor for families considering a move to regional Australia. Education options are especially important for families with young children, and for those continuing education through university or TAFE. Studies show that families will seriously consider moving so that their children can have access to better schooling, particularly secondary schooling.⁴¹ This reflects the strong desire to have children attend local schools and minimise travel time or boarding school arrangements. Having at least two schooling options in a place is important to those with primary and secondary school aged children. Secondary schools which offer a range of subjects, depth of teaching and extra-curricular activities are valued by families in the community. The availability of accredited early childhood education can also be a key consideration for families and professionals with infants, noting that accreditation is important for rebate purposes. The lack of access to higher education in many regional communities has contributed to the outflow of young people, undermining efforts aimed at attracting and retaining population. Governments and regional leaders and their communities continue to innovate in overcoming the unique challenges facing regional education, with programs being implemented that focus on improving the provision, quality and access of education for their community.⁴²

Case Study



REGIONAL UNIVERSITY CENTRES HELPING REGIONAL STUDENTS TO STUDY IN THEIR COMMUNITY

Regional University Centres **help students in regional and remote areas access higher education without having to leave their community**. They provide student support and campus-style facilities for students who study online, so that these supports can be accessed from their regional location.

The Regional University Centres are an innovative approach to improving access to tertiary education for regional and remote students. They are community-led facilities which offer local learning support. Some centres offer learning support to all online students in a region, while other centres help bring particular courses to each location in partnership with university providers.

Centres provide supportive places and spaces including independent and group study spaces, video conferencing, high-speed internet access and administrative and academic support services including help with writing and research skills.

The Commonwealth Government is supporting **26 Regional University Centres**, located across all states and the Northern Territory.

HOUSING

Housing affordability is a key factor driving people away from our major cities. However, pressures in housing markets are almost universal across regional Australia – in both rental and purchase markets. While these pressures are partly driven by cyclical and macroeconomic factors (largely stemming from the COVID-19 pandemic), they are underscored by a longer-term underinvestment in regional housing. That is, over the long term, regional home building has not kept pace with population growth.

The shortage in regional housing is constraining local economic growth and development, preventing regions from meeting their full potential and contributing to the post-COVID recovery. There are jobs going unfilled simply due to a lack of suitable housing. Local private enterprise is constrained in realising nascent opportunities and creating new jobs because of local shortfalls in the amount and mix of housing.

Housing supply levers in relation to planning (including planning controls), the provision of infrastructure, and incentives for development need to be set not only to ensure an appropriate volume of housing supply, but also an appropriate mix of dwelling types at suitable (affordable) price points. Constrained access to housing finance is also a key barrier.



Further Reading: *Building the Good Life: Meeting the Demand for Regional Housing*

DIGITAL CONNECTIVITY

“There is a new paradigm in the way we use telecommunications and Australia will be relying even more on digital connectivity as it strives to become a leading digital economy.”

Luke Hartsuyker, Chair, Regional Telecommunications Independent Review Committee⁴³

Digital connectivity is critical to the growth, productivity and liveability of regional Australia. Digital connectivity supports access to education and healthcare, as well as a range of other services, and allows businesses to remain competitive.

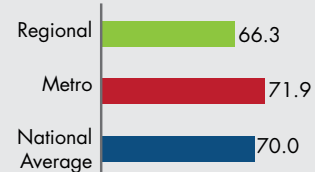
The 2021 Regional Telecommunications Review⁴³ recognises the essential role of digital connectivity in everyday life in rural, regional and remote Australia, suggesting that it is on a par with the provision of electricity. It makes a series of recommendations to ensure that the digital divide does not widen, leaving regional Australia behind.

This “digital divide” is tracked by the Australian Digital Inclusion Index (ADII), which measures digital access, affordability, and digital ability⁴⁴ to give a score out of 100. The 2021 Digital Inclusion Index shows that the divide between rural and urban areas is decreasing but is still marked. Regional areas recorded an overall ADII score of 67.4, which is **3.6 points less** than the national average (71.1), and **5.5 points less** than metropolitan Australia (72.9).

THE AUSTRALIAN DIGITAL INCLUSION INDEX

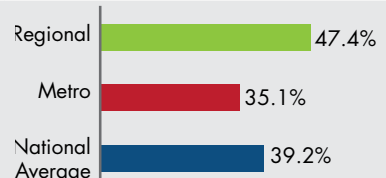
Access (Index)

Measures the connection type, data allowance and speed, types of devices used, and the frequency and intensity of use.



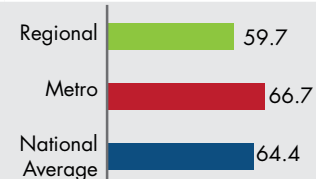
Affordability (Per centage households with low affordability)

Measures the percentage of household income required to gain a good quality service with reliable connectivity (the ‘internet bundle’). Households paying more than 5 per cent of their income to access the bundle are considered to have ‘low affordability’.



Digital Ability (Index)

Measures Australians skill levels in interacting and conducting activities online, and our confidence in doing so.



Key Questions:

7. What are the main liveability concerns in your region?
8. What strategies are currently being, or should be, implemented to address these?

PRODUCTIVITY AND INNOVATION

SNAPSHOT

*Regional Australia produces around **34 per cent** of the national economic output.⁴⁵*

*Regional Australia is **leading productivity** (output per worker) in **7 of the 19 industry categories** recorded by the ABS.⁴⁵*

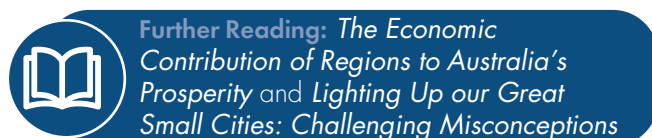
These are mining, agriculture, construction, transport, manufacturing, healthcare and social assistance, and accommodation and food services.

*The Australian economy is expected to **grow more slowly** over the next 40 years, at an average rate of 2.6 per cent, as opposed to 3 per cent over the last 40 years.⁴⁶*

*COVID-19 is likely to speed up the adoption of automation, as firms seek to increase their productivity and lower physical interaction within workplaces. An OECD survey found that over **26 per cent** of Australian firms reported an increase in the take-up of new technology or automation because of COVID-19.⁴⁷*



Regional Australia is central to the next phase of Australia's economic story. It employs around one-third of Australia's workforce and produces approximately 34 per cent of the national economic output.⁴⁵ It already plays a big role in national productivity, leading in some sectors, yet not reaching its potential in others. National productivity growth will be enhanced, and lopsided growth avoided, if economic policies can leverage the sectors where regional Australia is leading, while simultaneously addressing the sectors being held back.



Regional Australia makes a significant contribution to the well-being and prosperity of the nation. Regional Australia is also at the forefront of productivity in around a third of industries in Australia, not only in industries typically associated with regional Australia such as mining and agriculture, but also in industries such as health care and social assistance as well as accommodation and food services.⁴⁶

Regional Australia is the mainstay of the nation's export sector. The regional industries of agriculture, forestry and fishing and mining comprised nearly 60 per cent of the value of Australia's merchandise exports in 2016.⁴⁸ Regional Australia provides the nation's food, clean water, energy, building materials and is home to our incredible natural assets.

Regional Australia is a critical contributor to the nation's performance and still has boundless potential to become stronger and more prosperous.

“Regional Australia is in the box seat to lead the industries of the future: decarbonised economy, agriculture and food production, resources, renewable and low carbon technology, defence and advanced manufacturing.”

Jennifer Westacott AO, CEO, Business Council of Australia.⁴⁹

It is clear that regional Australia's economy is changing. The concentration of growth in mining regions which was driven by unprecedented corporate investment is giving way to a more diverse picture. Key industries such as agriculture, gas and tourism are predicted to underpin Australia's future prosperity and are driven by economic activity in the regions. Unlike the mining boom where sources of growth were highly concentrated in particular regions, the next phase of opportunities for growth are spread more widely. Australia is relying on regional Australia to be up for this challenge and to take the lead in realising Australia's future economic opportunities.

Growth in national productivity is the key to securing Australia's medium-term economic future. Regional economies have extraordinary growth potential and have demonstrated their resilience through disaster and external shocks. Promoting growth in all regions is crucial to optimising growth in the national economy and opportunity for all Australians. The 2021 Intergenerational Report (the IGR) has highlighted that the Australian economy is expected to grow more slowly over the next 40 years, at an average rate of 2.6 per cent, as opposed to 3 per cent over the last 40 years.⁴⁶ The IGR notes that this reduction in output will largely be attributed to structural changes in Australia's population and the subsequent reduction in workforce participation. Slowing national productivity growth has underpinned slow growth in real per capita incomes in Australia.

The IGR illustrated Australia's slowing labour productivity growth. This decline is in line with the progression of other advanced economies, and has been affected by:

- The slowing rate of innovation and subsequent technological adoption and reallocation of resources.
- Structural shifts in our economic activity, and in particular the rise of the service economy and shifts in population demographics.
- The challenges in measuring service and technology delivery in terms of productivity.
- Lower business investment.
- Slower growth in education attainment and lower labour quality.


As such, the payoffs of increased productivity would be significant for Australia: increasing incomes, opportunity and economic efficiency.

The RAI's research⁵⁰ shows that there are substantial productivity gains to be had in regional cities which have agglomeration opportunities yet to be tapped. Agglomeration economies refer to the benefits that accrue when large numbers of worker and firms cluster together. Our research shows that there are rapidly diminishing returns for agglomeration benefits as our cities get very large. This is because the costs of being big – congestion and the high cost of living – undermine the benefits of having additional people. The results also found that the marginal productivity gains from further densification in the CBDs of the capital cities are very small. This means that Sydney and Melbourne CBDs are already at their peak in terms of marginal gains from increased density.

To grow regional productivity, innovation is also needed, to expand regional Australia's economic base and create new jobs in new industries. Innovation plays an important role in regional economies. A well-developed regional innovation ecosystem will provide a diversity of occupations for local people – everything from entry level and part time work through to high income professional roles. This helps lift per capita incomes and increase regional spending, which will in turn stimulate business formation and growth in services that increases spending.

Growing Australia’s network of regional cities (with populations over 50,000 people) makes sound economic sense. Our regional cities accounted for more than \$229.5 billion in gross value-added production in 2013.⁵⁰ This is a little over 15 per cent of Australia’s national output and internationally is comparable with the national output of Finland. Small cities anchor economic activity in a surrounding region and account for almost half of the regional output that occurs outside of Australia’s big five major cities. They are also highly productive. In 2013, Australia’s small cities were 88 per cent as productive as the five major cities and had comparable workforce participation.

Investing in services, facilities and infrastructure in regional cities will also mean that the surrounding towns and rural communities are closer to the economic and social infrastructure that is required for thriving communities, businesses and local economies. This “hub and spoke” concept is also the basis of the National Farmer’s Federation Regional Development Precincts model, released in 2022.

 **Further Reading:** *Deal or No Deal?* and *Blueprint for Investing in City Deals: Are you ready to deal?*

The OECD has found that countries with a greater number of cities generally have higher per capita GDP and are more likely to be resilient to place-specific shocks.⁵¹ By nurturing and growing our second- and third-tier cities, and by framing the nation’s cities policy to have greater focus on the performance and potential of these cities, we can achieve an overall stronger outcome for Australia.

“As the country moves toward COVID recovery, planning for a network of strong regional capitals is now a national imperative.”

Cr. Daniel Moloney, Chair of Regional Capitals Australia, January 2022.

“Our regional centres and surrounding communities should be great places to live with affordable housing, social services, amenity and cultural opportunities – on par with that in urban Australia. There must also be career and business opportunities.”

NFF President, Fiona Simpson, February 2022

Key Questions:

 **9. What are the best ways to unlock the economic potential of regional Australia?**

10. What are the impediments to economic growth and investment in regional Australia?

SUSTAINABILITY AND RESILIENCE

SNAPSHOT

Natural disasters currently cost the Australian economy **\$38 billion** per year. This cost is expected to rise to at least **\$73 billion** per year by 2060.⁵²

Australia ranks **17th out of 32** participating countries on KPMG's "Net Zero Readiness Index".⁵³

Greenhouse gas emissions from the red meat and livestock industry have fallen by **53.2 per cent** since 2005.⁵⁴

More than **85,000 Australians** were employed in the installation and operation of renewable energy and energy efficient projects from 2019 to 2020.⁵⁵

The Australian renewables sector is expected to create **45,000 new jobs by 2035**.⁵⁶



We need to “future-proof” regional Australia, ensuring that growth and development are sustainable and can withstand internal and external shocks. This involves diversification of economies, support for transitioning industries as reliance on fossil fuel decreases and taking action to minimise the impacts of climate change while strengthening resilience against the impacts of natural disasters.

Economic diversification plays an important role in providing resilience and flexibility for regional Australia’s economies. Without this cushion, regional economies may suffer disproportionately during adverse external shocks, with exacerbated negative effects on the security of employment, income and living standards. For example, extended drought has devastating implications for regions dominated by agriculture. The lack of alternative economic opportunities in these regions means that drought has substantial flow-on effects for the wider community.

As we head toward an imminent future with clean energy alternatives and decreasing reliance on fossil fuels, any transition away from traditional energy industries must be done in a careful way, achieving positive outcomes for workers and affected regional communities. This calls for planning on management of any transition and on creating new jobs in a clean economy. The 2019 Report Jobs for the Future in Regional Areas⁵⁷ underscored the importance of robust transition planning that is place-based, taking into account the local context. It identified the following important factors:

- Collaboration and capacity building, which includes genuine consultation with affected communities as well as involvement with government, industry and education providers.
- Long-term planning which identifies and works toward transition and involves co-design with affected communities.
- Fostering key projects to build successful transitions, including both those which accelerate the development of new industries as well as those which attract investment.

Technology can and does play a part in making our industries cleaner and such initiatives need to be showcased and supported. Research and investment are also needed to support emerging low-emission technology.

Many industries across Australia have committed to the net zero target by 2050 and are looking at ways to reduce their carbon footprint. About 36 per cent of companies in the ASX Top 200 have a net-zero target for its carbon emissions.⁵⁹ Many key regional industry groups have also committed to the target.⁶⁰

Case Study



INNOVATING FOR CARBON NEUTRALITY: MEAT AND LIVESTOCK AUSTRALIA

Meat and Livestock Australia has stated that red meat production can be **carbon neutral** as early as **2030** through changes including feed and farm management.

It has collaborated with agency CSIRO and James Cook University to develop FutureFeed⁵⁸, a seaweed-based dietary supplement that could greatly reduce methane emissions from cows and other ruminants.

Even with immediate reductions in emissions, it is projected that the frequent extreme weather events that Australia is facing will continue, at least for the next two decades.⁶¹ Regional Australia faces the brunt of natural disasters, most frequently bushfire, drought and flood, which cause significant impacts to regional Australian communities and businesses. Recovery from such events is more than simply reconstruction or rebuilding. Recovery is a long-term undertaking, comprising overlapping stages in a process of renewal and adaptation to a new equilibrium. Adapting to the 'new normal' needs to become an integral aspect of recovery planning. This will make regional communities stronger and better prepared for inevitable future shocks.

Business resilience is sometimes overlooked or not as well supported as community resilience, yet it is equally vital.⁶² Particularly in rural and regional areas, businesses form the central element of a community, providing jobs, income and underpinning economic vitality. Without a strong and diverse economy, a disaster-affected community cannot recover from, or positively adapt to, the impacts of a disaster. The RAI's research on disaster recovery and resilience has highlighted the importance of place-based business recovery processes, concluding that one-size-fits-all approaches to disaster recovery are ineffective.

Regional resilience also needs to be based on an understanding of the many external factors that can impact a community. As well as climate-related pressures, these include economic, social, international and geopolitical shifts. Regional Australia has and will continue to experience an economic transition that will require targeted, place-based programs that seek to improve a region's resilience to further structural changes, and guide impacted industry and the workforce into a more resilient future.

Further Reading: *Regions in Transition: Effectiveness of Place Based Transition Packages* and *From Disaster to Renewal: The Centrality of Business Recovery to Community Renewal.*

Recovery and resilience strategies need to be tailored to the context-specific nature of the community and its economy. Regional Australia needs to be better equipped for external shocks as it continues to bear the brunt of natural disasters and other economic and geopolitical pressures.



Case Study

AUSTRALIA POST COMMITS TO CARBON REDUCTION

Australia Post cut emissions by **25 per cent** in the two decades to 2020, including a reduction of 100,000 tonnes since 2010.

The organisation is conducting a second corporation-wide emissions reduction program that is expected to reduce carbon emissions by **15 per cent** in the five years to 2025.⁶⁰

“Post-crisis efforts can be turned into an opportunity to improve people’s lives and address upcoming challenges. Societies have shown they are willing to act to overcome the COVID-19 crisis. This can inspire cities and regions to engage lasting transformations to address the climate challenge.”

OECD, Regional Outlook ⁶³

Key Questions:

- 11. What are the current or potential opportunities for regional Australia in reaching net zero?
- 12. How can the impacts of natural disasters on regional communities be mitigated?

Conclusion

The insights and opportunities highlighted across the five themes presented in this paper are not new – but it is how we collaborate, plan, and action the strategies and opportunities presented that will determine the success of regional Australia, and our vision.

The National Regionalisation Framework will seek to establish a reference for such collaboration, planning, and action, across each of the five themes, highlighting their interconnectedness. Investment in just one facet of a broad regionalisation agenda will not be enough. Taking action across each of the themes is necessary for regional Australia to truly reach its potential. Most importantly, we must consider regional investment and growth with a sustainability and resilience lens – ensuring local strategies are sustainable and embedding a holistic approach to resilience against future climate and economic shocks.

The RAI also recognises that regional Australia consists of many different communities, founded on their own unique social and economic make-up. A 'one size fits all' approach to regionalisation across these key foundations will not realise the full potential of regional Australia. Regionalisation instead needs to be place-based and community-centred, with strong leadership at the national and local level enabling such decisions. Regionalisation calls for national leaders to consider such policy issues for regional Australia as being at the forefront in Australia's future growth, while recognising that local leaders are best placed to inform and enact policy solutions.

For that reason, a National Regionalisation Framework needs to be informed by many voices across the country. We welcome your views on this Consultation Paper which is a first step in developing a bold, ambitious Framework, to shape the nation for the benefit of all Australians.

Further information and written submissions

Sarah McCosker, Senior Policy Officer

P. 02 6260 3733

E. info@regionalaustralia.org.au

Further information can be found at www.regionalaustralia.org.au

ENDNOTES

- 1 In 2020, a net 43,000 Australians moved to regional areas from capital cities according to the ABS records on internal migration. Australia's regional areas have had their largest net inflow of people since the Australian Bureau of Statistics started measuring internal migration in 2001.
- 2 See the report from Infrastructure Australia, Regional Strengths and Infrastructure Gaps, March 2022.
- 3 The RAI definition was broadly adopted by the House of Representatives Select Committee on Regional Development and Decentralisation's 2018 report *Regions at the Ready: Investing in Australia's Future*.
- 4 Department of Health. (2021). *Health Workforce Classifications: Modified Monash Model* (health.gov.au)
- 5 Department of Home Affairs. (2021). *Regional migration: Designated regional areas* (immi.homeaffairs.gov.au/visa)
- 6 Commonwealth of Australia, Department of the Prime Minister and Cabinet. *Closing the Gap* (closingthegap.gov.au)
- 7 Regional population, 2018-19 financial year | Australian Bureau of Statistics (abs.gov.au)
- 8 James, A., Rowley, S., Davies, A., Ong Viforj, R. and Singh, R. (2021) *Population growth and mobility in Australia: implications for housing and urban development policies*, AHURI Final Report No. 365, Australian Housing and Urban Research Institute Limited, Melbourne. OR Australian Bureau of Statistics, 3218.0 - Regional Population Growth, Australia, 2017-18 (abs.gov.au)
- 9 OECD (2022), *National population distribution* (indicator). doi: 10.1787/7314f74fen
- 10 Australian Bureau of Statistics. 2071.0 - *Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016* (abs.gov.au)
- 11 Bourne, K., Houghton, K., How, G., Achurch, H. and Beaton, R. (2020) *The Big Movers: Understanding Population Mobility in Regional Australia*, Regional Australia Institute, Canberra.
- 12 Regional Australia Institute, *Regional Movers Index*.
- 13 Australian Bureau of Statistics - *Historical population, 2016* (abs.gov.au)
- 14 Australian Bureau of Statistics - *Regional population, 2018-19 financial year* (abs.gov.au)
- 15 Archer J., Houghton K., and Vonthethoff B. (2019). *Regional Population Growth – Are We Ready? The economics of alternative Australian settlement patterns*, Regional Australia Institute: Canberra.
- 16 Productivity Commission 2021, *Working from home*, Research paper, Canberra
- 17 Regional Australia Institute. (2016). *The Missing Migrants* (regionalaustralia.org.au)
- 18 OECD (2021), "Job polarisation and changing skills needs at the local level in Australia", in *Preparing for the Future of Work Across Australia*, OECD Publishing, Paris
- 19 National Skills Commission. *Recruitment Experiences and Outlook Survey - December 2021* (nationalskillscommission.gov.au)
- 20 OECD (2020), "Foreword", in *Linking Indigenous Communities with Regional Development in Australia*, OECD Publishing, Paris.
- 21 Houghton K., 2019, *The future of regional jobs*, The Regional Australia Institute, Canberra.
- 22 Houghton K., and Hopkins, D. (2022). *February Regional Jobs Update: Regional Labour Market at Full Employment*
- 23 Regional Australia Institute. (2019) *Our Regions Rising - Policy Hack Summary 2019*
- 24 Commonwealth of Australia (2019), *National Regional, Rural and Remote Tertiary Education Strategy* (Naphthine Review).
- 25 This calculation classifies the Greater Capital City Statistical Areas as "metro areas", corresponding with the RAI definition of regional (which includes Darwin and Hobart). The median salary is based on the Graduate Outcomes Survey median salary for those who completed Undergraduate study in full time employment in 2016 (\$57,900).
- 26 Australian Digital Inclusion Index, 2021 (digitalinclusionindex.org.au)
- 27 Australian Bureau of Statistics - *Schools, 2020* (abs.gov.au)
- 28 Grattan Institute (2018), *Mapping Primary Care in Australia*, p 11, Grattan Institute, Melbourne.
- 29 CoreLogic Hedonic Home Value Index – October 2021 Update (corelogic.com.au)
- 30 University of Canberra (2020) *Regional Wellbeing Survey*; Global Life Satisfaction score was calculated based on respondents rating their satisfaction with their 'life as a whole' on a scale of 'completely dissatisfied' (0) to 'completely satisfied'
- 31 Roger Wilkins, Inga Laß, Peter Butterworth and Esperanza Vera-Toscano (2019) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.
- 32 PlaceScore (2021). *2021 State of Place Report: Australian Liveability Census*
- 33 Infrastructure Australia. (2018). *Media Release: "Infrastructure and services failing to keep pace with new housing growth"*.
- 34 Houghton K. and Vohra S. (2021), *Strengthening Liveability: A Toolkit for Rural and Regional Communities Looking to Grow*, The Regional Australia Institute, Canberra.
- 35 See the Australian Institute of Health and Welfare, *Rural and Remote Health Snapshot*, 23 July 2020.
- 36 2018 *Doctors in Focus*, Department of Health.
- 37 See the AIHW data on its webpage at: *Rural & remote health, Access to health care - Australian Institute of Health and Welfare* (aihw.gov.au)
- 38 National Rural Health Commissioner Final Report 2020, p.11
- 39 National Rural Health Commissioner, *Final Report 2020*, p.58.
- 40 *About Australia's rural health workforce* | Australian Government Department of Health
- 41 See for example *Living in the Regions: A survey of attitudes and perceptions about living in regional Western Australia, 2013 and 2015*.
- 42 See for example regional based studies as summarised by Varadharajan, M., Noone, J., Weier, M., Brown, G., (2022). *Amplify Insights: Education Inequity*. Centre for Social Impact, UNSW Sydney.
- 43 Commonwealth of Australia (2021). *2021 Regional Telecommunications Review*
- 44 Australian Digital Inclusion Index, 2021. "The ADII dimensions". (digitalinclusionindex.org.au)
- 45 Analysis by the Regional Australia Institute based on 2021 data from National Economics.
- 46 Commonwealth of Australia (2021). *2021 Intergenerational Report: Australia over the next 40 years*
- 47 OECD (2021), "Assessment and recommendations", in *Preparing for the Future of Work Across Australia*, OECD Publishing, Paris.
- 48 Senator the Hon. Fiona Nash in: *Regions 2030: Unlocking Opportunity*, Department of Infrastructure and Regional Development, 2017, p. 2
- 49 "Unlocking the potential of our regions", in *National Farmer's Federation, Regional Development Precincts, 2022*.
- 50 Regional Australia Institute. (2016). *Deal or No Deal? Bringing Small Cities into the National Cities Agenda* (regionalaustralia.org.au)
- 51 OECD (2013) *OECD Regions at a Glance 2013*, OECD Publishing, Paris
- 52 Deloitte Access Economics. (2021). *Special report: Update to the economic costs of natural disasters in Australia*
- 53 KPMG (2021) *Net Zero Readiness Index*
- 54 *Meat & Livestock Australia* (2021). *CN30: Carbon Neutral by 2030* (mla.com.au)
- 55 Australian Conservation Foundation. (2020), *Australia's clean energy jobs boom: a stocktake*.
- 56 Australian Council of Trade Unions (2020), *Renewable energy sector can create tens of thousands of secure jobs* (actu.org.au)
- 57 Commonwealth of Australia (2019), "Chapter 4: Transition requires planning", in *Report for the Select Committee into Jobs for the Future in Regional Areas* (aph.gov.au).
- 58 FutureFeed (future-feed.com)
- 59 PWC (October, 2021). *ESG Reporting improves among the ASX200 - but are we getting the full story, or just the good story?*
- 60 Australian Postal Corporation *Annual Report, 2019-20*. "Delivering on our Environmental Action Plan and 2020 targets" in *Our Environment and Australia Post Group's commitment to environmental sustainability, 2020*
- 61 Commonwealth of Australia (2020). "Chapter 2: Natural disaster risk", in *Royal Commission into National Natural Disaster Arrangements*
- 62 Regional Australia Institute. (2013). *From Disaster to Renewal: The Centrality of Business Recovery to Community Resilience* (regionalaustralia.org.au)
- 63 OECD (2021), "Policy Highlights", in *OECD Regional Outlook 2021: Addressing COVID-19 and Moving to Net Zero Greenhouse Gas Emissions*, OECD Publishing, Paris



**REGIONAL
AUSTRALIA
INSTITUTE**

© Regional Australia Institute 2021