POLICY EVIDENCE SUMMARY August 2022

Examining the economic dynamics and population change of Australia's regional cities

AHURI

Based on AHURI Final Report No. 385: The economic dynamics and population change of Australia's regional cities

What this research is about

This research investigates patterns and dynamics of population, migration and economic change in Australian regional urban centres 2011–2016 through the changing economic profile and performance of Australia's regional urban centres and assesses how demographic and migration patterns are shaping and responding to economic change.

The context of this research

The contribution of regional urban centres to Australia's economic and population growth has been a topic of growing policy interest in the past two decades, as a result of rapid growth in the major cities and concerns for parts of regional Australia that have experienced population decline. Associated with these trends is the distribution of economic activity and employment—particularly as traditional regional strengths such as agriculture, manufacturing and mining have declined as sources of employment in recent decades.

The key findings

This analysis identifies three significant trends: larger and metropolitan-proximate regional urban centres are generally increasing in population more rapidly than other regional urban centres; coastal urban centres have experienced faster population growth rates than inland urban centres; and population losses tend to be concentrated in inland, smaller, remote and often resource-reliant towns.

Changes in population distribution

Population growth by count is concentrated within a set of urban centres proximate to the major state capitals, particularly Melbourne, Sydney and Brisbane and, to some extent, Adelaide and Perth.

The regional urban centres with the strongest population growth were principally located within 250 kilometres of a major city, such as Bendigo and Ballarat in Victoria; Wollongong in New South Wales; and the Sunshine Coast in Queensland; and those spread unevenly along the long coastline from Adelaide to Cairns, in particular the towns south of Perth; Geelong, plus nearby Torquay and Barwon Heads; and the regional urban centres in south-east Queensland. Only two coastal towns lost population during this period: Karratha (WA) and Ayr (QLD). Proximity to a major metropolitan area is a strong factor underlying the growth observed.

Other regional cities and towns that lost population were inland or remote, such as the northern Spencer Gulf port towns of Port Pirie, Whyalla and Port Augusta (SA); western and northern Victorian towns such as Hamilton or Stawell; border towns in NSW, such as Goondiwindi; or regional towns in Queensland such as Roma or Mt Isa, which lost 2,227 population. Kalgoorlie–Boulder, Broken Hill and Karratha also experienced population losses of more than 650 residents during 2011–2016.

These data indicate that fluctuations in the resource economy potentially exert large influences on the population fortunes of resource-dependent towns.

Indigenous populations

While Indigenous people comprise approximately 2.8 per cent of Australia's population overall, this group comprises large numbers within some regional urban centre populations. The cities with the largest Indigenous populations by count are principally inland, whereas the locations where Indigenous populations are increasing at a high rate are inland but also in some coastal regions, such as the NSW coast (particularly the northern coast), parts of coastal Queensland, and the cities of the northern Spencer Gulf in South Australia. New South Wales and Queensland are particularly notable for their overall distribution of high Indigenous population growth rates both in coastal and inland locations.

Indigenous employment as a percentage of the population in the labour force, for regional urban centres, was generally higher near the capital cities.

Internal migration

The greatest flows are between the largest metropolitan regions, such as the Melbourne–Sydney, Melbourne–Brisbane and Sydney–Brisbane pairs. These patterns largely reflect that the overall distribution of employment and economic activity is concentrated in the capital cities —particularly those in the continental south-east. Notably, Adelaide as the fifth-largest capital city is relatively weak in internal migration flows: its principal migration relationship is to Melbourne, and connections to other cities are modest. In this regard it behaves like a large regional city. By comparison the most remote capital, Perth, exhibits strong flows to and from Sydney and Melbourne and, to a lesser extent, Brisbane.

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Many of the highest volume movements of population between 2011 and 2016 were from major cities to an adjacent regional urban centre, or from a regional urban centre to the adjacent major city. The three highest major-to-regional urban centre movements were from: Sydney to the Central Coast; Brisbane to the Sunshine Coast; Sydney to Wollongong. All 11 of the largest net flows over the five-year period had a capital city destination. Meanwhile, the three highest regional-to-major city movements were from: Sunshine Coast to Brisbane; Central Coast to Sydney; and Newcastle to Sydney.

International migration

In 2018–2019, Australia received 537,800 international migrants, and a net gain of 239,600.

The regional cities that received the highest number of migrants are the coastal satellite cities around Sydney and Melbourne, such as Newcastle and Geelong, as well as major coastal cities in Queensland such as the Sunshine Coast and Cairns. Cities in the inland regions and along the western coast attracted much fewer international migrants.

The data suggests a migrant preference for northern climes, with coastal Queensland urban centres appearing higher on the list for international arrivals rather than internal arrivals. Also of note is the inclusion of Kalgoorlie–Boulder, a mining centre, as a destination for international workers.

Employment trends in regional urban centres

Employment growth in regional urban centres between 2011 and 2016 was concentrated in a relatively small number of settlements. The top nine regional urban centres for employment growth all had a population of more than 70,000 in 2011. This is not surprising, as higher job growth numbers may accompany high population growth. The top five cities for employment growth over the period were close satellites of either Brisbane, Melbourne or Sydney. Further satellite urban centres, such as Toowoomba, Ballarat, Bendigo and Tweed Heads also figure in the top 20 for employment growth. Despite this, the top-20 list also includes some regional urban centres that are neither coastal, nor satellites, such as Albury–Wodonga, Wagga Wagga and Traralgon.

Regional urban centres experiencing employment decline between 2011 and 2016 were principally smaller service towns distributed across the country. These include remote resource-service centres such as Collie and Karratha, plus an array of regional agricultural service towns such as Benalla, Hamilton and Warwick. Some industrial or processing towns such as Portland, Muswellbrook and Glen Innes also feature in the top 20 for employment loss.

The disparity between Place of Work jobs and Place of Usual Residence employment indicates that it is not necessarily local residents who attain direct employment benefits from such projects, due to skill mismatches. New employment opportunities in a location were more likely to result in increased commuting rather than reduced unemployment while regional employment growth may be met by migration.

Industries that increased their share of employment during 2011 and 2016 were mainly population service sectors such as health, education, and accommodation and hospitality services. However, retail trade lost employment share. Construction was a further sector of increasing share of employment, typically via work generated through major residential development and public-sector infrastructure projects. Regional urban centres also proportionally declined in financial and professional services, ICT and utility sectors. For finance and ICT, advances in telecommunications have increased competition between regional and metropolitan providers, which has concentration effects.

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Agriculture and mining industries in regional urban centres increased their share of employment, although this should be treated with some caution as these industries will include significant employment in non-urban areas. There has been marked job decline in manufacturing and wholesale industries, continuing the sustained economic transition in regional urban centres.

Accommodation was the second-largest growth industry sector in regional areas during 2011–2016 but was fourth-largest in the capital cities. This indicates that regional areas are disproportionately dependent on tourism compared to capital cities.

In general, regional urban centres are reliant on different sectors for employment growth than the metropolitan sectors, and also that sectors associated with higher incomes are more associated with metropolitan employment growth than with regional centre employment growth. This differentiation in employment growth sectors and incomes may provide some explanation for metropolitan-centric migration flows. Regional workers who increase their skills may find greater opportunity to use those skills in the deeper metropolitan labour markets.

Regional typologies

Hierarchical clustering analysis of the 198 urban centres included in the research sample provided nine clusters:

- **Cluster 1:** Metro-satellites (26 regional urban centres)—Metropolitan proximity and high levels of metro-bound commuters and university-educated residents.
- **Cluster 2:** Large regional cities (5)—The largest regional cities, most close to state capitals and with balanced economic structures.
- **Cluster 3:** Medium growth centres (25)—Their employment structure, ageing populations and location on the coast or Murray River indicate urban centres growing as a result of amenity and retirement migration.
- **Cluster 4:** Regional service centres (63)—The largest cluster, near average across all variables and widely distributed.
- **Cluster 5:** Ageing population centres (9)—Located on the north coast of New South Wales, and the north of Tasmania, these urban centres share ageing population, low employment growth, and a high proportion of lifestyle workers.
- **Cluster 6:** Agricultural centres (23)—High rates of resources employment, their location and the higher rates of self-employed workers indicate agricultural centres. Located across the south and east of Australia
- **Cluster 7:** Mining centres (9)—Remote mining cities with high levels of resources employment, high incomes and low growth in jobs.
- **Cluster 8:** Industrial centres (28)—High rates of production -based employment, with indication of decline in the low rate of in-migration. Evenly distributed across the south and east of mainland Australia.
- **Cluster 9:** Northern Queensland (10)—This cluster includes urban centres in the north of Queensland, on average more than 1,000 kilometres from Brisbane and share a high proportion of government employment, particularly Defence.

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Cluster analysis shows a clear pattern that the growing regional urban centres, contained in clusters 1, 2 and 3, are mainly distributed around the capital city of each state (with the exceptions of Darwin and Hobart), and some are along the south-east coast of the nation. Most urban centres located more than 100 kilometres from a capital city were static or experienced a decline in population and employment between 2011 and 2016.

The clustering confirmed the population and economic similarities between the urban centres on the north coast of New South Wales and in northern Tasmania, suggesting there may be some policy and practice benefit in exchanging knowledge and experiences between these urban centres.

The clustering underscores that there is not a single regional Australia—although some urban centres share traits and trajectories, there is a high degree of heterogeneity. At its broadest level, the distinction between clusters 1, 2, 3 (and the others noted earlier) could provide the basis for an argument that metropolitan Australia now extends well into adjacent regional hinterlands. The degree of proximity and connection between metropolitan and regional urban centres is, to a significant extent, the salient feature for regional prosperity.

What this research means for policy makers

Policy makers should focus on fostering high-productivity sectors within the larger and growing regional urban centres, but there is also a need to address the circumstances of the many regional urban centres that are experiencing downturns. This report offers four key policy recommendations.

The growth in metropolitan satellite regional urban centres and hinterlands, and increasing interaction between these centres, indicates a growing need for stronger metropolitan planning and for coherent approaches to population, housing and employment distribution and linkages. This would require the development of such metro-regional objectives by relevant governments.

Regional policy needs to give greater attention to the distribution and composition of employment, rather than population per se—and specifically to high quality employment. Population redistribution is unlikely to affect significant change in regional urban centres outside the spheres of metropolitan influence, and in those locations it will tend to generate predominantly low-paid employment.

Low-income service economies with ageing populations in coastal and other regional urban centres should be an emerging concern for government. Future planning needs to consider declining demand for aged-care services as the older population base declines in number.

Resource-dependent regional urban centres face cyclical economic changes based on the labour intensity of construction relative to ongoing economic activity. Greater focus needs to be placed on generating stable, ongoing employment in regional areas rather than the transient and temporary jobs created through infrastructure works. Regional vocation education providers can support employment opportunities in regional areas. It may strengthen considerations of greater onshore 'value-adding' among extractive sectors.

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Methodology

This research analyses all regional urban centres (but not capital cities) in Australia that are greater than 5,000 population to understand spatial economic activity and relationships at the regional scale. It also uses the 2016 Census data for regional data.

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