City geography and economic policy

Council of Capital City Lord Mayors
John Daley, CEO
Parliament House, Canberra
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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
• Big cities are dividing geographically
  – Inner cities have much better education levels, access to jobs, high incomes, and accessibility for those with children
• Housing ownership is falling for younger and low income households
• Many people want to make different housing choices, but planning policy results in developers failing to give people the housing they want.

Planning, housing, tax, and transport policies need to adjust
• Planning policy is crucial: middle ring medium density development is a huge lever for economic growth, housing affordability and social outcomes
• Negative gearing, CGT and stamp duty are all dragging on cities
• We’ve spent a lot more on transport, but have we spent wisely?
People are consuming more services

Share of total nominal household expenditure

Source: ABS206 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

Grattan Institute, *The mining boom*
Consequently, more people are working in services

Per cent of workforce, Australia

Sources:
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

Grattan Institute, Mapping Australia’s economy
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

Did central city growth happen because of or despite government policy?
Why are the centres of big cities growing so fast?

In a services economy, physical proximity matters

• Medial 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

CBD: $39.1b
Southbank: $6.5b
Docklands: $8.2b
Dandenong: $5.9b

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

Grattan Institute, Mapping Australia’s Economy
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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

Grattan Institute, Mapping Australia’s Economy
... 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

Grattan Institute, *Productive Cities*
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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Home ownership is falling for younger ages, particularly low incomes

Home ownership rate by age

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Per cent

Percentage point change in home ownership rates, 1981 to 2011

-40% -30% -20% -10% 0% 10%

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

Grattan Institute, The housing we’d choose
The market is supplying less medium density than people want

Comparison between preferences and availability - Sydney

2 – ‘Inner-Middle’ Zone
Shortages of:
• c.80k semi-detached dwellings
• c.80k apartments in 4 storey + buildings

3 – ‘Outer-Middle’ Zone
Shortages of:
• c.80k semi-detached dwellings
• c.80k apartments in 4 storey + buildings

4 – ‘Outer’ Zone
Shortages of:
• c.60k semi-detached dwellings
• c.60k apartments in buildings up to 3 storeys
• c.60k apartments in 4 storey + buildings
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 …