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# Understanding what attracts new residents to smaller cities

From the AHURI Inquiry: Inquiry into population growth in Australia's smaller cities

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# Executive summary

## Key points

- In the next 50 years, Australia's population is predicted to double. Much of this growth is expected to be concentrated in major metropolitan centres that are already struggling to provide the requisite infrastructure needed to support their populations.
- More dispersed population growth strategies could help alleviate some of these urban pressures. However, for these strategies to succeed, the recent decline in regional populations needs to be reversed. In addition, new residents need to be persuaded to move to regional centres.
- Over the period 2011–16, mid-sized urban areas (populations less than 100,000) lost 23,091 more domestic migrants than they attracted. The average mid-sized urban area had a net migration rate of -1.4 per cent over this period, while the average large urban area (populations over 100,000) had a corresponding rate of 0.6 per cent.
- This study examines key drivers of migration flows and settlement patterns across Australia, and identifies key barriers to and opportunities for greater population decentralisation.
- Mid-sized urban areas with high average incomes, low unemployment rates, and easy access to education, arts and recreation services, are more likely to attract and retain migrants, especially those who are young, university-educated and/or international migrants.
- Locational factors, such as access to coastline and distance to nearest metropolitan centre, also have an important impact. For instance, coastal cities that are in close proximity to a major metropolitan centre are more likely to attract both domestic and international migrants.

- **Three-quarters of those surveyed by our study appear open to moving to a mid- sized city under the right circumstances. 21 per cent of survey respondents would be encouraged to move to mid-sized cities if they could offer comparable employment and education opportunities to large-sized cities. 54 per cent of survey respondents view mid-sized cities as excellent places to retire, and would be encouraged to move there if they could obtain support for post retirement living in terms of healthcare and home ownership.**

## Key findings

Migration and settlement patterns in Australia are driven by a combination of factors relating to population size, location, economy, amenities and the environment. In general, we find that roughly three-quarters of those surveyed by our study are willing to move to a mid-sized city under the right circumstances. On average, respondents perceive mid-sized cities to offer significantly better quality of life, and large cities to offer better access to employment and education opportunities, and urban amenities.

## Population effects

Large cities with populations greater than 100,000 have attracted more domestic and international migrants in recent years than mid-sized cities with populations between 5,000 and 100,000. Over the period 2011–16, the average large city had a net domestic migration rate of 0.6 per cent, while the average mid-sized city had a corresponding rate of -1.4 per cent. Per the 2016 Census, 5.4 per cent of residents in large cities were living overseas five-years ago and are likely international migrants, compared to 2.2 per cent in mid-sized cities. Large cities are especially attractive to young, university-educated individuals that value locational benefits from living in large cities, such as access to retail, food, art and cultural services.

## Location effects

Coastal cities are more likely to attract domestic and international migrants. Distance to nearest capital city has a negative impact on domestic migration. Specifically, urban areas in close proximity to a major metropolitan centre are more likely to receive migrants, and most of these migrants are likely to come from the surrounding capital city. For example, in New South Wales, Central Coast, Newcastle and Wollongong have grown at the expense of Sydney, which has consistently lost domestic migrants over the period 2001–16. Coastal mid-sized cities in close proximity to a major metropolitan centre are especially attractive to older adults looking for a place to retire, as these places can offer the quality of life benefits associated with mid-sized cities, and access to healthcare and other services through their nearness to a large centre.

## Economic effects

Average incomes have a positive impact on a city's attractiveness to potential migrants, and unemployment rates, housing costs and other living costs have a negative impact. On average, cities with agrarian and industrial economies are considered less attractive. The impacts of employment opportunities is greatest for young and middle-aged individuals that are more likely to be employed full-time in high-income professional and managerial jobs in white-collar sectors, such as information, media and telecommunications. In general, access to employment opportunities is cited as the single most common reason for migration, with 27 per cent of our sample reporting employment as the primary reason for why they live in their current city of residence.

### **Access to services**

Access to pre-school and school education has a positive impact on domestic migration rates for university-educated individuals living in households with children. Similarly, access to tertiary education has a positive effect on attracting young adults. Education is cited as the second most common reason, after employment, for why mid-sized city residents move to large cities. Access to healthcare is important for older adults. Access to arts and recreation services and food and beverage services holds appeal for both young adults and overseas migrants. Access to local public transport and ease of travel are important across all sub-population groups.

### **Environmental factors**

On average, environmental factors such as climate, pollution and incidence of natural disasters are rated as less important than economic factors and access to essential services, such as healthcare. However, environmental factors are rated more important than access to non-essential services, such as food and beverage, and arts and recreation.

## **Policy development options**

This study examined the determinants of migration flows and settlement patterns within Australia. Its objective was to inform government policies seeking to achieve population decentralisation and encourage settlement in mid-sized regional cities. Based on our analysis, there are three broad paths that governments could take.

### **Develop local employment opportunities in regional centres**

Our analysis finds that one in five Australians is open to moving to a mid-sized city if it could offer comparable employment and education opportunities to large cities. These individuals are more likely to be middle-aged and employed full-time in high paying managerial or professional jobs in white-collar sectors. Supporting policies could focus on the creation of local jobs, by offering appropriate incentives to employers to locate in these areas, working with local communities to aid emerging local industries, etc. The widespread adoption of remote working arrangements during the COVID-19 pandemic, and their potential continuation after the pandemic, offers new opportunities for encouraging settlement in mid-sized cities that offer better quality-of-life. “Internal migration resulted in a net loss of 11,200 people from Australia’s capital cities in the September quarter of 2020... At the same time, some regional areas experienced significant growth in house prices as demand for properties increased” (Davies 2021). Policies that support the continuation and potential expansion of remote working arrangements, used in conjunction with policies that offer higher quality-of-life in regional centres, could further help attract these individuals.

However, past government policies that have followed this path have been met with limited success. For example, the Whitlam Government in the 1970s tried to develop regional centres, such as Albury-Wodonga, as suitable sites for population growth and decentralisation, but most of these centres failed to emerge as major population hubs (Beer 2000). Some studies have argued that governments have limited capacity to influence regional economic outcomes (for example Sorensen 2000; 1993). Consequently, the ability of governments to be able to create the kinds of employment opportunities that would attract residents from large cities is questionable. It is possible that COVID-19 could fundamentally alter settlement preferences, but it is too soon to tell how large these shifts are likely to be, and how long they will persist.

### **Develop higher education institutions in regional centres**

Mid-sized urban areas have seen very high out-migration of young adults, i.e. individuals in the age group 18–29 years. On average, these urban areas have had net out-migration rates of 30 per cent for young adults over the period 2011–16, and the trend has been similar over preceding five-year periods. Our analysis finds that these individuals place the greatest importance on employment and education opportunities. They report that policies encouraging relocation to mid-sized cities are most appealing when they support home ownership, ensure high quality of education,

and offer some form of employment security. Our findings confirm that recent policies such as the Job-Ready Graduates Package that invest significantly in higher education in regional Australia could help retain a greater proportion of young adults in mid-sized urban cities. This could in turn create new employment opportunities, and help grow the economies of mid-sized cities in the long-term.

### **Develop infrastructure for post-retirement living in regional centres**

Our analysis finds that roughly one in two Australians view mid-sized cities as excellent places to retire, and would be encouraged to move there if they could get support for post retirement living in terms of healthcare, home ownership and access to other amenities. Our analysis further indicates that coastal cities that are in close proximity to a major metropolitan centre tend to be especially attractive retirement destinations. The ability of mid-sized urban cities to attract older Australians could have significant positive implications for their local economies. “This cohort [of older Australians] will be the most educated, diverse, and wealthy with an unparalleled body of experience and regional areas should seek to develop innovative ways to utilise them for the social and economic sustainability of their communities” (Hugo et al. 2015: 8). Our analysis echoes these findings, and offers evidence in support of policies that seek to develop mid-sized urban cities as retirement destinations as a way of reviving local population growth and regenerating local economic activity.

### **The study**

This study is part of a broader AHURI *Inquiry on growing Australia’s smaller cities to better manage population growth*. The Inquiry sets out to answer two overarching questions. First, what is the capacity of Australia’s smaller cities to assist in managing national population growth, including international and national migration? Second, which policy instruments and programs are most likely to redirect population movements to these locations?

This study examines key drivers of migration flows and settlement patterns across Australia, and identifies key barriers to and opportunities for greater population decentralisation. In particular, this study addresses the following research questions:

What are the current mobility and settlement patterns of migrants, including those arriving from other parts of Australia and from other nations, across these smaller cities?

1. What are the key drivers of mobility in Australia (to/from both metropolitan and regional areas)?
2. Which factors support or motivate moves to smaller cities in regional Australia?
3. What is the role of employment opportunities, infrastructure facilities and other factors in encouraging settlement outside the metropolitan centres?

This study comprises three stages that employ different quantitative methods for data measurement, visualisation and analysis, in an attempt to address the research questions identified previously. Stage 1 uses data visualisation techniques to develop a high-level visual understanding of how migration flows have varied historically across different sub-populations. Stages 2 and 3 use formal techniques for multivariate analysis to identify the primary determinants of the resulting settlement patterns across different sub-populations. In particular, Stage 2 undertakes a macroeconomic analysis of migration patterns. We use migration flow data collected by the Census to examine how migration rates have varied across cities and over time as a function of their local economy, infrastructure and natural environment. Stage 3 develops a microeconomic model of individual preferences for settlement in different urban and regional centres. We use online survey data collected as part of this study from roughly 3,000 demographically and geographically representative Australians in February 2021. Findings from Stage 2 offer a high-level systemic perspective on what drives population migration and settlement. Meanwhile, findings from Stage 3 offer a more nuanced human-level perspective that offers the opportunity for a deeper examination of these same factors. Together, findings from this research project offer a comprehensive perspective on the key determinants of migration flows and settlement patterns within Australia.



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