



Australian Government
Productivity Commission

Transitioning Regional Economies

2017 Industry and Innovation Workshop

Paul Lindwall
Commissioner

National Museum of Australia, Tuesday 26 September 2017

> About the Commission

Independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians



Independent



Transparent



**Community-wide
perspective**



➤ The Commission's task



Identify regions that face significant challenges in transitioning to a more sustainable economic base



Establish a single economic metric to rank regions most at risk of failing to adjust



Identify factors that influence regions' capacity to adapt to economic changes



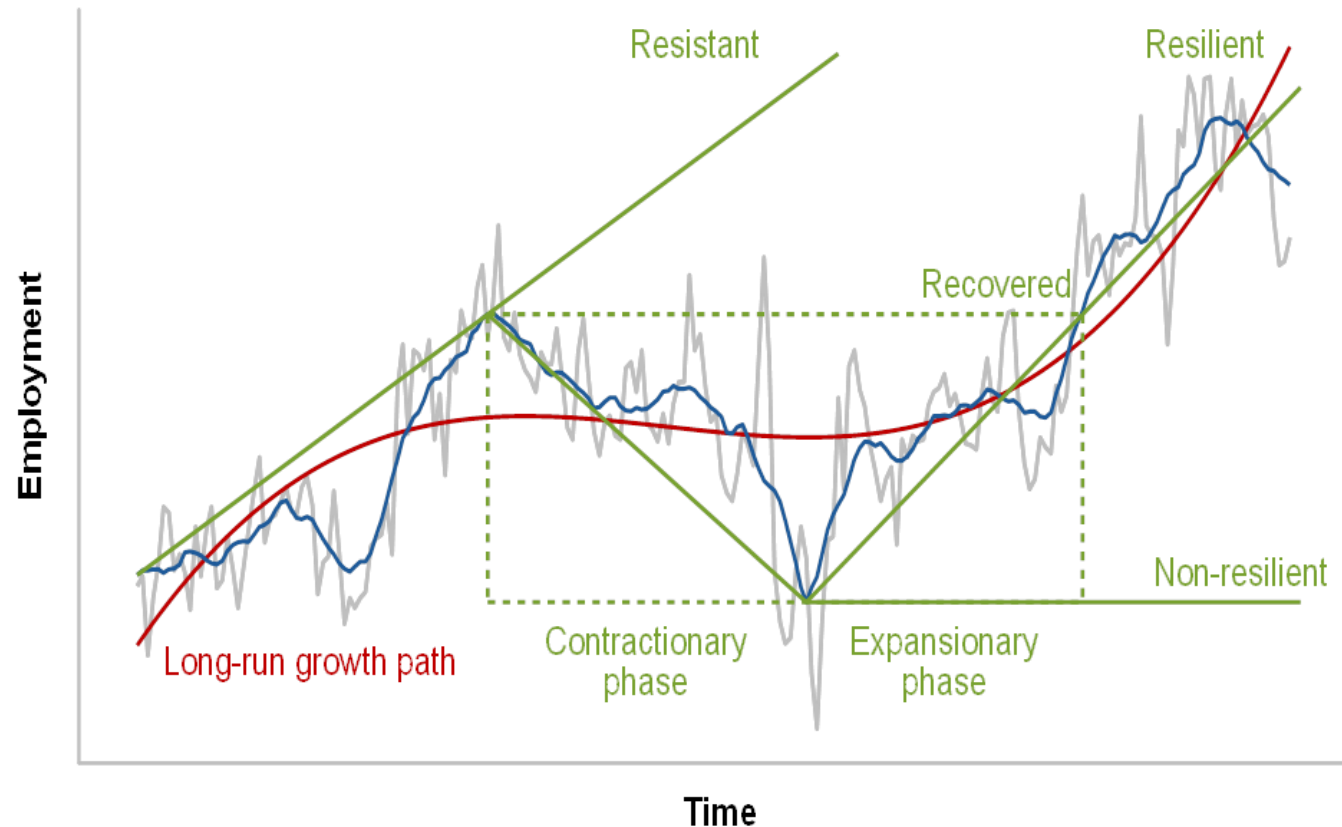
Devise an analytical framework for assessing the scope for economic and social development



➤ Economic performance over time

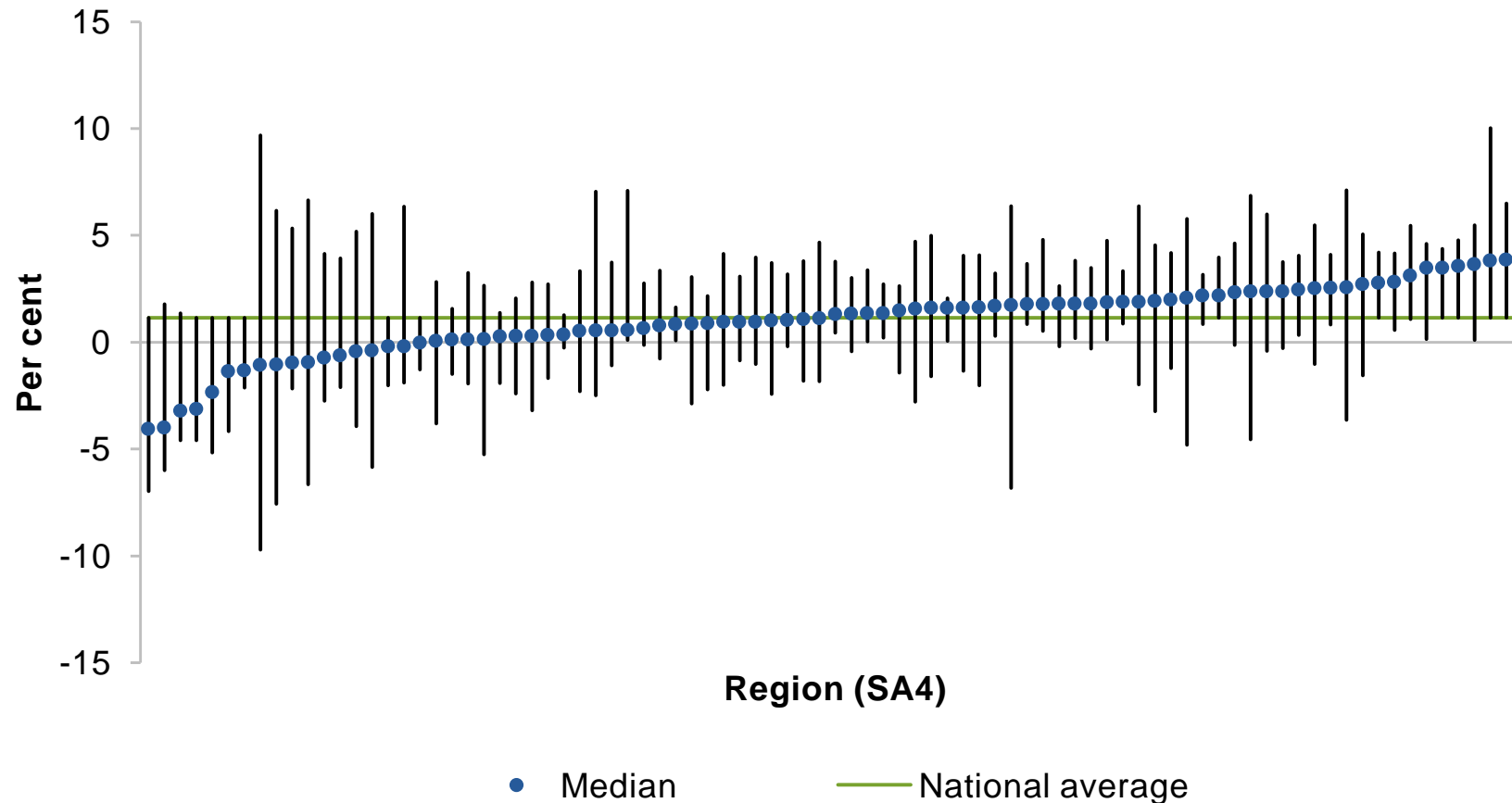
In looking for resilient and non-resilient regions:

It is challenging to distinguish between 'disruptive events' and normal cyclical ups and downs, but long run trends are apparent



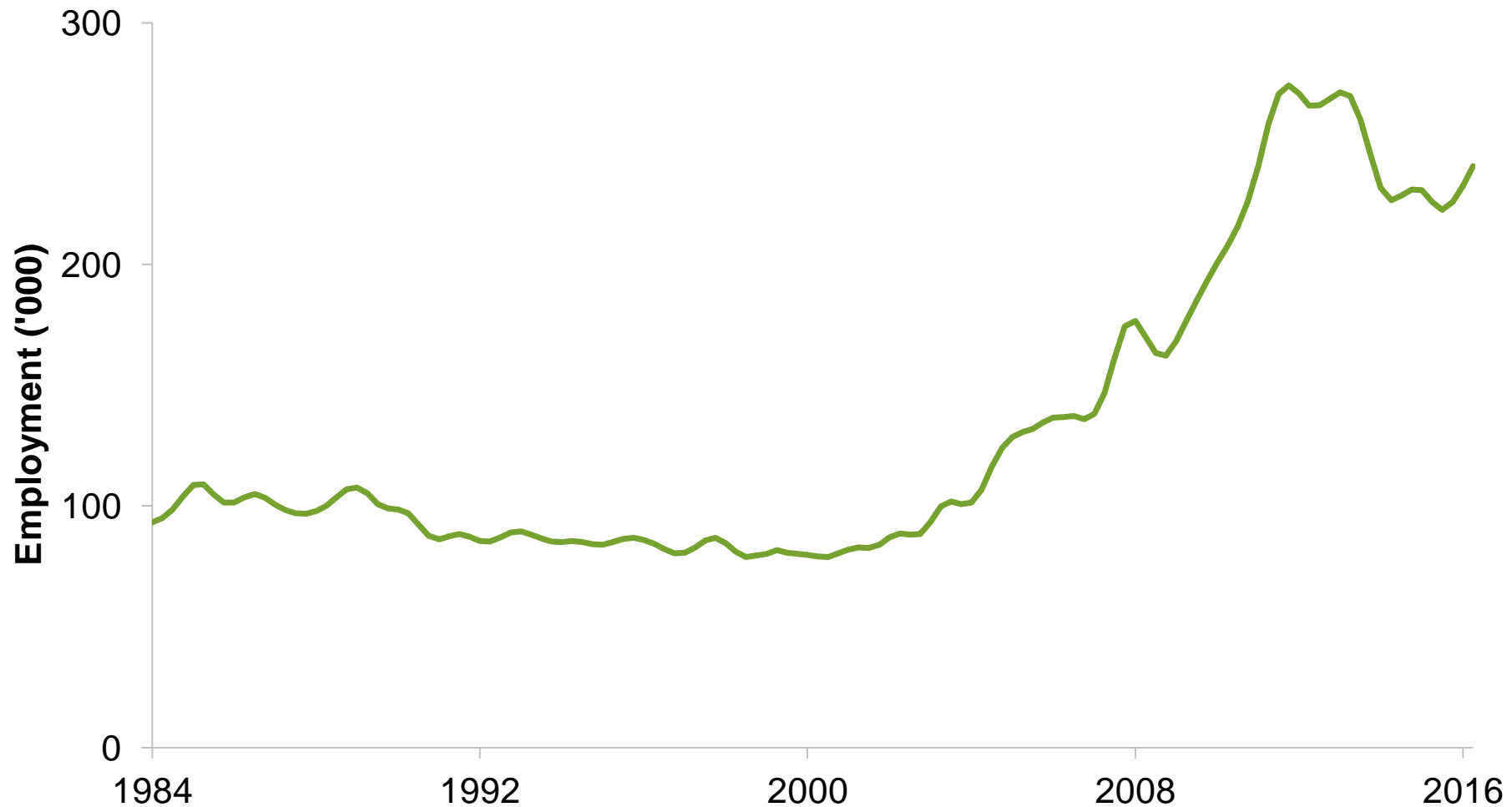
➤ Employment growth

Most regions have had increasing employment over the last five years, but growth has been highly variable across the board and some regions have not grown



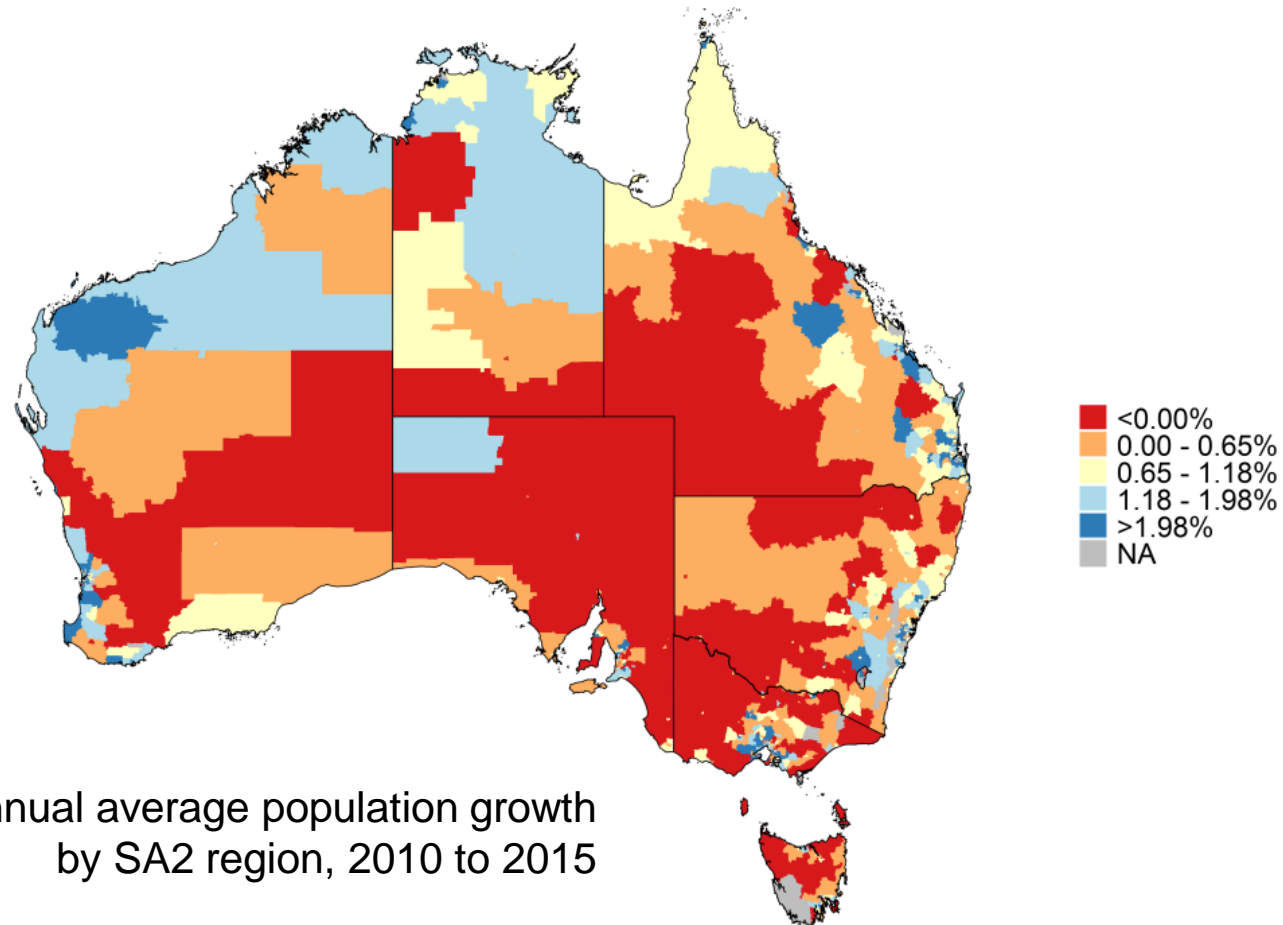
➤ Mining employment

Employment in mining is higher now than before the boom



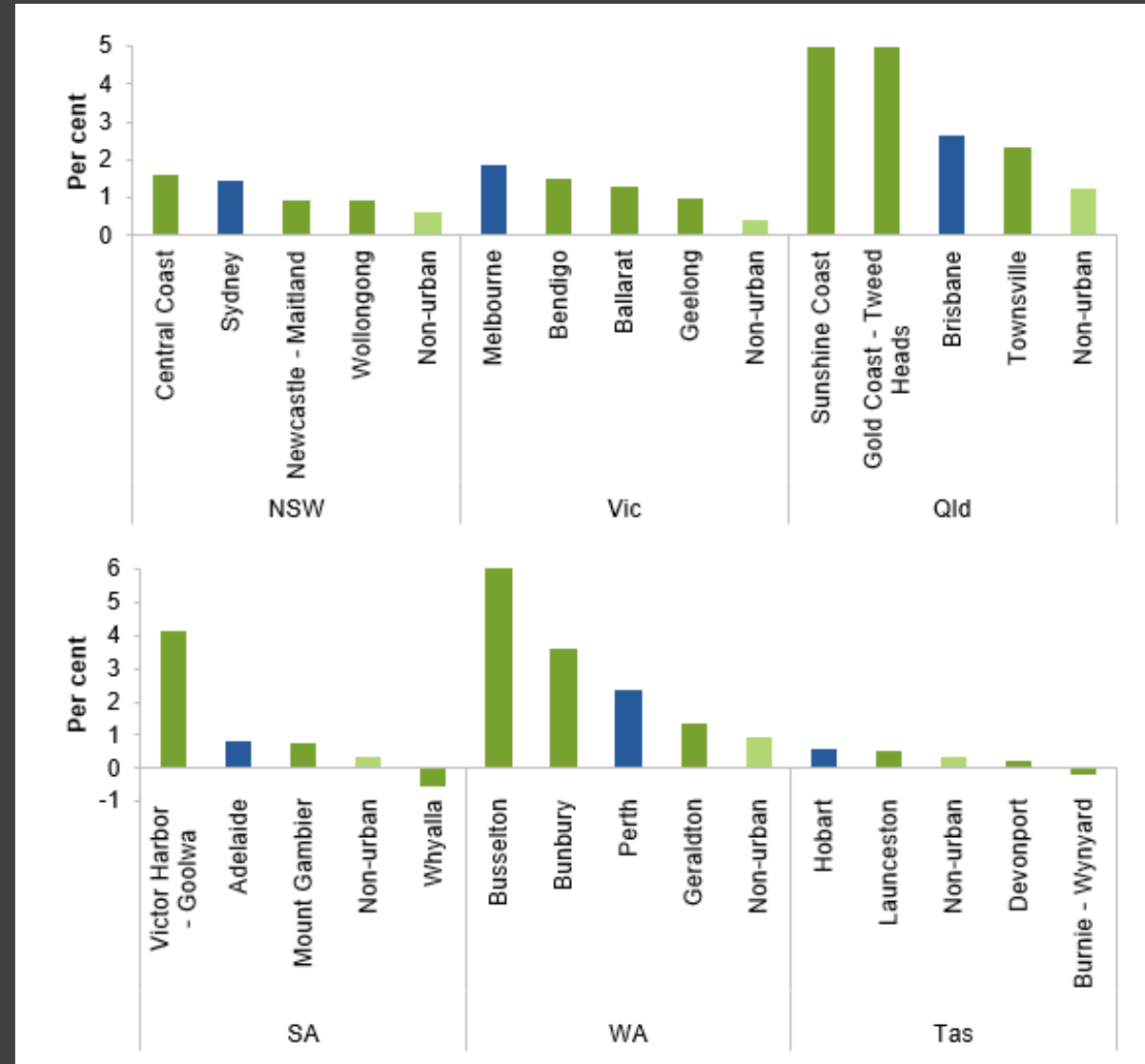
➤ Population change

Population decline has mainly been in inland regions,
predominantly agricultural areas



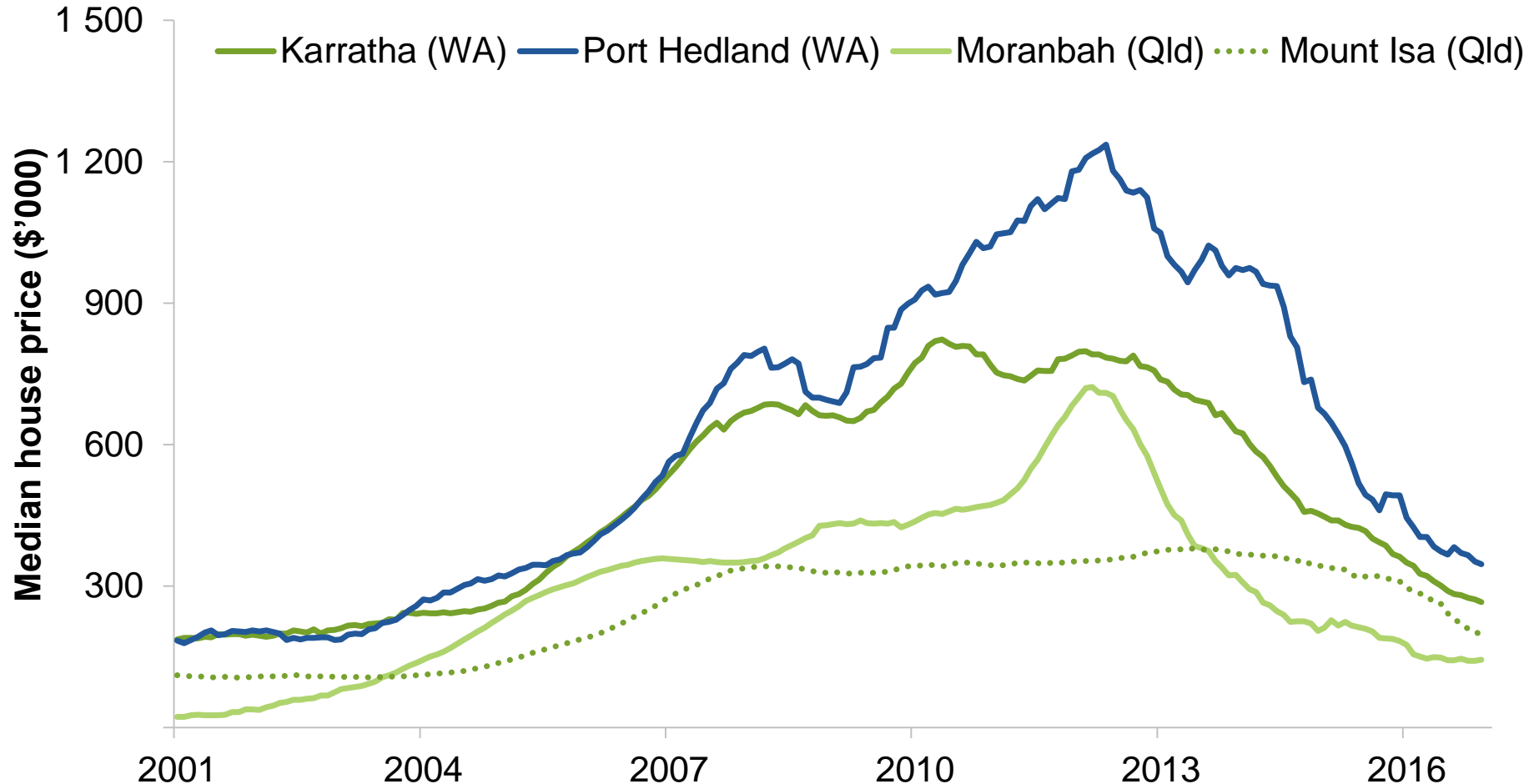
Annual average population growth
by SA2 region, 2010 to 2015

Average annual population growth 1991-2016



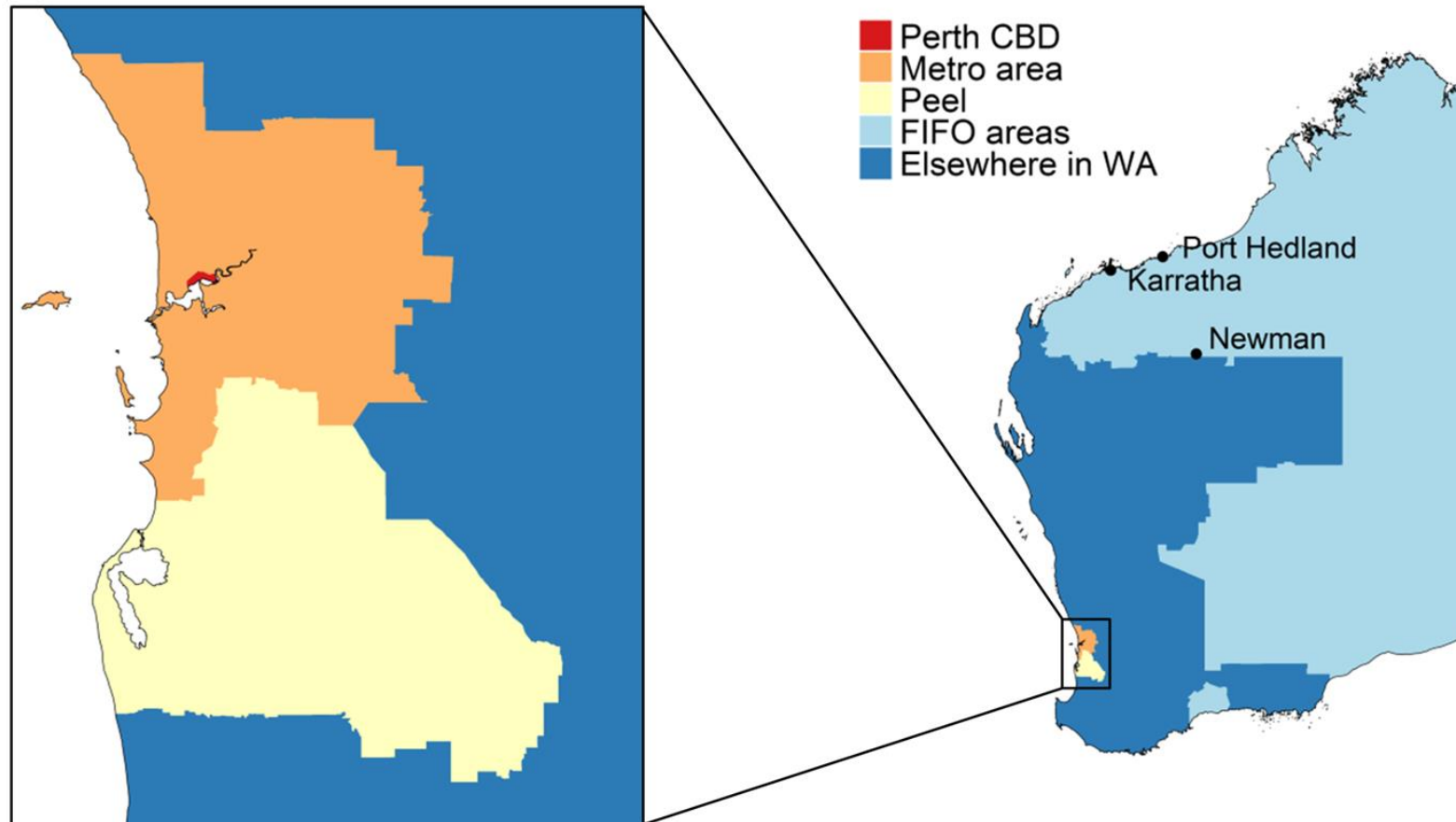
➤ House prices

Trends in house prices reflect relative scarcity during the boom



➤ Fly-in, fly-out work

FIFO work has spread the effects of the mining boom



➤ Fly-in, fly-out work

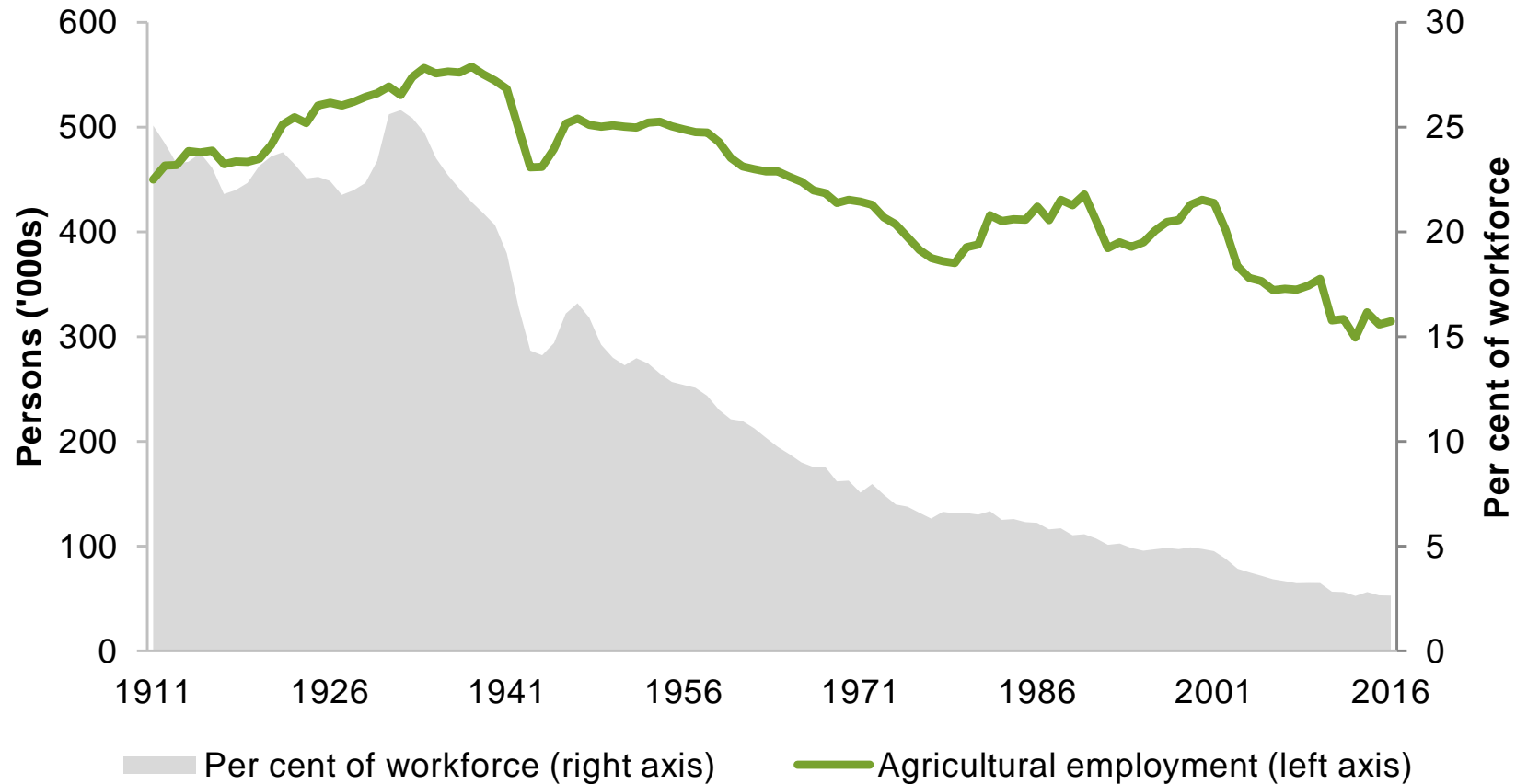
Not all mining workers in Perth were FIFO

Location of employment	Mining industry		Construction industry	
	Peel residents (%)	Perth metro residents (%)	Peel residents (%)	Perth metro residents (%)
Perth metro area (CBD)	22.2 (9.3)	69.1 (41.4)	35.9 (2.5)	93.3 (8.1)
Peel	37.1	1.4	53.8	0.9
FIFO areas (Pilbara, Kimberley and Goldfields)	35.3	25.0	6.5	4.3
Elsewhere in WA	5.4	4.5	3.8	1.5
Number of workers	2 844	32 870	4 260	57 246



➤ Agriculture employment

Employment in agriculture has declined over a long period



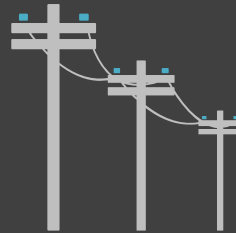
➤ Measuring adaptive capacity

Adaptive capacity is associated with the potential to transition successfully to an economic disruption.

It is unobservable, but can be inferred using observable factors, including:



Skills/expertise
and education



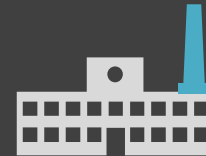
Infrastructure
and services



Natural
resources



Financial
resources



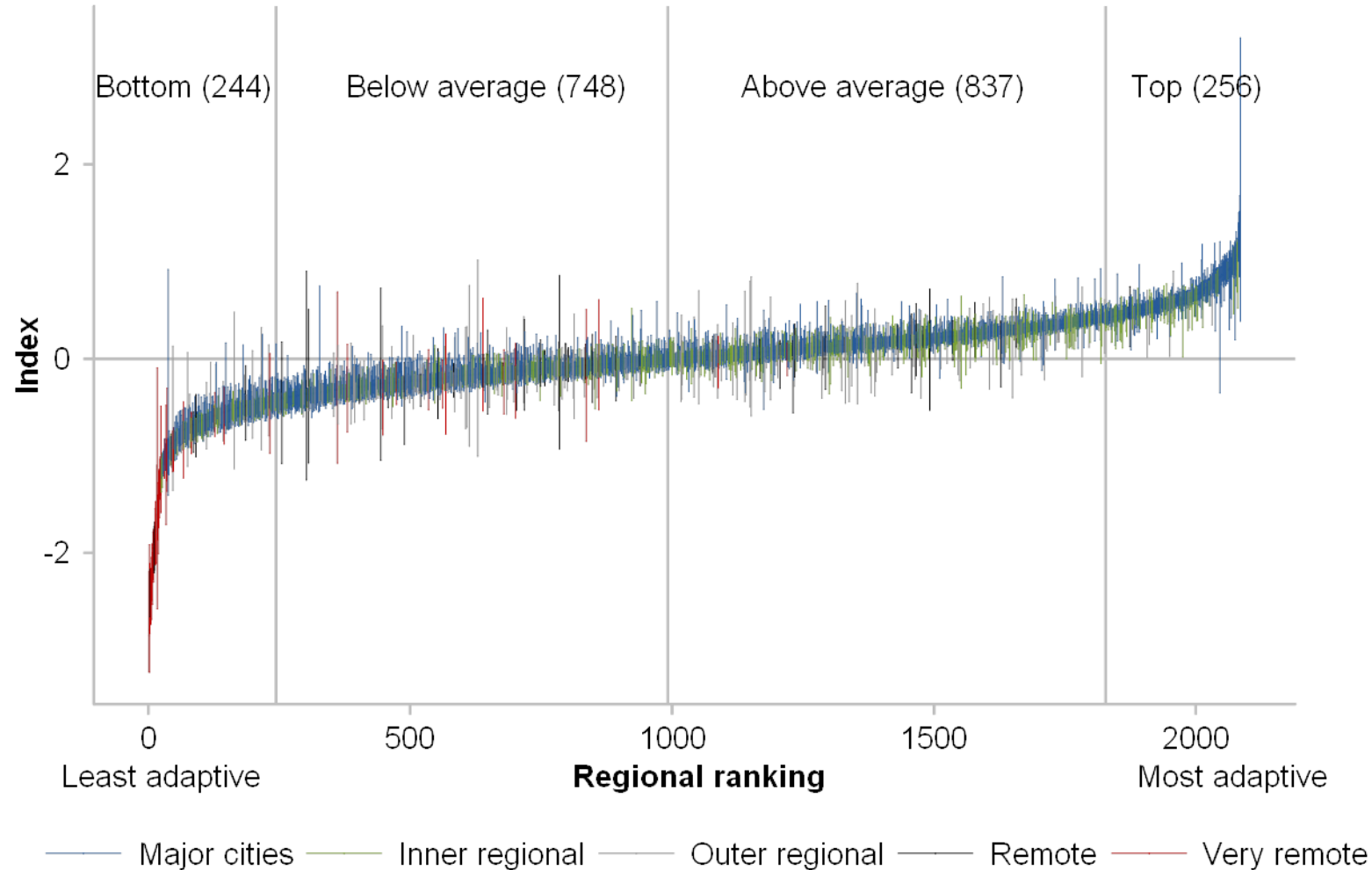
Industry
diversity



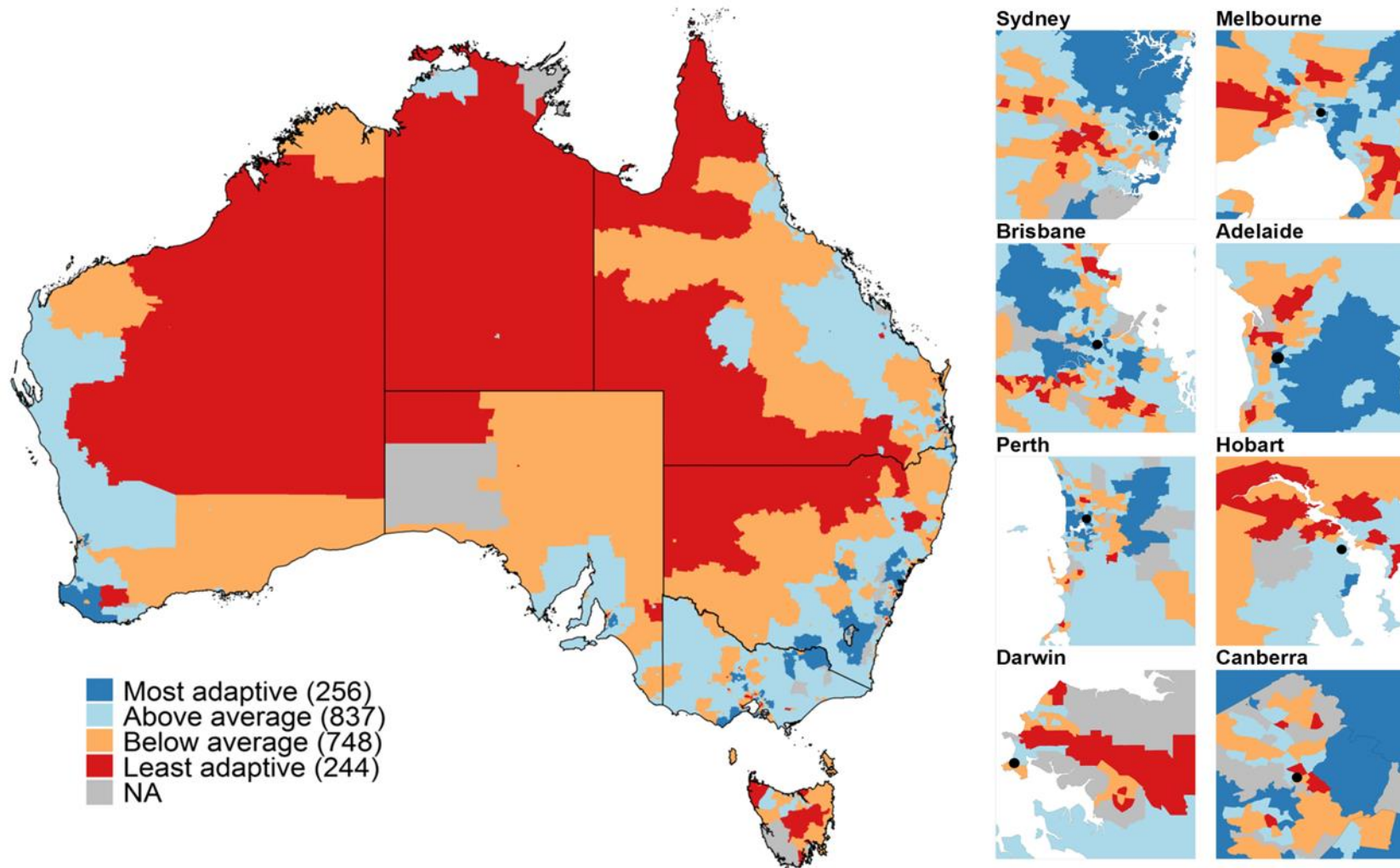
Single economic metric

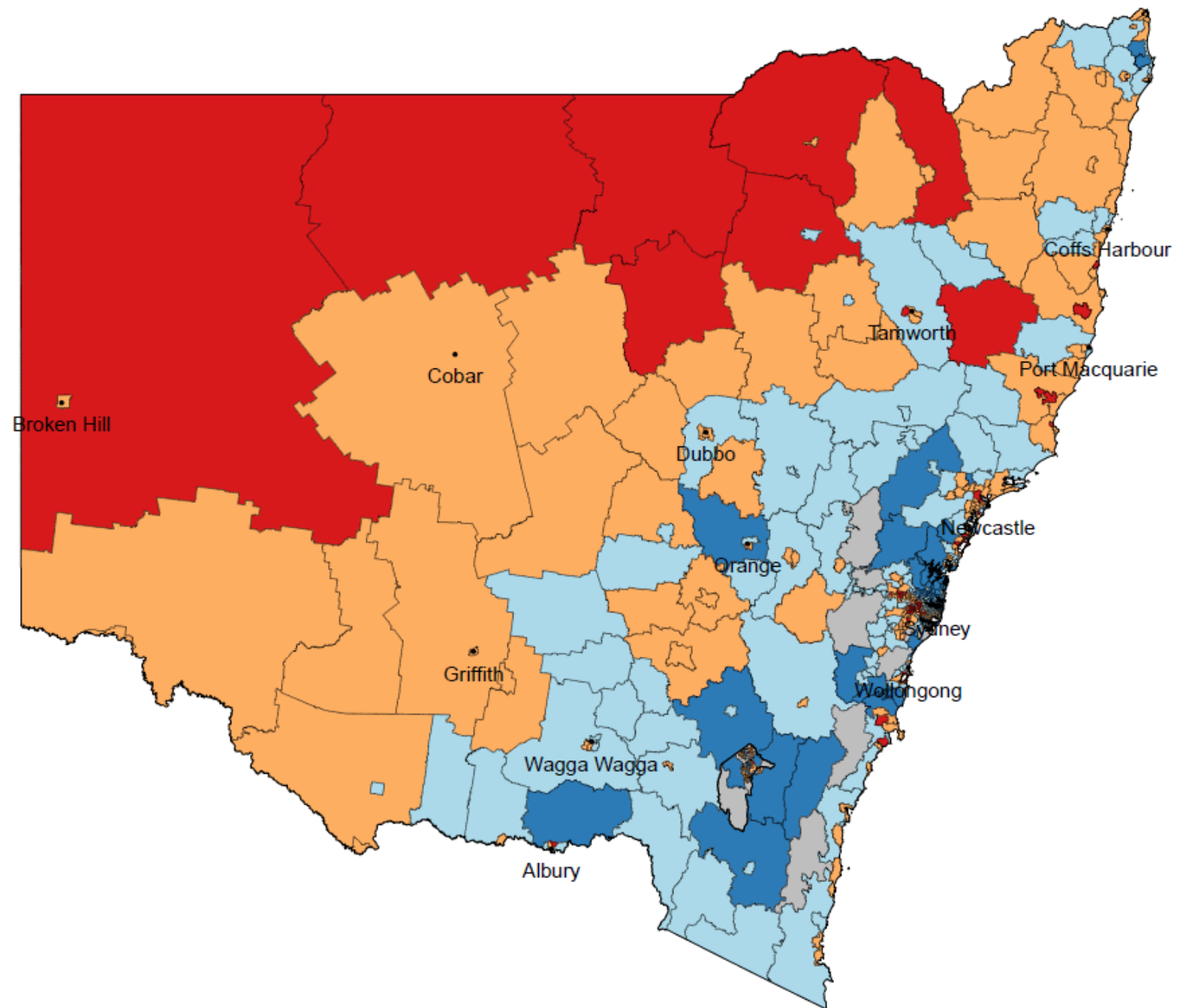
➤ Uncertainty about the index values

Index values for each region and their 90 per cent confidence intervals



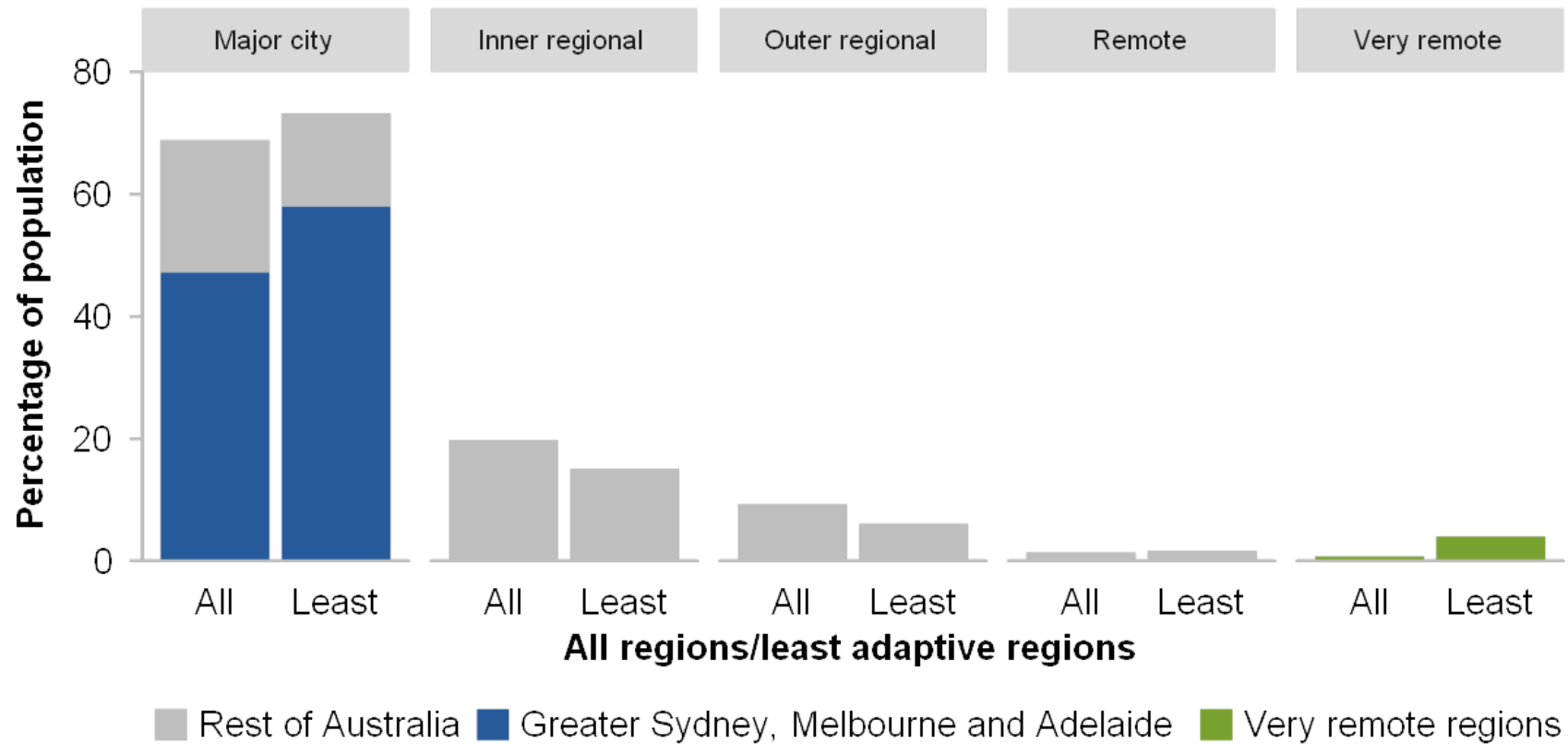
➤ The relative adaptive capacity of regions



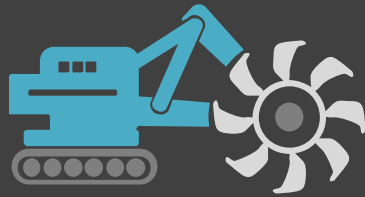


➤ The least adaptive regions

Major cities and very remote regions have a relatively high representation in the least adaptive category of regions



➤ Emerging themes



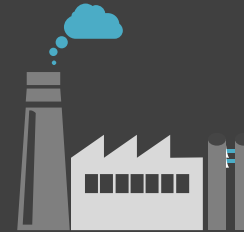
Mining regions

Relatively high adaptive capacity, high employment growth



Agriculture regions

Technological change, population consolidation

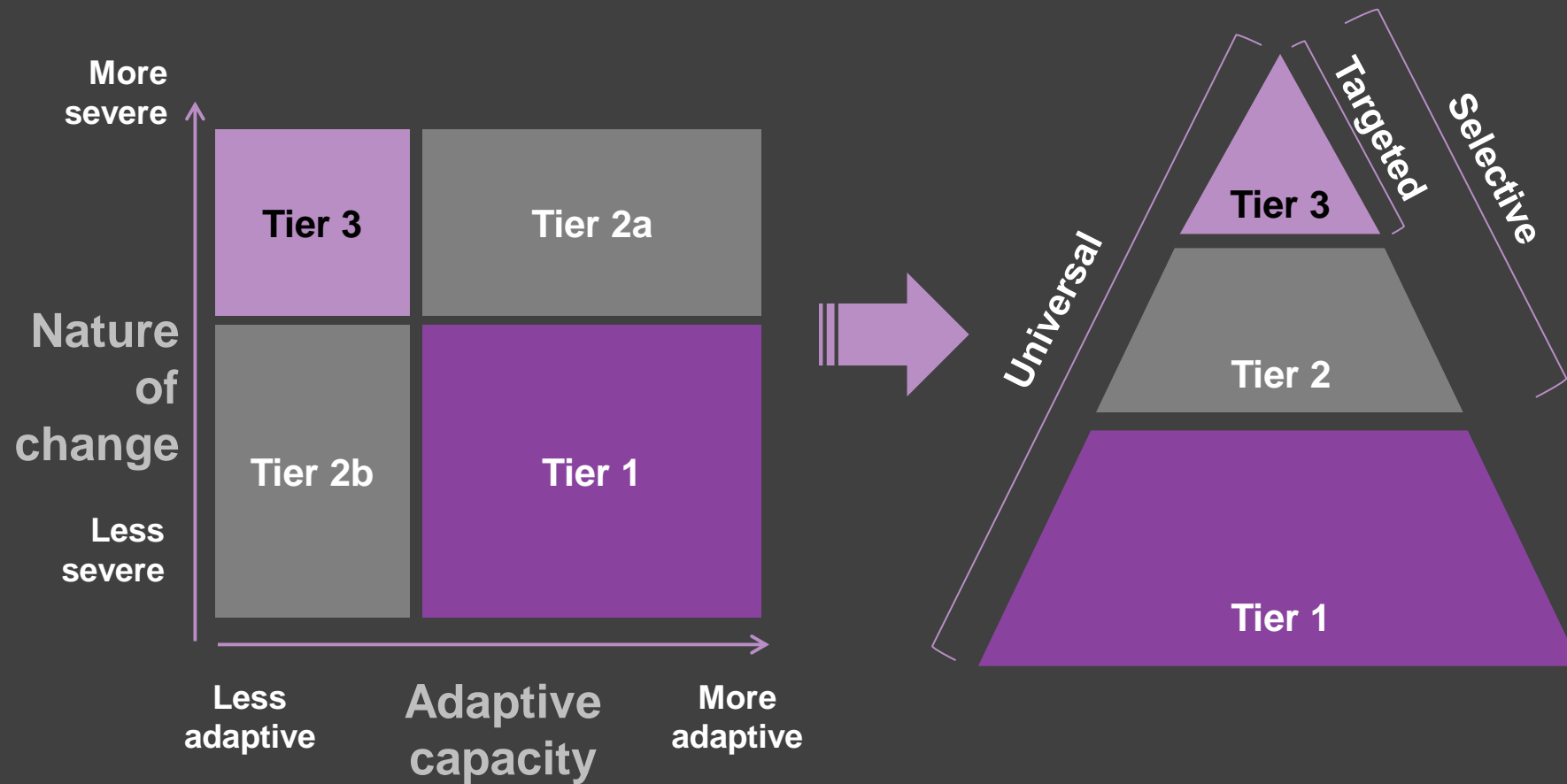


Manufacturing regions

Relatively low adaptive capacity, low employment growth



➤ A tiered model of support



➤ A tiered model of support



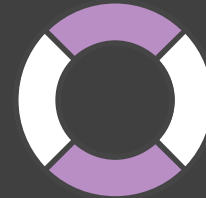
Universal 'no regrets' reform

Removing regulatory obstacles to doing business in regions



Selective support

Building capabilities and regional connectivity



Targeted support

For the most vulnerable people facing severe hardship

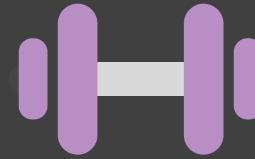


➤ Some guiding principles

Regional strategies work best when they:



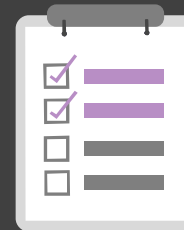
**Are community-led
and coordinated**



**Align with a region's
strengths**



**Involve targeted
investment**



**Follow good
processes**



Rome's Cloaca maxima and Madrid's Ciudad Real airport



Still in use after 2600 years



Closed after four years