



City geography and economic policy

**Council of Capital City Lord Mayors
John Daley, CEO
Parliament House, Canberra
14 September 2015**

City limits

Australia's economy is increasingly dominated by services produced in cities

- Services are growing much faster than other sectors, and so big cities now dominate the economy
- More jobs are concentrated in city centres, while new housing is mostly at the edge

Australian cities are nearing their limits

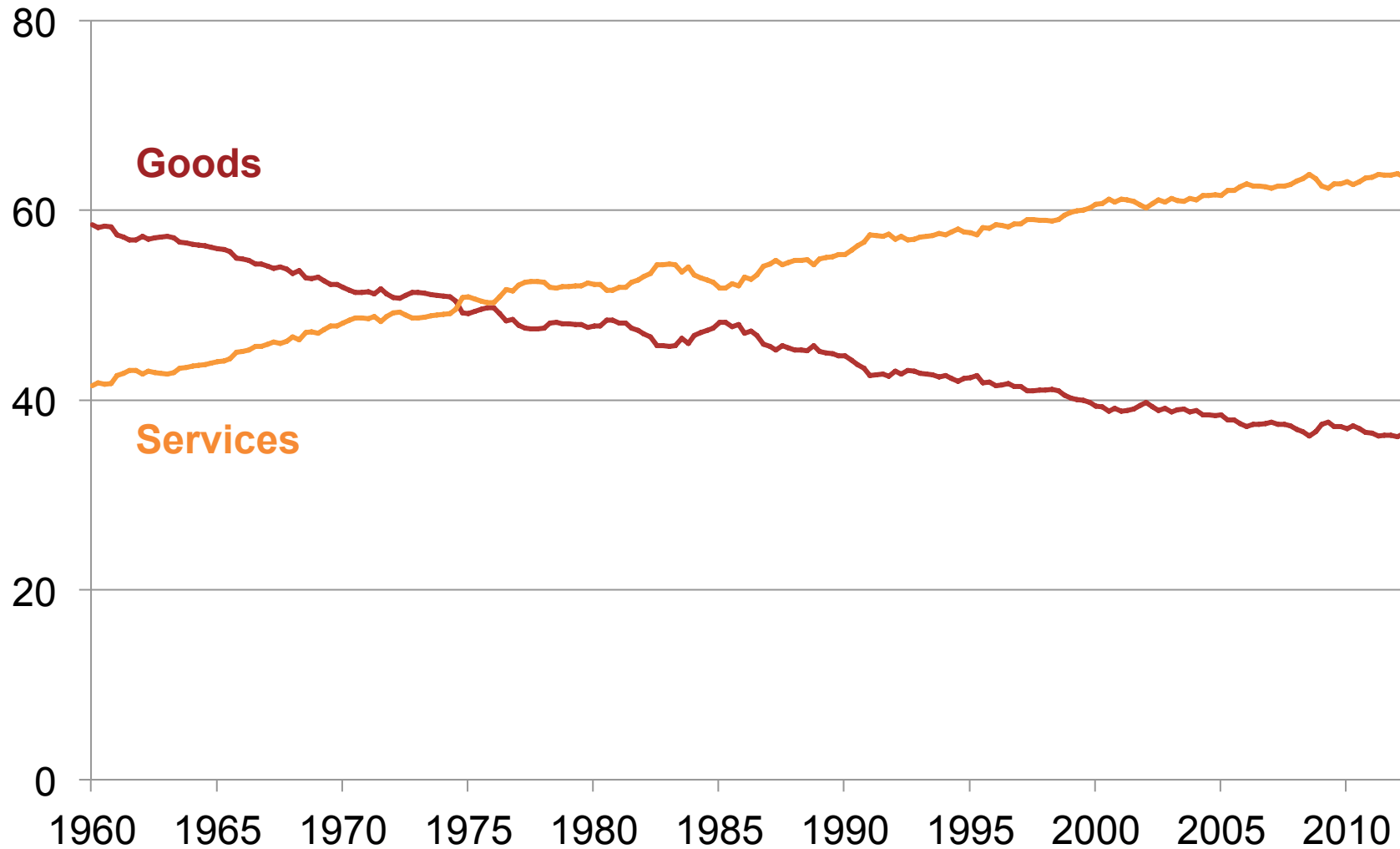
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- Housing ownership is falling for younger and low income households
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Planning, housing, tax, and transport policies need to adjust

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People are consuming more services

Share of total nominal household expenditure

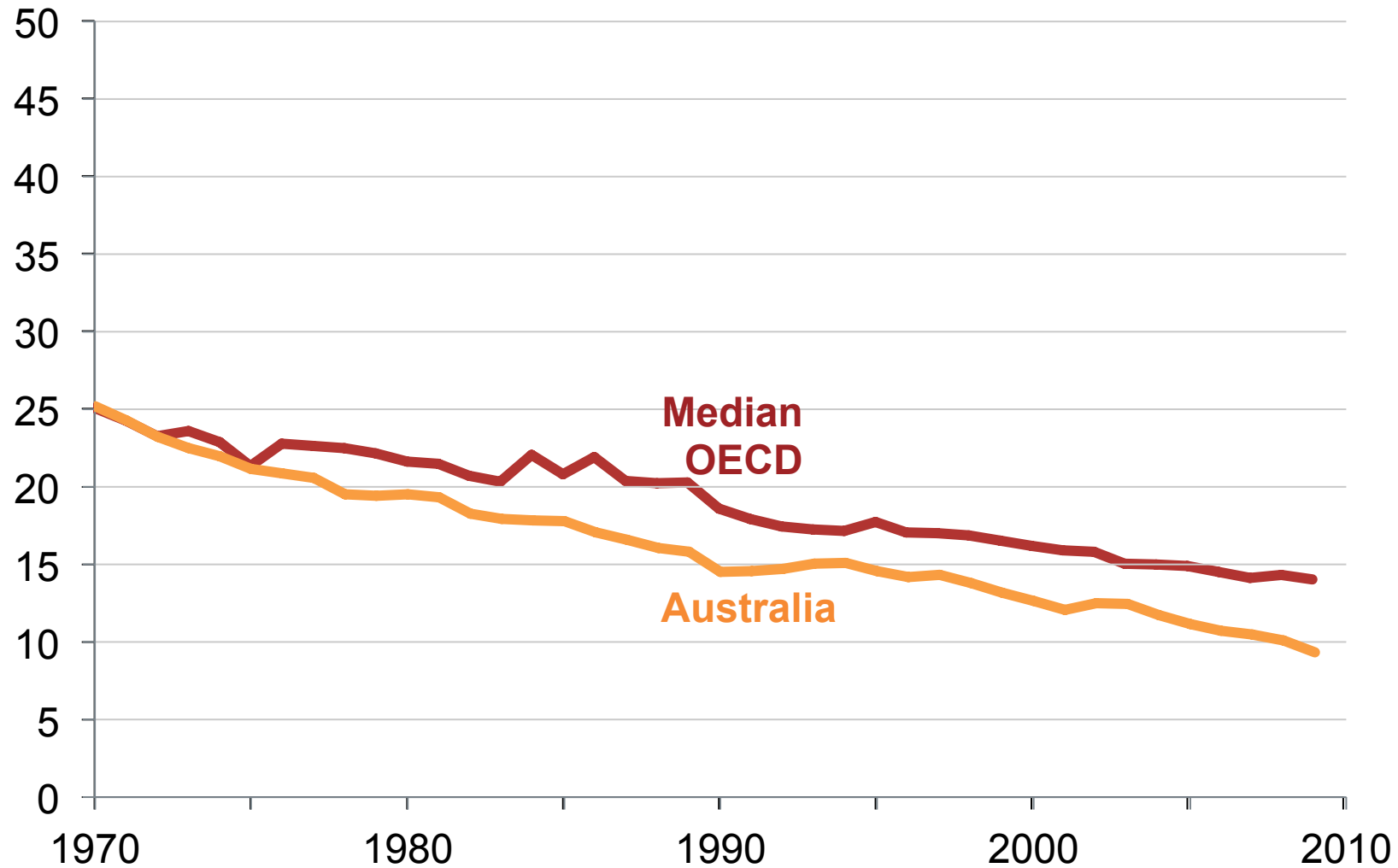


Source: ABS5206 table 8

Notes: Excludes "rents and dwelling costs" and "other goods and services". Based on seasonally adjusted current prices data

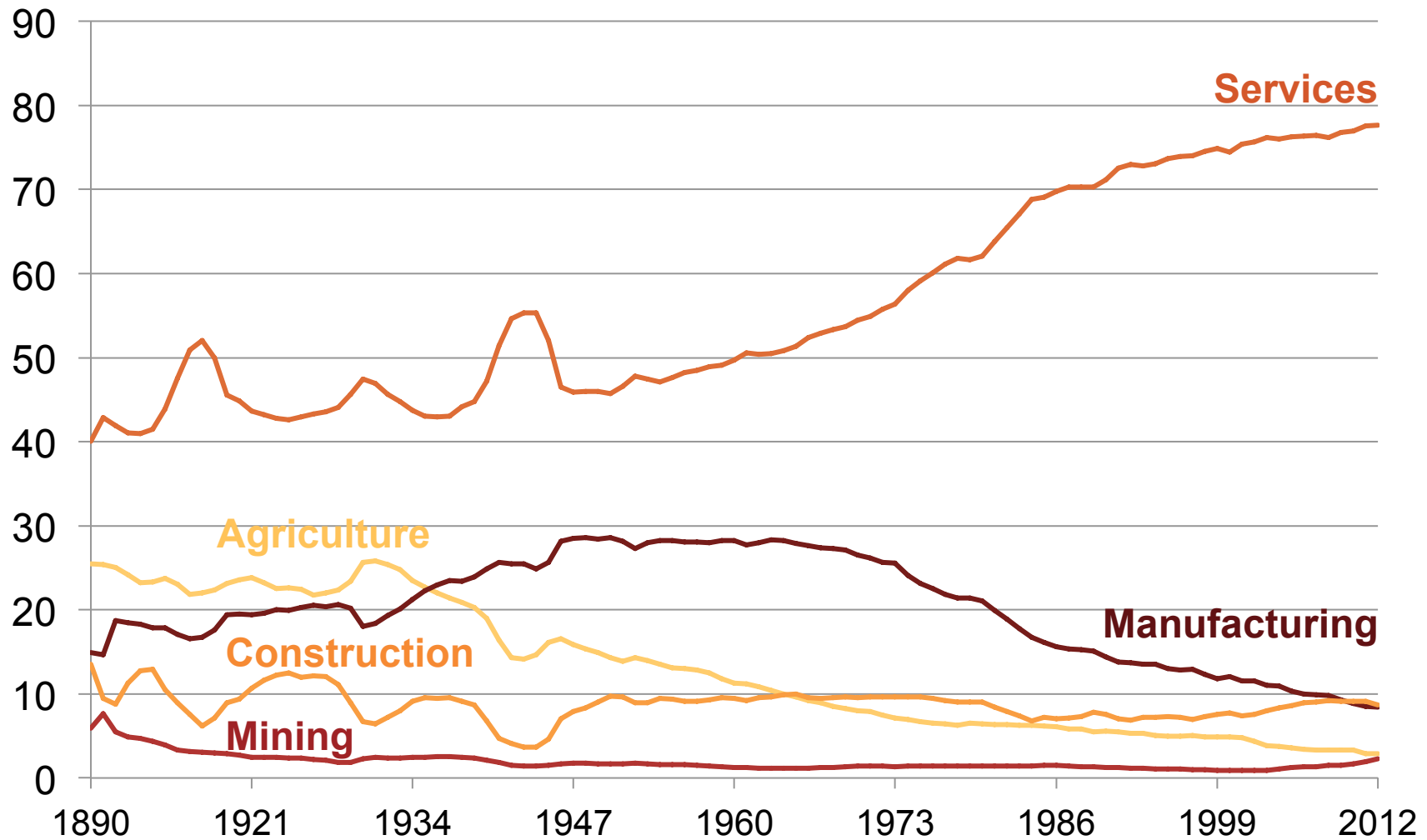
Australia is producing proportionately less goods, “leading” international trends

Manufacturing value added (current prices), per cent GDP



Consequently, more people are working in services

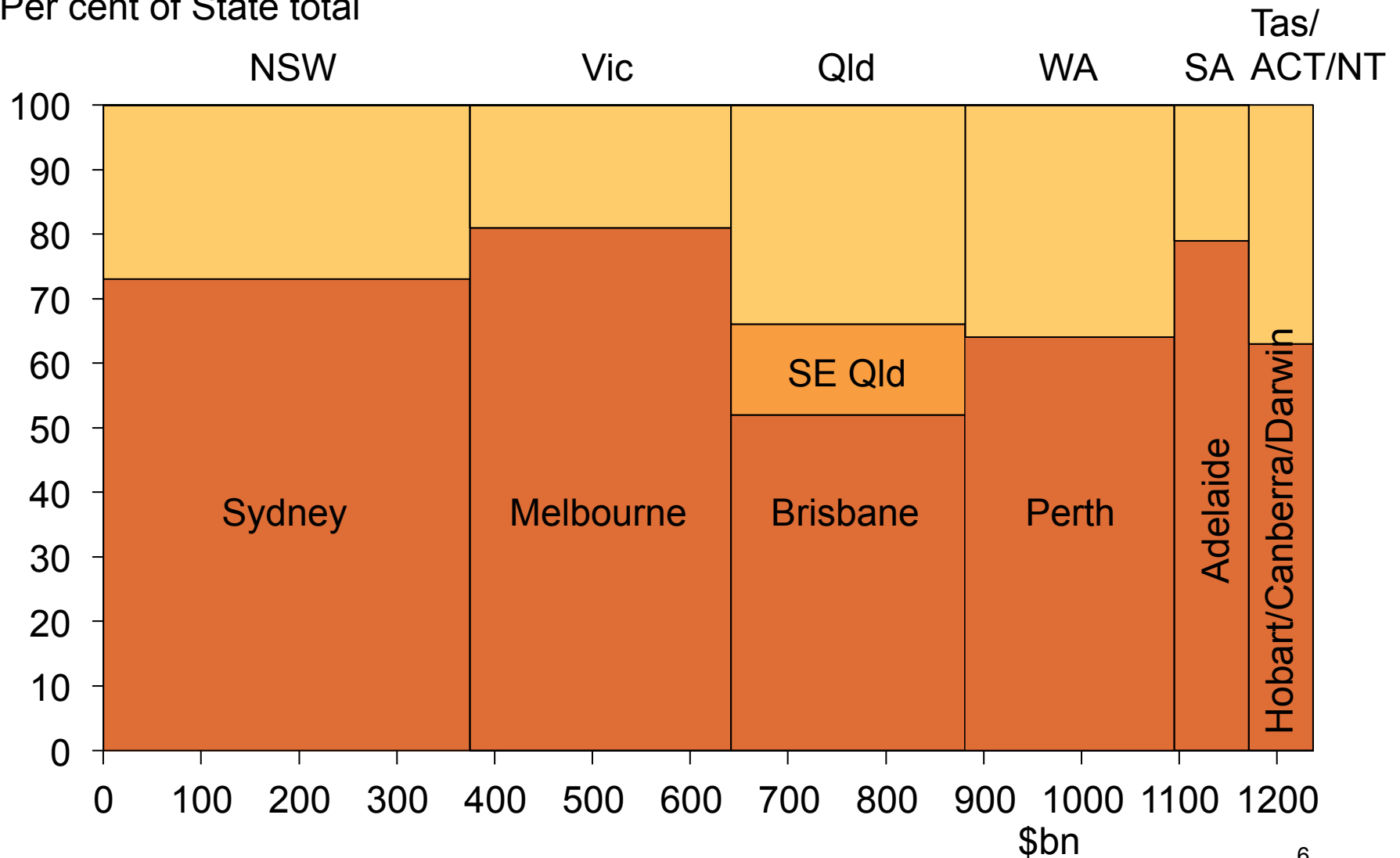
Per cent of workforce, Australia



Sources:
1. 1890-1980 Australian Historical Statistics: Labour Statistics, by G.Withers, T.Endes, L.Perry
2. 1984-2012: ABS6291.0.44.003, table 4
Note: 1981-1983 are interpolated using 1980 and 1984 data

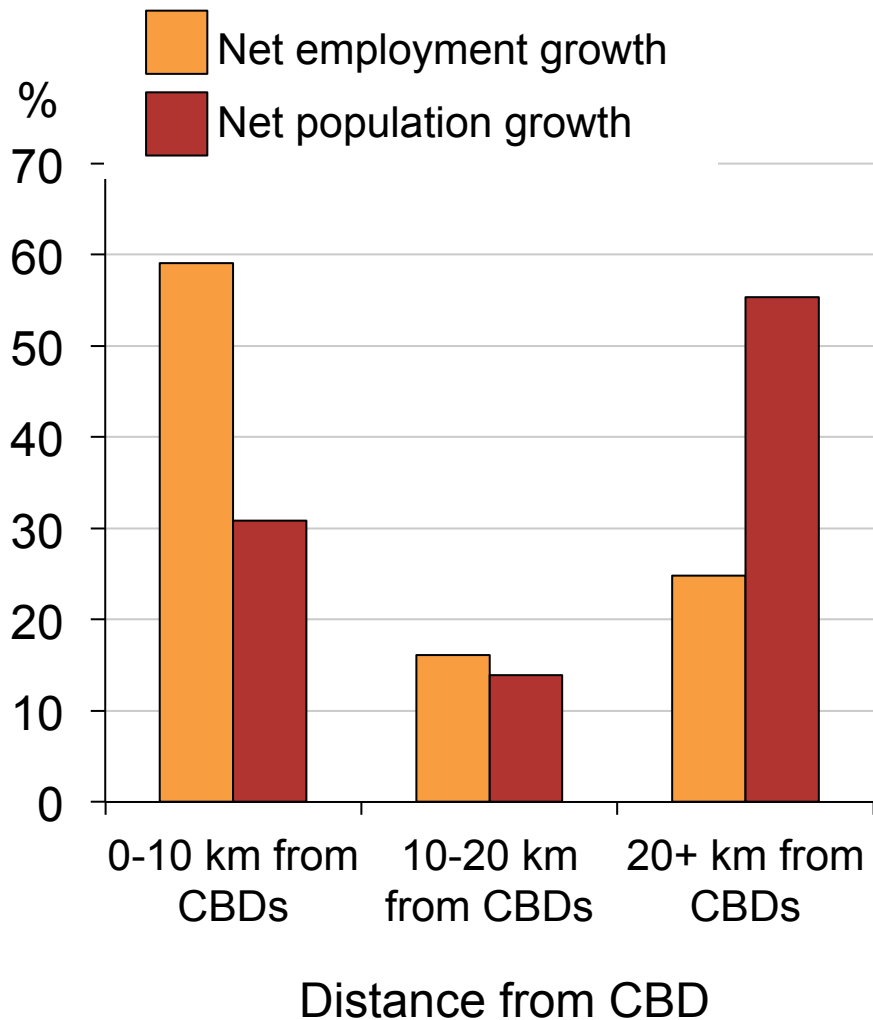
Australia's economy is dominated by its big cities

Australian economic activity, 2011-12
Per cent of State total

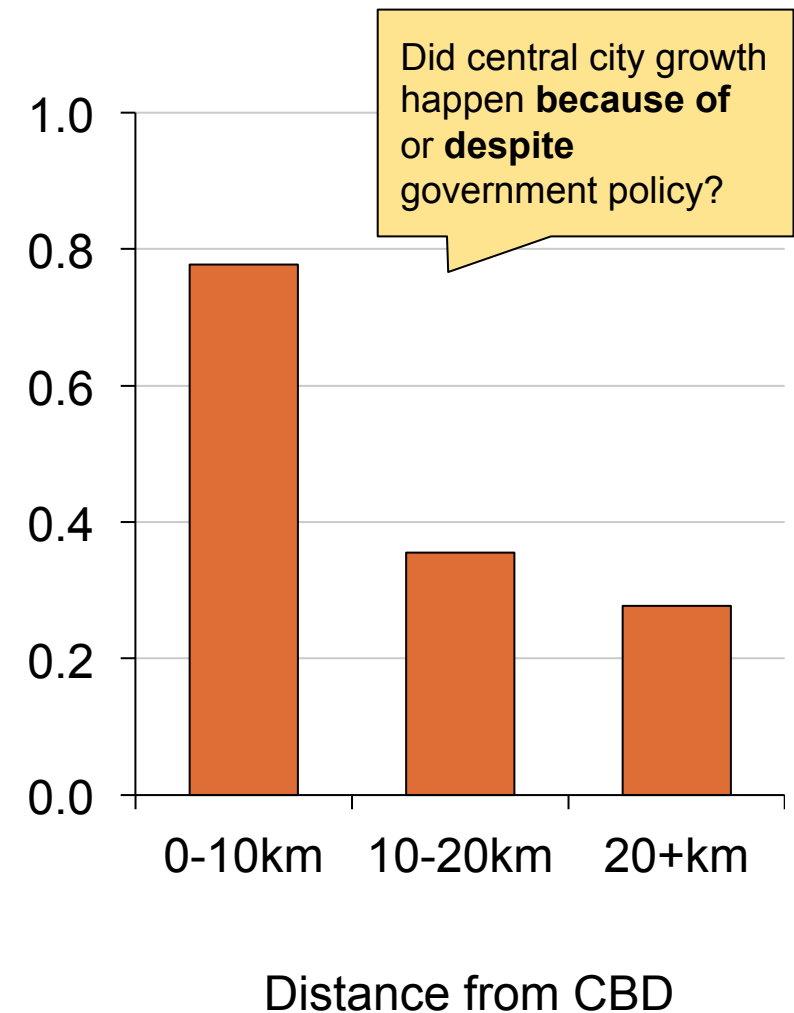


Most new jobs are towards the centre, while most new homes are on the edge

Employment and population growth, 5 largest Australian cities, 2006-11



Jobs per resident, 5 largest Australian cities, 2011



Why are the centres of big cities growing so fast?

In a services economy, physical proximity matters

- Media papers are more likely to be influential if the authors sit close together
- People in businesses in bigger cities communicate more with people in other companies – in person, over the phone, and over the internet
- Before we do real business with another company, our first instinct is to meet face to face

Communications technology *increases* the importance of being close to others

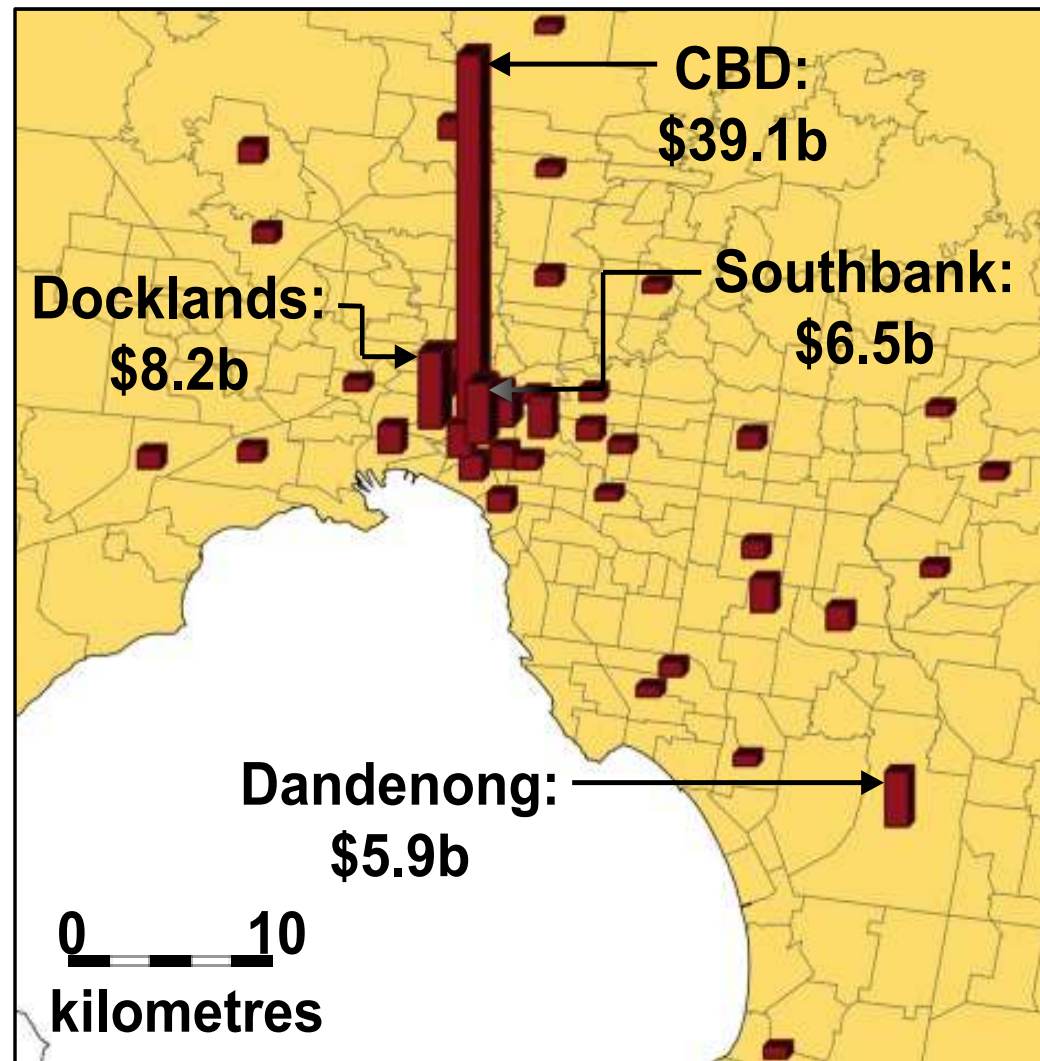
- The rise of communications technology (telegraph, telephone, fax, internet) has consistently *increased* the value of being physically close to each other
- The first companies to limit remote working and insist on physical proximity between their staff were ... technology companies

Total economic activity is most intense in inner cities

Economic activity by location, 2011-12, Melbourne

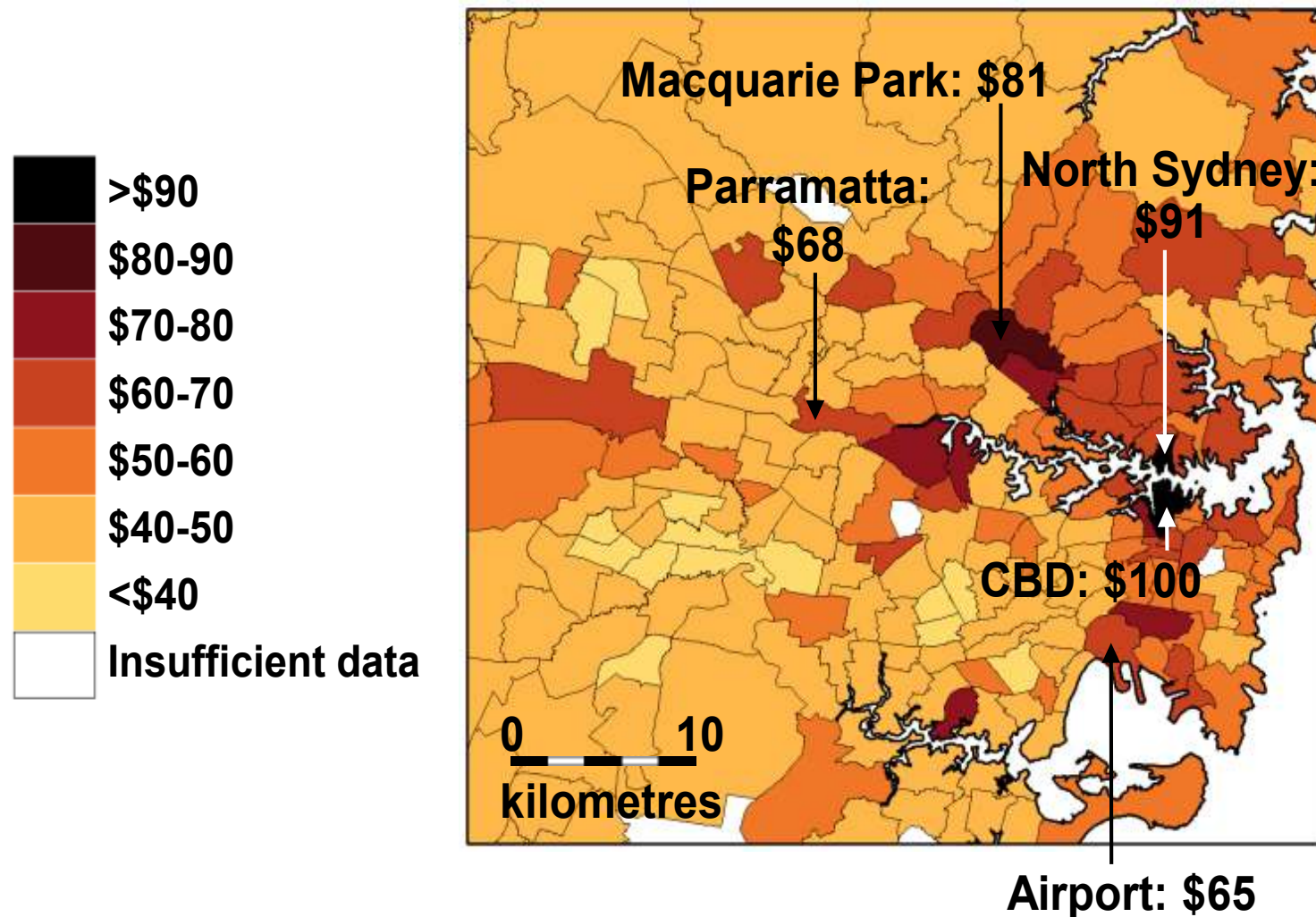
Height of bar indicates total economic activity

Bar not shown for economic activity less than \$1 billion



Economic output per hour is highest towards the centre

Economic activity per working hour, 2011-12, Sydney



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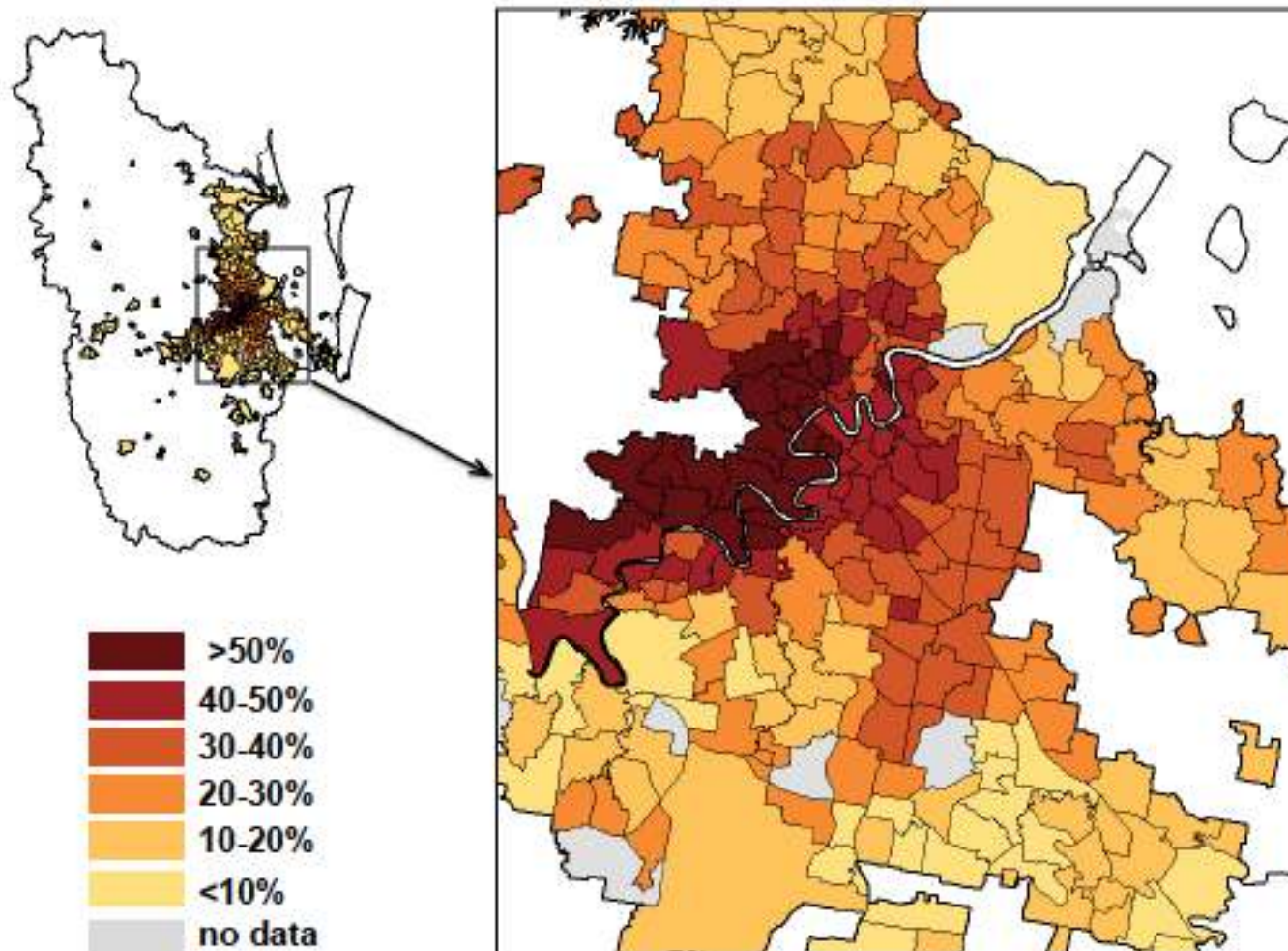
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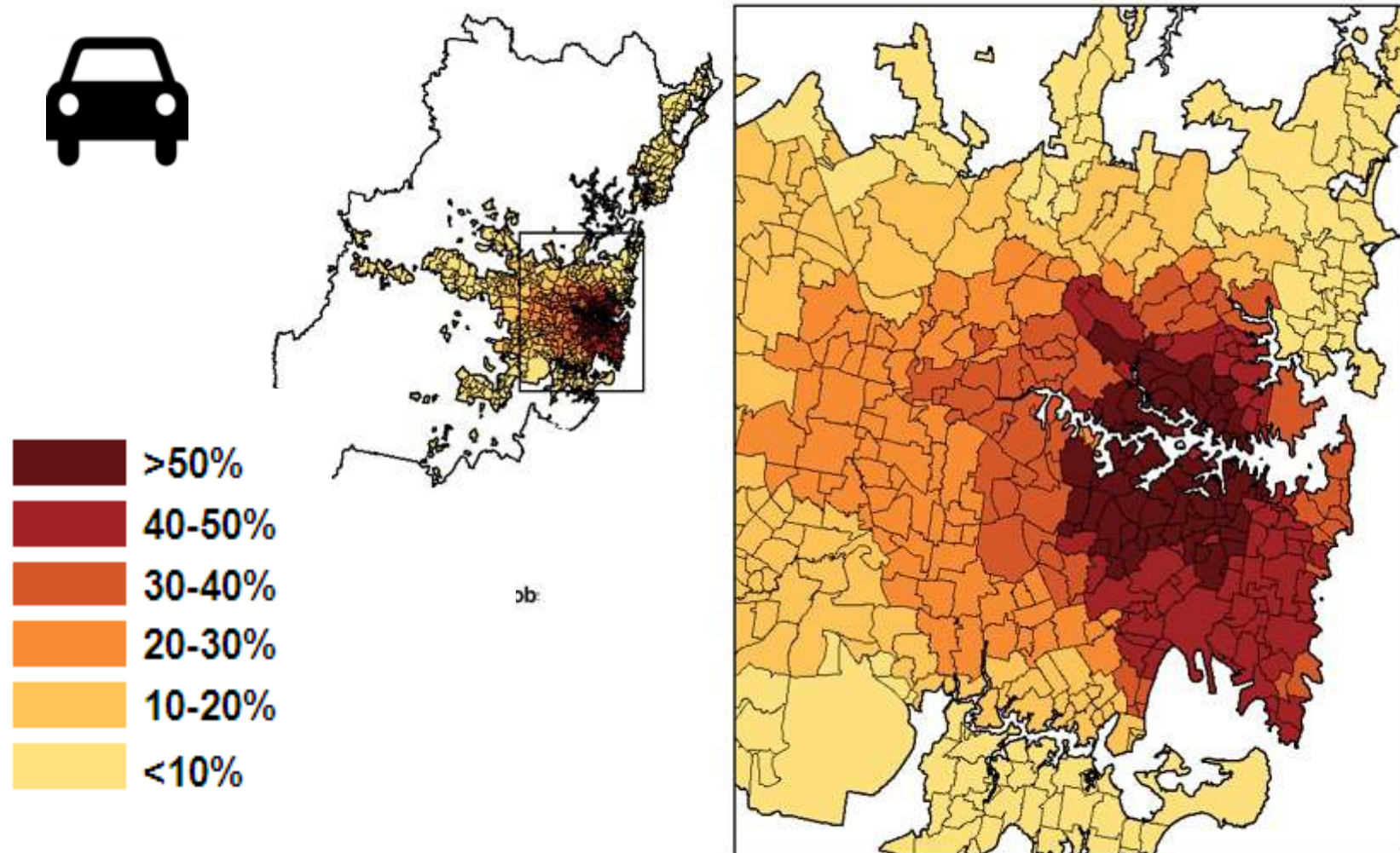
Inner suburbs have much high levels of tertiary education

Tertiary education levels by suburb, Brisbane 2011



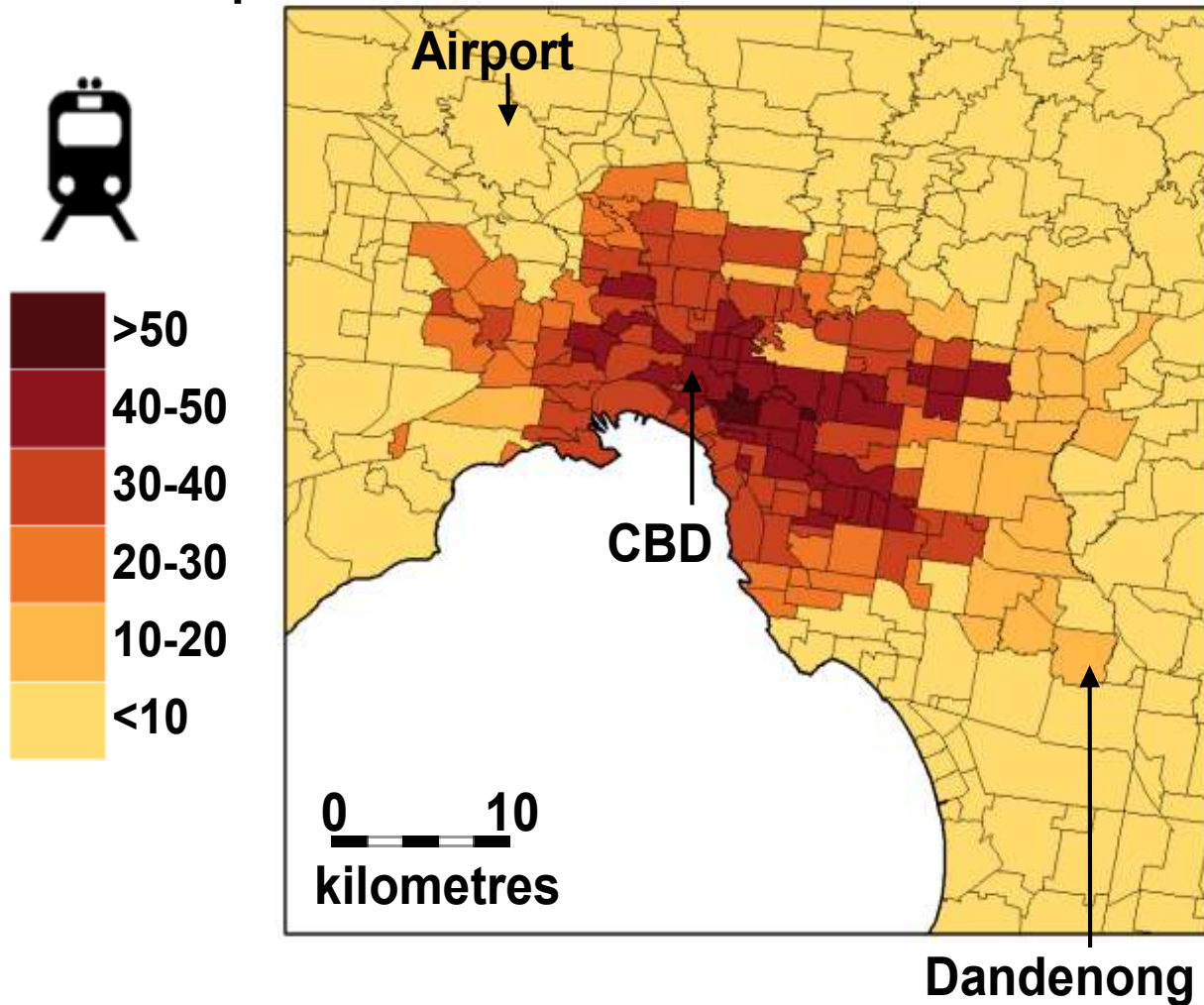
Sydney shows the growing problems with access to jobs

Percentage of jobs that can be reached in 45 minutes by car



... and public transport leaves many of Melbourne's outer suburbs under-served

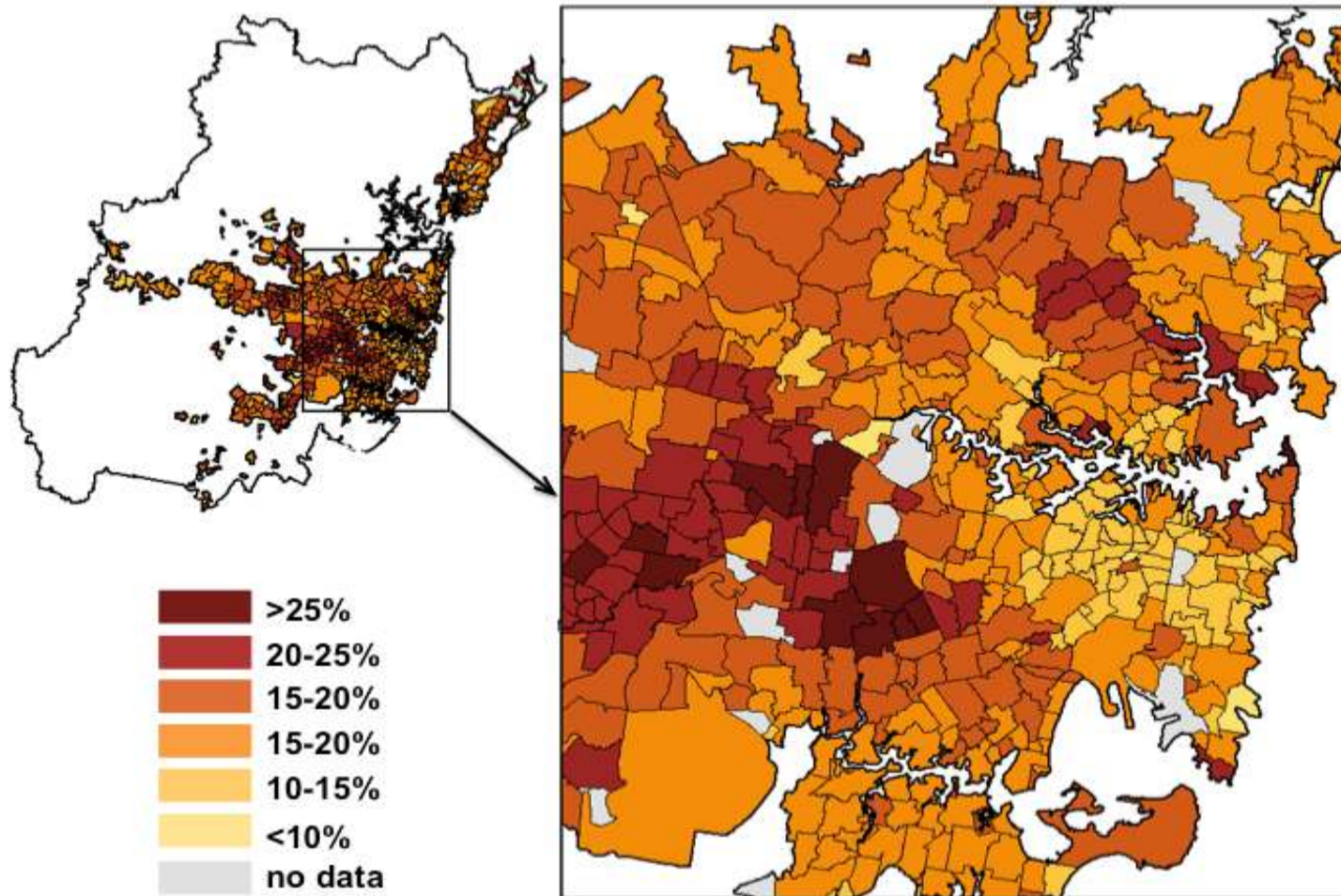
Percentage of Melbourne jobs that can be reached in 60 minutes by public transport



Residents living in the darkest shaded suburbs can reach more than half the jobs within a 60 minute public transport trip. In the lightest shaded areas, residents can access fewer than one in ten of those jobs

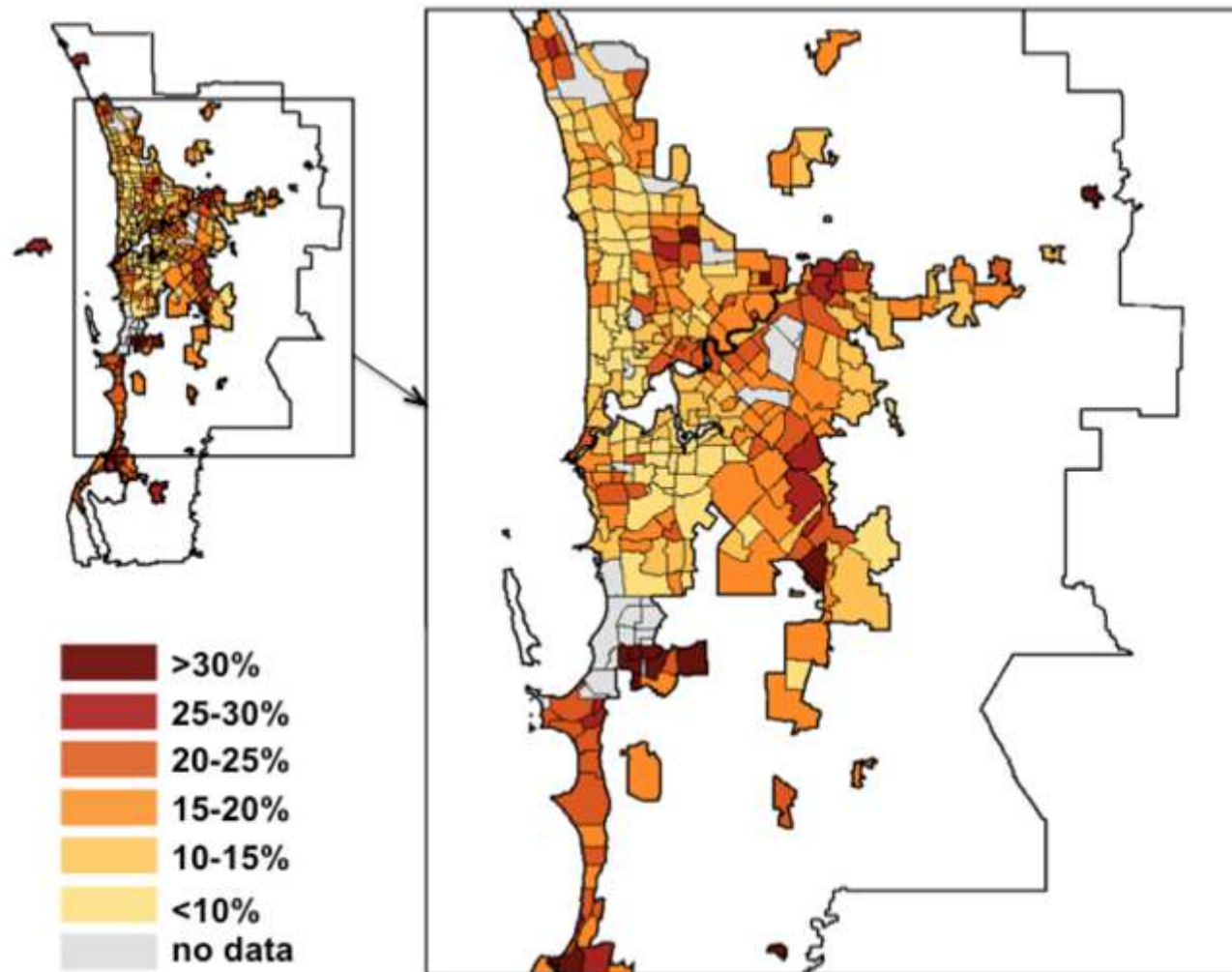
Women in poorly-connected areas face more difficult compromises

Differences in male and female workforce participation by suburb, Sydney 2011



Poor access to job leads to poor social outcomes

Percentage of disaffected youth, Perth, 2011



The divide between people and jobs has big consequences

If many people can't get to the high productivity jobs – disproportionately towards the centre – then this drags on economic growth

It is harder for women caring for children in outer areas to participate in the workforce.

Longer commutes result in:

- Higher living costs of thousands of dollars a year
- Pressure on family life
- Lower well-being

In outer suburbs people earn lower incomes on average, and are more likely to be employed on casual basis.

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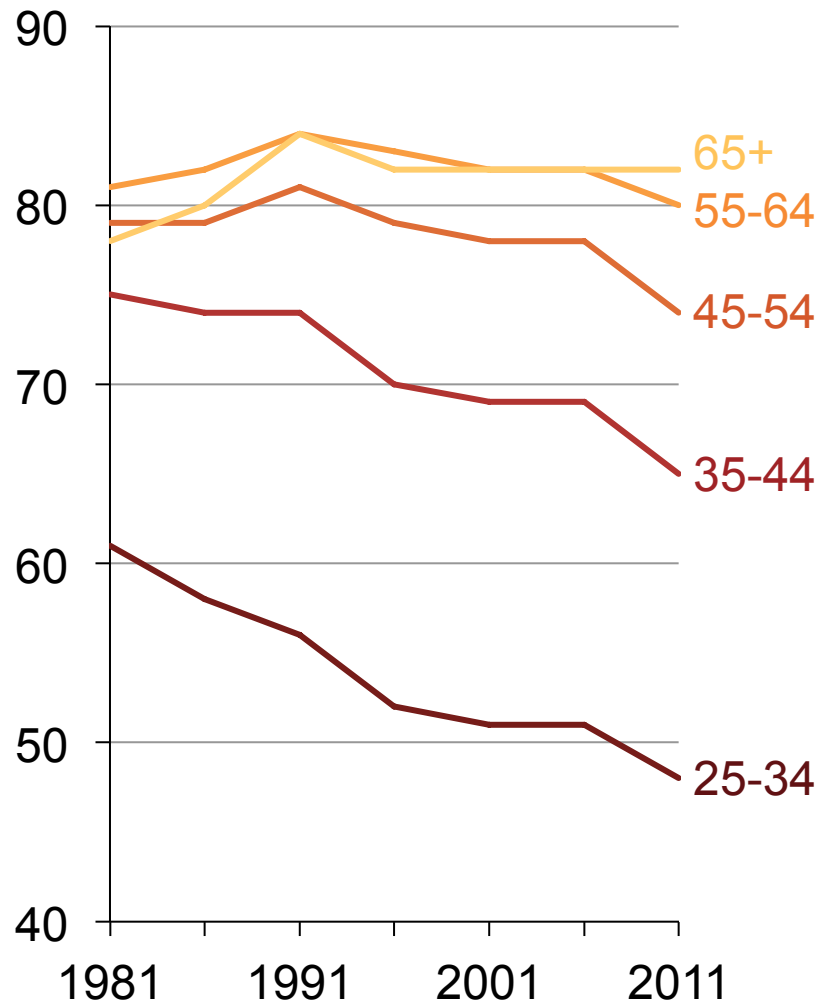
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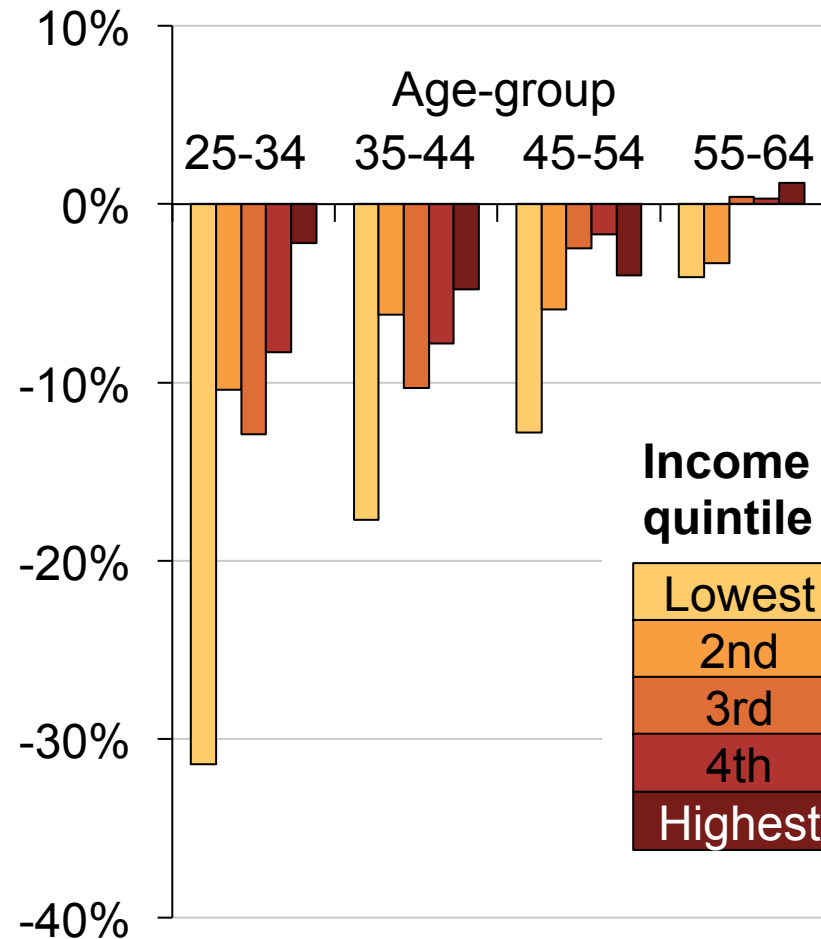
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Home ownership is falling for younger ages, particularly low incomes

Home ownership rate by age
Per cent



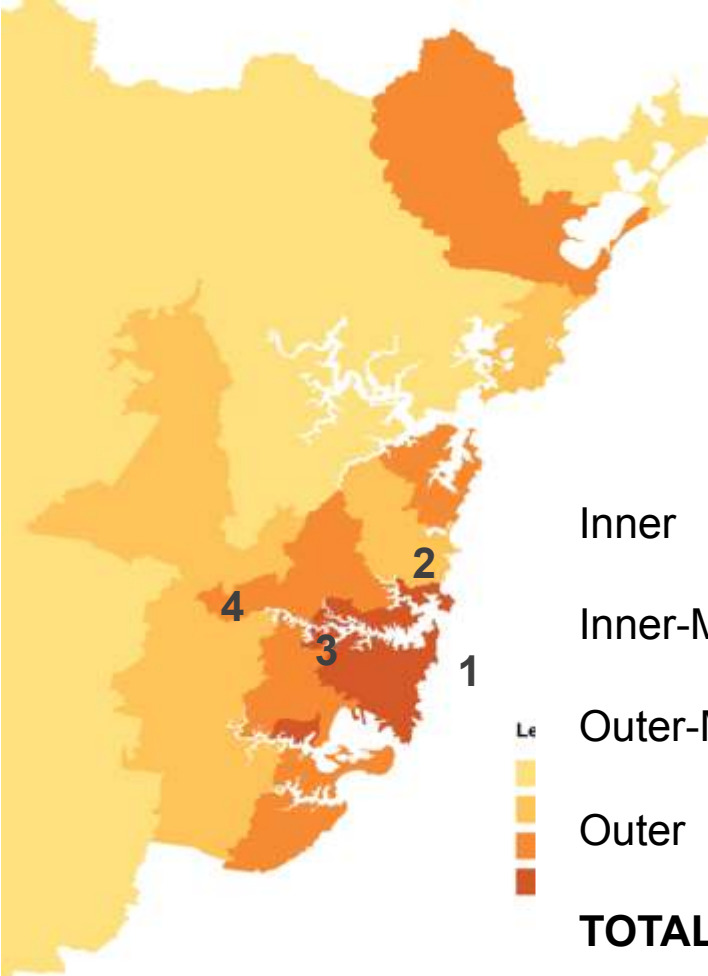
Percentage point change in home ownership rates, 1981 to 2011



Source: Grattan Institute, *Wealth of Generations*

Many people want to trade off location against price and dwelling type

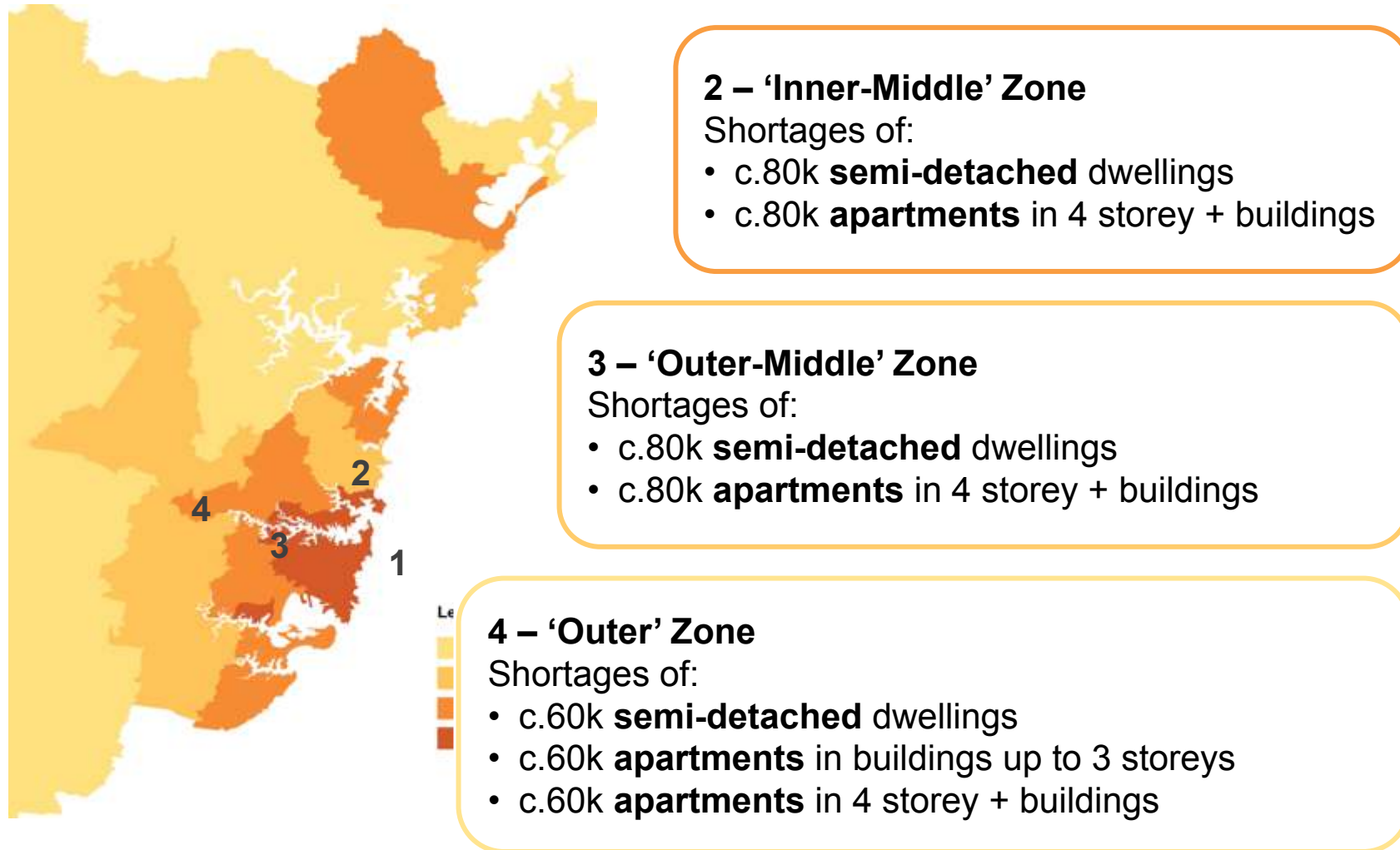
Desired trade-offs between location and house type - Sydney



	Detached	Semi-detached	Up to 3 storeys	4 storeys & above	TOTAL
Inner	9%	4%	2%	5%	20%
Inner-Middle	9%	7%	4%	5%	26%
Outer-Middle	12%	7%	4%	6%	30%
Outer	10%	6%	5%	4%	25%
TOTAL	41%	25%	15%	20%	100%

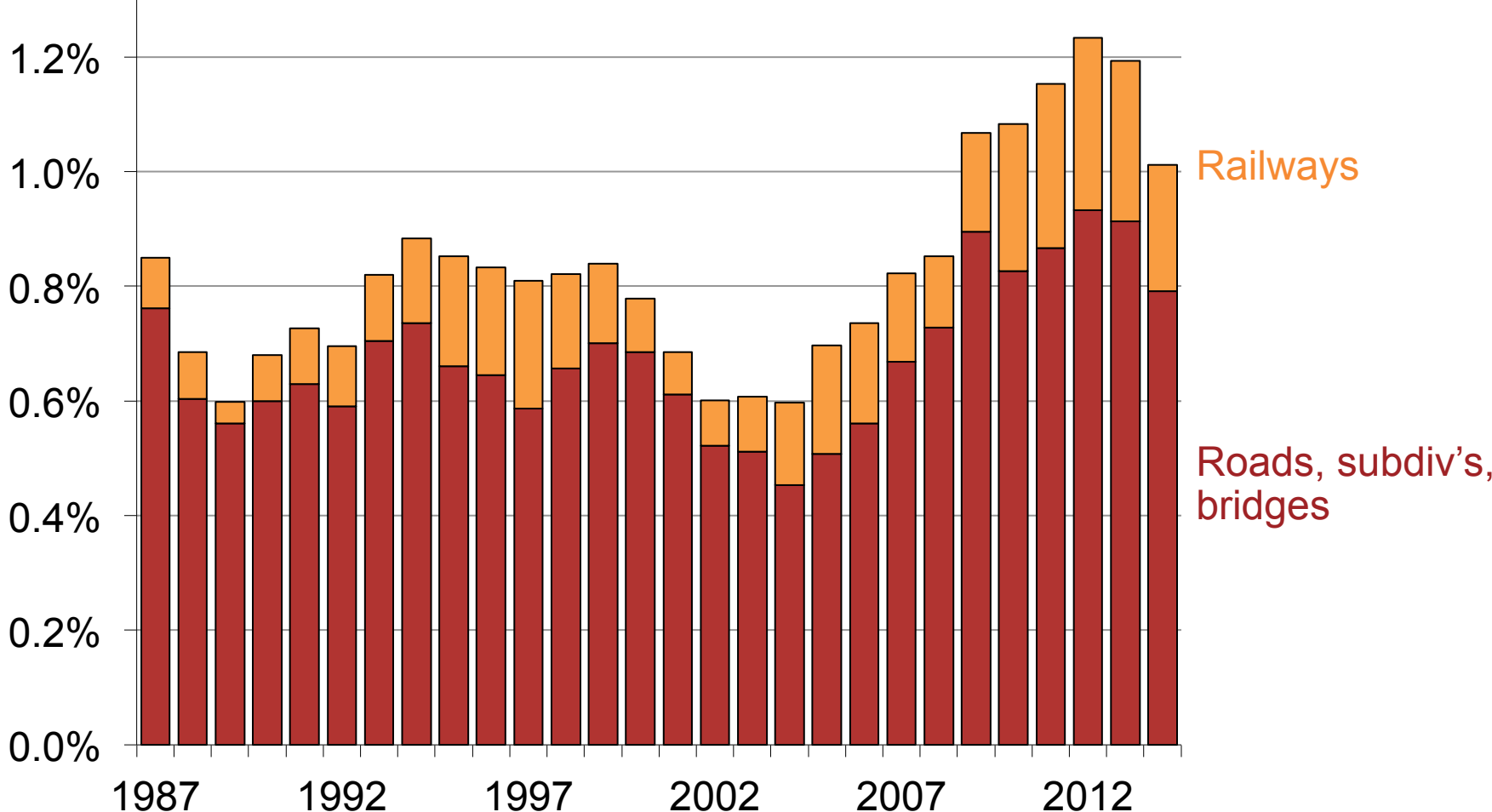
The market is supplying less medium density than people want

Comparison between preferences and availability - Sydney



What did we get for the big jump in transport spending over the last 6 years?

Engineering construction work done – for public sector
% of GDP, calendar year



Source: ABS, *Engineering Construction Activity, Australia* Cat no 8762 Table 11.

We can wish that new jobs were more evenly distributed around our cities



We've been wishing this for a long time.
And if wishes were fishes ...