



Senate Economics References Committee – Inquiry into the Indicators of, and Impacts of, Regional Inequality in Australia

Submission from the University of Western Australia

April 2018

About the University of Western Australia

The University of Western Australia (UWA) was established in 1913, and is one of Australia's leading research-intensive universities. It has a deep commitment to addressing issues of regional inequality through its education, research and engagement activities. This includes access programmes for students from rural and remote areas, bridging programmes for Indigenous students, and research leadership spanning economic, social and policy matters, health, agriculture and environment.

The University has a substantial presence in regional Australia, including a campus in Albany, 14 rural education facilities as part of its Rural Clinical School, co-leadership of the Western Australian Centre for Rural Health in Geraldton, and an experimental farm in the Western Australian wheatbelt. It has longstanding research interests in regional inequality, largely through its Centre for Regional Development, School of Indigenous Studies, and Centre for Social Impact.

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Addressing the Terms of Reference

The following provides a brief response to each of the Terms of Reference. Following this, explicit attention is paid to aspects of regional higher education. Also provided is a list of references to research papers produced at UWA and other organisations to support the submission.

1. *Experiences of individuals and localities of unequal access to opportunities and unequal outcomes in non-metropolitan areas.*

The University of Western Australia has produced a considerable body of evidence that documents the extent of regional inequality in Australia and its impacts. It is important to stress at the outset that these findings emphasise the diversity of regional Australia, and that it is not possible to offer a simple set of conclusions about the experience of inequality. This research suggests that regional inequality is shaped by a number of critical factors, including the underlying economic structure and performance of regions, locational attributes (e.g. remoteness, population density etc.), socio-economic status, human and social capital, availability and quality of services and infrastructure, and local cultural values and behaviours.

In general terms, however, the data indicate that, on a range of measures, people living in regional Australia tend to experience greater disadvantage than their counterparts in

metropolitan areas. This is particularly evident in terms of health and education outcomes, employment opportunities, and access to critical services and infrastructure.

Particularly relevant to this Senate Committee are our research findings relating to employment, unemployment and job creation. Regional Australia typically experiences more volatile employment conditions than in metropolitan areas. This is largely due to (a) the relatively narrow economic base that characterises much of regional Australia and (b) the cyclical nature of regional economic activity.

Across much of regional Australia, economies tend to be based on a narrow range of 'propulsive' sectors (e.g. agriculture, mining, tourism), which means that employment opportunities tend to fluctuate according to the performance of these industries. Downturns in a propulsive sector (particularly in 'single industry' towns or regions) have major impacts on labour markets and, of course, households and individuals. The absence of economic diversity effectively amplifies these impacts in other parts of the economy, particularly service sectors. In addition, industries such as agriculture, mining and tourism have particular dynamics associated with seasonality, or are linked to major economic cycles. This is particularly evident in the resources sector.

The outcome for regional economies includes significant fluctuations in unemployment, job creation, labour force participation, and in- and out- migration. For households and individuals, there are flow-on implications in terms of income security, social wellbeing, willingness to invest locally, and engagement in social institutions and networks.

There is also research pointing to serious social disadvantage and dislocation that occurs as a result of the volatility and/or limited opportunity in employment. The evidence suggests that this contributes to negative outcomes in terms of physical and mental health, substance abuse, domestic violence, and crime. Moreover, there are now indicators that such disadvantage may be inter-generational and that in parts of regional Australia 'entrenched inequality' is now the norm.

2. *Views on the causes of inequality between regions, especially between capital cities and other areas.*

The causes of regional inequality are complex and vary enormously in spatial terms. However, there are a number of common themes that emerge from research in this area:

- The underlying structure and geography of the economy is critical. Different sectors have quite variable economic outcomes across geographic space. These outcomes relate to job creation, economic multipliers, the capacity to engage in value-adding activities and the linkages with international and domestic markets. Yet, even within a given sector, there is considerable diversity. One recent UWA study found enormous variability in terms of socio-economic outcomes in mining towns, and noted that commodity type, company structure, economic diversity and location all helped to shape economic performance.
- Closely related to economic structure and geography is competitiveness. Variability in local competitiveness is an important driver of uneven development. Local competitiveness is underpinned by human capital, infrastructure, services, amenity and less tangible attributes such as entrepreneurial cultures.
- Economic and social diversity has been shown to contribute to improved long term performance. Not only do more diverse regions appear to be able to better withstand external 'shocks' than those with a narrower base, but they also have the capacity to

capitalise on emergent economic opportunities, experience lower rates of outmigration during downturns, and are less likely to experience economic decline.

- Human capital formation is critical, with evidence suggesting that education and skill-building contributes to more resilient economies that also perform better over the long term. There is also evidence to suggest that social capital (networks of trust and reciprocity) is important to economic performance. Additionally, a US study found that those places that had strong external social networks tended to be in a better position to attract private investment and government support than those that had more locally oriented networks.
- There is now more than two decades of research pointing to the critical role of local leadership in driving economic development. High quality leadership that moves beyond a narrow parochial view of economic development has long proven important in terms of business development, improving services and infrastructure, and the development of strategic local initiatives.
- One of the most well-known drivers of regional inequality is the disadvantage faced by Indigenous peoples. This is particularly evident in remote Australia, where entrenched disadvantage remains one of the nation's most serious issues. However, Indigenous peoples in some of Australia's more accessible regional areas also face considerable economic and employment challenges, and this remains a significant driver of inequality.

3. Analysis of the economics of regional inequality, including wider impacts.

The research undertaken at The University of Western Australia on the economics of regional inequality has focussed largely on issues related to: i) the responsiveness of regional economies to shocks, ii) economic resilience and diversity; iii) the role of competitiveness in driving growth.

In terms of responsiveness to economic shocks, it is evident that on a number of critical measures (i.e. wages, jobs growth, unemployment) regional economies adjust quite rapidly to changing circumstances. For example, wage levels tend to adjust quickly in line with movements in unemployment and/or jobs growth. This suggests that the economies are reasonably responsive to broader macroeconomic trends. There are, however, exceptions. Those areas most dependent on agriculture and/or located in higher amenity coastal areas tend to adjust more slowly than other regions. In contrast, mining regions tend to adjust rapidly to emerging economic realities.

The responsiveness of economies is in part linked to notions of resilience. The ability of regional economies to 'bounce back' from a shock is a defining feature of resilience. While more work is required to better understand how we build resilient economies, it is clear that economic diversity is important. Those economies that are more diverse in terms of industry sector and occupational structure tend to perform well on key measures, such as unemployment, population growth and in-migration. However, there remain a number of poorly understood aspects of economic resilience, including the role of social diversity, the importance of government expenditure, the success or otherwise of government 'pump priming' of economies, and the role of technological change.

4. Examples of solutions: what has caused some regions or towns to prosper?

The reality of regional inequality is that many of the underlying causes of uneven development are linked to larger structural forces and/or particular locational advantages.

The presence of mineral or energy resources, amenity environments, productive agricultural conditions are outcomes of physical geography, rather than policy or strategy. In addition, performance is often driven by exogenous forces – commodity prices, exchange rates, investment flows and international trade policy.

There are, however, numerous examples of where localities and regions have been able to prosper against the background of these broader structural forces. These include:

- Ongoing investment in human capital and education. This investment includes short term investments in leadership development, entrepreneurship, and skill-building. However, it also requires deeper investment in primary, secondary and tertiary education (both at the VET and university sectors). In the case of higher education, this does not necessarily require a physical presence in regions, but a deep and committed ‘digital presence’.
- Improving local competitiveness through investments in services, new infrastructure, land development, housing and the built environment. Moreover, competitiveness typically requires a focus on streamlined local, State and Commonwealth government policy and regulation that fosters business development, innovation and risk taking. One of the central themes here is to ensure that the local business environment is attractive to new investors, but also continues to nurture existing firms.
- Development of innovative business structures, including partnerships between local government and the private sector, local joint venture business arrangements, and university-local government partnerships. Critically, successful ventures in these areas have built directly on the comparative and competitive advantages within a local economy.
- Local and regional cooperation. Often regional localities are engaged in intense competition for investment, intra- and inter-regional trade, and government support. Such competition tends to drive inequality and contribute to patterns of ‘winners and losers’ amongst localities. More productive strategies are built on regional collaboration that maximise capabilities, investment capacity, critical mass and local/regional brand awareness.
- High quality leadership is the ingredient that underpins virtually all successful local and regional strategies. Importantly, however, the evidence suggests that this leadership needs to be oriented not simply to local dynamics but engaged in wider and diverse networks. In addition, leadership drawn from a broad cross-section of regional communities is typically more effective than less diverse leadership.

5. Policy settings which could help address inequality between regions.

There is now a considerable body of policy related research on how regional inequality might be addressed. There are a number of key themes that emerge from this work.

- Policy at all levels and in all portfolios needs to be ‘spatially sensitive’, or at the least ‘spatially aware’ in order to recognise the differential impacts and needs in different regions. Rarely are policy implications modelled at local or regional scales, and tend to be assessed at a relatively high level of aggregation. Consequently, local characteristics, dynamics and requirements are frequently overlooked or ignored. The outcome in some cases has been to further entrench or even worsen regional inequality.

- Continued investment and focus on enhancing regional competitiveness. Of particular importance here are investments in infrastructure (including digital technologies), services, land development and human capital.
- Improved local and regional cooperation, particularly in terms of the development of economic strategy, investment attraction and the enhancement of regional competitiveness. One of the major challenges facing regional Australia is that the responsibilities placed on local governments for economic development have increased over the past two decades, but the capacity to engage in meaningful strategy, planning and development is often limited. Bolstering the capabilities of local governments, and continuing to focus on cooperation is critical. In this respect, Regional Development Australia continues to have a critical role to play, but this needs to be augmented by closer alignment with State and local governments.

Higher Education and Regional Inequality

In addition to the University's insights into regional inequality based on its research, it is important to note the institution is also deeply committed to enhancing the opportunities available for regional students to participate in higher education.

We note that regional and remote students aspiring to higher education do not have the same opportunities as their metropolitan peers. This is despite significant investment by the Australian Government, which has led to significant improvements in the university participation rates of low socio-economic, disability and Indigenous students.

University outreach programs play a vital role in connecting schools and their students with universities; and supporting a successful transition experience. The Department of Education's Higher Education Participation and Partnership (HEPPP) scheme has allowed for the development and expansion of outreach programs throughout Australia facilitating connections between schools, universities, philanthropic organisations and corporates.

At UWA, the Aspire initiative has developed 63 partnerships with schools throughout WA, 43 of which are in regional and remote communities. Achieving cultural change in schools to raise expectations of high academic performance and normalise the goal of higher education is challenging, however in consecutive partner school surveys, school staff identified marked improvements in attitudes to higher education that they attributed to Aspire's influence.

The university applauds the Australian Government for the continuation of HEPPP. However, the funding model does not recognise the significant cost associated with supporting regional and remote secondary students in a sparsely populated state like Western Australia. Funding to universities is determined by low socio-economic student participation at university and does not recognise the significantly higher costs supporting regional and remote students to access and succeed at university in large states. This penalises the most remote students and particularly Indigenous Australians as over 60% of Aboriginal people in WA live in regional and remote areas. An adjusted loading for large states with higher outreach costs would improve access to outreach programs to students living in the most remote areas of Australia.

Regional (10.1%) and remote students (14.9%) have higher first year attrition rates than metropolitan students (7.1%) (Department of Education and Training 2017). Supporting a

successful transition into further study needs to be prioritised by both the secondary and tertiary education sectors. Recognised challenges associated with transition include:

- Financial pressures: students face significant a financial burden when relocating for study and are more likely to work while studying. Consequently this can add more pressure and strain on their study, limiting their ability to socialise and participate in co-curricula activities.
- Psychological distress: When transitioning, regional and remote students can experience higher rates of ill-mental health. This can be associated with relocation and enrolment challenges; experiencing imposter syndrome; homesickness; feeling isolated; and loneliness.

In order to help students to transition successfully it is important that the government address the financial challenges regional and remote students face in meeting living costs associated with relocation:

1. The University commends the Australian Government on the establishment of the Rural and Regional Enterprise Scholarships program. As a university with a growing number of regional and remote students we strongly support this initiative and the valuable support it will provide potential students as they prepare to transition into tertiary study.
2. It is suggested that the Australian Government, through the Department of Social Services, convert the start-up loan back to a scholarship to help fund upfront expenses associated with study.
3. The University of Western Australia would value the opportunity to contribute to the Inquiry further through representation at a Committee hearing.

SUPPORTING REFERENCES

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