

The drivers of migration and settlement in regional cities



Based on AHURI Final Report No. 375: Understanding what attracts new residents to smaller cities

What this research is about

This research examines key drivers of migration flows and settlement patterns across Australia and identifies key barriers to and opportunities for greater population decentralisation.

The context of this research

Between 2016 and 2066, the Australian population is projected to increase by up to 24.6 million people, and approximately 55 per cent of this growth is expected to occur in Australia's two largest cities—Sydney and Melbourne. More dispersed population growth strategies could help alleviate existing pressures on major urban areas.

The key findings

The research defines regional Australia as comprising mid-sized urban cities with populations under 100,000 and large-sized urban areas having populations greater than 100,000. Based on this definition, mid-sized urban areas attracted 5,748 and 5,147 more domestic migrants than they lost in 2001–06 and 2006–11, but they lost 23,091 more domestic migrants than they attracted in 2011–16. 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, confirming that regional Australia has lost residents to large urban areas.

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Five major internal migration patterns

1. Among the capital cities, Melbourne, Brisbane, Perth and Canberra have consistently attracted more domestic migrants than they have lost. Conversely, Sydney, Adelaide, Darwin and Hobart have consistently lost more domestic migrants than they have attracted.
2. Smaller cities surrounding capital cities have attracted more migrants than they have lost, and most of these migrants have come from the surrounding capital city.
3. Coastal mid-sized urban areas appear more likely to have grown than inland mid-sized urban areas.
4. Regional centres that are not on the coastline, nor in close proximity to a large urban area, have steadily lost more migrants than they have attracted.
5. Patterns of migration appear to be strongly influenced by state boundaries. For example, migrants from Sydney are most likely to move to urban areas in New South Wales.

International migrants

Capital cities and other large urban areas have attracted disproportionately more international migrants than the national average (5.9% of the 2016 Australian population comprised individuals that lived overseas five years previously). These include Sydney (9.1%), Darwin (8.8%), Melbourne (8.6%), Perth (8.3%), Canberra–Queanbeyan (7.1%), and Brisbane (6.7%). Smaller regional centres closer to large urban areas; with tourism-based local economies; or mining-based local economies have also attracted disproportionately more international migrants than the national average.

Age group migration patterns

There has been a dramatic loss of people aged 18-29 across mid-sized urban areas. On average, these urban areas have had net out-migration rates of 30 per cent over the period 2011–16. Youth out-migration from small regional centres to large urban areas in search of better educational and employment opportunities is a well-known phenomenon.

On average, mid-sized urban areas attracted more individuals aged 30–64 years than they lost over the periods 2001–06 and 2006–11, and the trend only reversed in 2011–16.

Large urban areas have attracted more people aged 65+ years than they have lost, and the converse holds true for mid-sized urban areas. The greatest proportional growth has been across coastal mid-sized urban areas that have emerged as popular retirement destinations.

Gender

By and large, trends are consistent for both genders with the general population.

Domestic migration for university-educated individuals

In general, there has been a level of migration away from mid-sized regional urban areas to large metropolitan urban areas. Among large urban areas, Sydney has seen a small out-migration (-0.3%) and Adelaide has seen a significant out-migration (-3.2%). Medium-sized urban areas that have seen in-migration of college educated individuals include popular retirement destinations, commuter towns, tourist destinations and regional centres.

Indigenous Australians

In general, large urban areas have seen net in-migration (median migration rate of 2.9% over 2011–16), while medium-sized urban areas have seen net out-migration (median migration rate of -4.4% over 2011–16).

Macroeconomic analysis of migration patterns

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 example, coastal cities that are in close proximity to a major metropolitan centre are more likely to attract both domestic and international migrants.

Population effects

Population size has a negative impact on domestic migration rates across the general population. However, it has a positive impact on migration rates among 18–29 year old individuals, 65+ year old individuals, individuals of Aboriginal and Torres Strait Islander origin, and university-educated individuals. Note that this variable serves as a proxy for economy, amenity and quality-of-life factors not otherwise included. There has been a consistent pattern of out-migration of middle-aged individuals from large urban areas, and towards mid-sized urban areas. This could potentially be because these individuals are in search of better quality-of-life.

Population size has a positive impact on overseas migration rates, i.e. larger urban areas are more likely to attract overseas migrants than smaller urban areas. Approximately 85 per cent of new international migrants have settled in Australia's two largest cities, with very few moving to smaller urban centres.

Location effects

Coastal cities are more likely to attract domestic migrants, particularly 30–64 year old and/or university-educated individuals, as well as overseas migrants. The importance of natural amenities (such as warm weather, proximity to oceans and lakes, and attractive landscapes) to human migration and settlement patterns is well-recognised.

Distance to nearest capital city has a negative impact on domestic migration. Urban areas in close proximity to a major metropolitan centre are more likely to receive migrants (indicating an outward migration from the metropolitan centre to surrounding urban areas).

Spatial lag is found to have a positive impact on overseas migration rates. This suggests that chain migration effects may be at play, such that high migration rates for an urban area can create positive spillover effects for other surrounding urban areas. The effect has been used to explain the growth of ethnic enclaves in major Australian cities.

Economic effects

Unemployment rates have a negative effect on domestic migration rates across the general population. Local incomes have a positive effect on attracting 18–29 year old domestic migrants and overseas migrants.

Local economies with large agricultural and mining sectors are more likely to have lost domestic migrants, but gained overseas migrants. Local economies with a large manufacturing sector are more likely to have gained 18–29 year old domestic migrants and overseas migrants.

Access to services

Access to pre-school and school education has a positive impact on domestic migration rates for university-educated individuals. Access to tertiary education has a positive effect on attracting 18–29 year old domestic and international migrants.

Access to hospitals does not seem to have any statistically significant effect on migration rates.

Access to arts and recreation services and food and beverage services do not have any impact on domestic migration, but have a positive effect on overseas migration. It is likely that more multicultural cities have more developed services in these sectors, and the variable is indirectly capturing the effect of multiculturalism on overseas migration.

Access to local public transport has a strong positive impact on domestic migration rates but no effect on overseas migration.

Individual preferences for settlement in urban and regional centres

The research included a survey of approximately 3,000 individuals from across Australia – representing the Australian population demographically (age, gender and income) and as well as geographically (i.e., proportion of the population by state and proportion residing in a large or mid-sized city) examined individual preferences for living in mid or large-size cities.

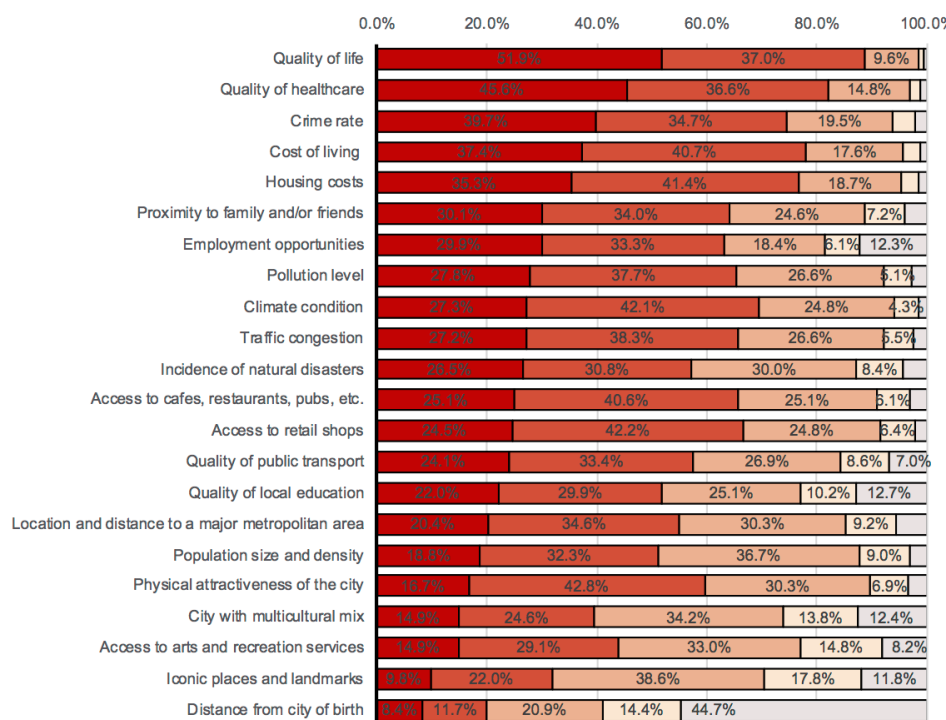
Respondents were asked about the importance of different factors in general, when deciding what city to live in, and their responses are shown in Figure 1 below. Interestingly, quality of life, quality of healthcare, crime rate, cost of living, and housing costs are rated as the five most important factors. Proximity to family and employment are only the sixth and seventh most important factors, respectively. In combination with responses to previous questions, it appears that while factors relating to quality of life are important determinants of where individuals choose to live, they are not always the precipitating factor that causes individuals to move to another city.

The survey also identified four distinct population segments, or classes, that differ in terms of their preferences for living in large and mid-sized cities.

Classes 1 and 4, together comprising 25 per cent of the sample population, display distinct preferences for large and mid-sized cities, respectively, and appear unlikely to change their preferences:

- **Class 1** - Individuals tend to be young urban professionals that value locational benefits from living in large cities, such as access to retail, food, art and cultural services, and are reluctant to give them up to move to a mid-sized city.
- **Class 4** - Individuals tend to be older individuals that are employed part-time or retired, value quality-of-life benefits from living in mid-sized cities, such as lower housing costs and less traffic congestion, and are equally reluctant to give them up to move to a large city.

Figure 1: Importance of different characteristics when deciding on a city to live in



Source: Author research.

Classes 2 and 3 comprise the remaining 75 per cent of our sample population and appear more open to moving to a mid-sized city under the right circumstances:

- **Class 2** - Individuals are more likely to be a mix of young individuals living in single or shared households, and middle-aged individuals living in households with children. They tend to be university-educated and employed full-time in high-wage managerial or professional jobs in white-collar sectors. Across all classes, they place the greatest importance on employment and education opportunities. They are likely to move to mid-sized cities if they could offer comparable opportunities.
- **Class 3** - Individuals are more likely to be older, and employed part-time in lower paying jobs, or retired from the workforce. They place a high importance on quality of life, quality of local healthcare, and housing and other living costs. They 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 and home ownership.

What this research means for policy makers

Policies seeking to encourage greater settlement in regional centres should focus on improving local economies and offering greater quality-of-life.

Develop local employment opportunities

Supporting policies could focus on the creation of local jobs (by offering appropriate incentives to employers to locate in these areas) and working with local communities to aid emerging local industries. 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. Policies that support the adoption and continuation of remote working arrangements—used in conjunction with policies that offer higher quality-of-life in regional centres—could further help attract these individuals.

Develop higher education institutions

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. For example, one potential source could be research block funding for the university sector with some funding tied to university campuses in the regions. This could drive universities to move staff and facilities to these locations, with the change taking place over a period to remove the prospect of a policy-induced shock.

Develop infrastructure for post-retirement living

Policies that promote the development of smaller cities as preferred destinations for post-retirement living should offer support for healthcare and aged care, home ownership and access to other supporting services. Careful consideration needs to be given to the design of new policies to ensure that they can deliver housing in locations where people want to live, and at prices they can afford.

Increased and sustained funding for community transport schemes and expansion of demand responsive transport services are vital to providing a viable alternative to private car ownership and use in regional centres. These can, in turn, help expand access to services for disadvantaged and vulnerable populations.

Methodology

This research examined migration flows over the period 2001–16 between 204 urban centres and localities with populations greater than 5,000 and examined migration patterns across different sub-population groups. It also used online survey data from 3,000 Australians to develop a microeconomic model of individual preferences for settlement in different urban and regional centres.

To cite the AHURI research, please refer to:

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