



Economic Analysis of Government Regionalisation (Decentralisation) in the Far North Region of South Australia

A Report to RDA Far North SA

January 2022



SC Lennon & Associates

economics • planning • policy • strategy

This report has been prepared by:



SC Lennon & Associates Pty Ltd
ACN 109 471 936

PO Box 45 The Gap Queensland 4061
p: (07) 3312 2375
e: sasha@sashalennon.com.au
w: www.sashalennon.com.au

It has been prepared on behalf of Regional Development Australia Far North



Disclaimer

This report has been prepared by SC Lennon & Associates Pty Ltd on behalf of Regional Development Australia Far North (RDAFN). It has been prepared on the understanding that users exercise their own skill and care with respect to its use and interpretation. Any representation, statement, opinion or advice expressed or implied in this publication is made in good faith. SC Lennon & Associates Pty Ltd and the individual authors of this report are not liable to any person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to above.

Cover image sources: istock, Shutterstock, South Australian Tourism Commission and Unsplash

TABLE OF CONTENTS

Executive Summary

1. Study Purpose and Approach	1
1.1 Study Method	1
1.2 Rationale – The Contribution of Australia’s Regions to National Prosperity	1
2. Informing the Case for Regionalisation	2
2.1 Regionalisation Policy Context.....	2
2.2 ‘Regional Economic Development’ Defined	2
2.3 The Benefits of Regionalisation	3
2.4 The Impacts of the COVID-19 Pandemic on Migration to the Regions.....	3
2.5 Capitalising on the Trend for Migration to the Regions.....	4
2.6 A Regionalisation Target for South Australia	6
2.7 Enabling Corporate Regionalisation.....	6
3. Economic Impact of Regionalisation in the Far North	7
3.1 Economic Modelling Assumptions and Rationale.....	7
3.2 Assumed Initial Employment Impacts of Regionalisation.....	8
3.3 Regional Economic Impacts (Multipliers)	9
4. Conclusion and Recommendations.....	11

Bibliography

List of Figures

- Figure 1. Top 5 LGAs by Annual Growth in Internal Migration, September 2020 to September 2021 5
- Figure 2. Quarterly Change in Migration for Top 5 LGAs, September 2021..... 5

List of Tables

- Table 1. Current Distribution of Local, State and Federal Government Jobs, South Australia8
- Table 2. Assumed Re-distribution of Local, State and Federal Government Jobs, South Australia9
- Table 3. Estimated Economic Impacts of Regionalisation, Far North Region 10

Executive Summary

This report presents the findings of a study commissioned by Regional Development Australia Far North (RDAFN) to consider and assess the potential economic impacts of regionalisation (also referred to as decentralisation) of government services to the Far North Region of South Australia. The analysis is informed by an overview of current thinking / arguments for regionalisation in Australia, some assumptions about what quantum of government departments might potentially re-locate to the Far North Region from Adelaide and elsewhere and economic modelling of the potential impacts.

According to the House of Representatives Standing Committee on Regional Development and Decentralisation, 'decentralisation' (or regionalisation) can be broadly interpreted. For some, it refers to establishing or relocating public (and private) sector jobs and functions from metropolitan capital cities to regional or rural areas to create sustainable employment opportunities as part of a broader strategy to improve growth and prosperity in these areas. It may also include the establishment or presence of regional offices or out-posted offices in areas where services are needed, and have traditionally existed. In these cases, a head office may be located in a capital city with a network of rural or regional offices elsewhere.

While the Federal Government embarked on a decentralisation program in 2017, as yet, South Australia does not have a formal policy on regionalisation. In its July 2019 submission to the PIRSA Regional Development Strategy Discussion Paper, the Local Government Association of South Australia (SAROC), highlighted the importance of decentralisation as a key policy tool to assist with the growth and development of regional South Australia through enhanced service delivery and population growth, as essential ingredients of regional economic development.

As well as addressing population imbalance and providing employment opportunities, policies aimed at regionalisation, by locating a higher share of government sector jobs in the regions, may bring government services closer to the people they serve, better align government agencies to specialist regional areas and resources, tap into the skills and experience of people living in regional areas and reduce government operating costs. A collateral advantage of regionalisation is reducing the congestion and population pressure on capital cities.

The disruptions caused by the recent COVID-19 pandemic shows that, with these disruptions comes opportunity for regional Australia. Data collected and analysed by the Centre for Population indicates a net shift in migration towards regional areas. This is supported by the Regional Australia Institute, its research showing that, despite lockdowns and travel restrictions in Australia's major capitals, overall population flows from capital cities to regional areas continues to increase. These migration patterns, while short-term, present a strong rationale for areas such as the Far North Region to place greater emphasis on attracting government departments, businesses and people to the region as part of a broader economic development strategy.

Complementing government investments in regionalisation, corporate regionalisation (or decentralisation) offers opportunities for investment in regional Australia that benefits those regions, not only in terms of direct employment, but also in terms of indirect employment and development as a result of those investments.

When considering the potential impacts of government regionalisation, it is important to understand that employment opportunities are not necessarily restricted to those within a relocated government department or agency. Rather, employment opportunities may arise from any increased spending in the regional economy by public sector employees and their families, and from any associated private investment that follows a public sector move to a non-metropolitan area.

The economic analysis presented in this report is driven by a number of assumptions regarding the quantum of government decentralisation to regional South Australia and the Far North Region specifically, using a target set by the Local Government Association of South Australia, that 30% of the State Government public service be based outside Greater Adelaide. This is used as a starting point for the analysis and assumes that 30% of State Government jobs could be located in regional South Australia.

This proposed shift to the regions represents an uplift of 21% of State Government jobs over and above current numbers that would be located in regional South Australia. This means regional South Australia's share of State Government jobs would increase from 1,399 jobs to 4,479 jobs, a direct increase of over 3,000 jobs. It is assumed that the Far North Region's current share of regional South Australia's State Government jobs would increase slightly, from 13% to 15% of the total (of regional South Australia). This means there would be an initial uplift of 492 State Government jobs in the Far North Region over and above the existing 180 jobs.

To complement this ambitious State Government jobs growth target for regional South Australia, it is also assumed that regional South Australia's share of Federal Government jobs in South Australia would increase from 9% to 12% of the total, or from 545 jobs to 951 jobs. The Far North Region already has a healthy share of regional SA's Federal Government jobs. It is conservatively assumed then, that the Far North's current share of regional SA's Federal Government jobs would increase slightly, from 27% to 30% of the total, resulting in an initial uplift of 137 Federal Government jobs in the Far North over and above the 148 jobs currently located in the region.

The combined uplift in State and Federal Government jobs as a result of regionalisation under this scenario, would result in a **direct increase of 629 public sector jobs in the Far North Region** (that is, an additional 492 State Government jobs and 137 Federal Government jobs).

The initial uplift in public sector employment generated by enhanced government regionalisation, will, using the assumptions stated above, result in a further economic stimulus to the Far North Region in the form of output, industry value-added and employment impacts, which will flow through all sectors of the local economy. The associated quantum of corporate investment (regionalisation) is implicitly captured in the resulting increase in output, value-added and employment in these other industries.

To estimate the economic impacts of regionalisation, the assumed initial public sector jobs stimulus has been modelled using the REMPLAN model of the Far North Region economy. The economic modelling shows the impacts, including all direct, supply-chain and consumption effects, is estimated to **increase the Far North Region's output by up to \$181.79 million, industry value-added will increase by up to \$111.88 million and total employment will increase by up to 867 jobs**. These results are summarised below.

Estimated Economic Impacts of Regionalisation, Far North Region

	Direct Effects	Supply Chain (Production-induced) Effects	Consumption- induced Effects	Total Impact
Output	\$123.26 million	\$15.22 million	\$43.31 million	\$181.79 million
Value-Added	\$77.91 million	\$7.38 million	\$26.60 million	\$111.88 million
Employment	629 jobs	58 jobs	180 jobs	867 jobs

Source: REMPLAN with interpretations by SC Lennon & Associates

The economic analysis demonstrates that the benefits of government-led regionalisation in South Australia will be substantial and if the Far North Region can capture its share, this will result in significant direct and indirect benefits in the form of public sector employment and economic activity, with flow-ons throughout all sectors of the Far North regional economy.

To help the Far North Region progress its case for more government investment in the region and realise these estimated economic benefits through pro-active and tailored regionalisation policies and strategies, it is recommended that RDA Far North:

- Engage with its regional development partners - the Outback Communities Authority, Local Councils and others - to share the contents and findings of this report as a means of establishing a shared policy position on regionalisation in the Far North Region.
- Use the contents and findings of this report as the basis for the region's advocacy efforts with State and Federal Government agencies, to present the case for regionalisation in the Far North Region.
- Work with its regional development partners to embed a shared regionalisation policy in all future economic development and investment attraction policy and strategy material.

Progressing these next steps will place the Far North Region on an informed, strategic and co-ordinated pathway to pro-actively support the case for greater government and private sector investment in the Far North Region.

1. Study Purpose and Approach

1.1 Study Method

This brief report presents the findings of a study commissioned by Regional Development Australia Far North (RDAFN) to consider and assess the potential economic impacts of regionalisation (also referred to as decentralisation) of government services and businesses to the Far North Region of South Australia.

The research and analysis is informed by an overview of current thinking / arguments for de-centralisation policy in Australia, some assumptions about what quantum of government departments might potentially re-locate to the Far North Region from Adelaide and elsewhere and economic modelling of the potential impacts.

The estimated economic impacts are driven by the assumed uplift in public sector jobs that could be located in the Far North Region using plausible and informed assumptions. The figures presented herein refer to the initial or direct uplift in government jobs resulting from greater regionalisation of government services to the Far North Region, the associated production-induced and consumption-induced economic multipliers (**output**, **industry value-added** and **employment**) and the total estimated economic impacts through all industries in the Far North Region economy resulting from greater regionalisation to the Far North Region.

1.2 Rationale – The Contribution of Australia’s Regions to National Prosperity

Policies aimed at regional economic development and ‘regionalisation’ are justified by the important contribution Australia’s regions make to national prosperity. According to the Regional Australia Institute (RAI), regional Australia accounts for around 40 per cent of national economic output and Australia’s regional workforce accounts for one-third of national employment.

Regional Australia also exerts a stabilising effect on Australia’s economic performance through its collective economic diversity. For example, during the aftermath of the Global Financial Crisis of 2008, the economic growth of Australia’s metropolitan areas slowed considerably while regional Australia’s contribution to economic output actually increased as a proportion of the total. According to the RAI, in recent years, productivity in regional Australia – as measured by output per worker – has gained on Australia’s metropolitan areas across most industries.

Australia’s regions are also highly innovative. In an increasingly globalised economy, innovation and greater productivity are arguably the most pressing challenges facing Australia over the next few decades and without improvements in the capacity of Australia’s regions to produce, economic development and national prosperity could be compromised.

Collectively, Australia’s regions represent a diverse portfolio of economic activity and opportunity and the importance of regional Australia to the national economy means that realising the potential of the regions is critical to securing Australia’s future prosperity.

This reinforces the importance of governments – at the local, State and Federal levels – taking a leading role in addressing Australia’s regional economic development objective. In South Australia, as elsewhere in Australia, one way that both the State and Federal governments can do this is through a strong commitment to regionalisation.

2. Informing the Case for Regionalisation

2.1 Regionalisation Policy Context

To provide context to the economic analysis, a review of selected literature and policy statements on regionalisation / regional development and government de-centralisation was undertaken. The reports that were considered include:

- Commonwealth of Australia (June 2018), *Regions at the Ready: Investing in Australia's Future – House of Representatives Standing Committee on Regional Development and Decentralisation*
- Commonwealth of Australia (2018), *House of Representatives Standing Committee on Regional Development and Decentralisation – Issues Paper*
- Local Government Association of South Australia (July 2019), *Submission to the PIRSA Regional Development Strategy Discussion Paper*
- Government of South Australia, PIRSA (2021), *Regional Development Strategy*
- Regional Australia Institute (2015), *The Economic Contribution of Regions to Australia's Prosperity*
- Regional Australia Institute (September 2017), *Submission to the Select Committee on Regional Development and Decentralisation*

In its *Regions at the Ready* report, the House of Representatives Standing Committee on Regional Development and Decentralisation reports that only a small percentage of Australian Public Sector (APS) employees are located outside the metropolitan areas of each state and territory. It states that 5.9% of the Federal Government's workforce are located in South Australia, while the latest population estimates published by the Australian Bureau of Statistics (March 2021) shows that South Australia accounts for 7% of Australia's population. According to the *Regions at the Ready* report, the State with the highest proportion of Australian Public Sector employees in regional areas is New South Wales, with 6% while the lowest is South Australia, with only 0.2%.

In 2017, the Federal Government embarked on a decentralisation program. South Australia, as yet, does not have a formal policy on decentralisation. In its July 2019 submission to the *PIRSA Regional Development Strategy Discussion Paper*, the Local Government Association of South Australia (SAROC), highlighted the importance of decentralisation as a key policy tool to assist with the growth and development of regional South Australia through enhanced service delivery and population growth, as essential ingredients of regional economic development.

2.2 'Regional Economic Development' Defined

'Regional economic development' refers to the continuous process of growing a local or regional economy's level of income and capital (wealth) and distributing that wealth (through local expenditure and jobs) to the community. It is defined by the mutually-reinforcing and complementary relationship between improvements in economic activity, employment, community wellbeing, cultural diversity, a sense of 'place' and the environment. Ultimately, economic development is about improving quality of life or, to capture the concept in a single word, it is about 'prosperity'.

The Local Government Association of South Australia's policy statement on economic development is, "*Local government acknowledges the significant role that regional economies play in the economic stability of South Australia. In recognition of the specific needs of the regions, councils shall continue to work with federal and state government, Regional Development Australia Boards and key regional stakeholders to support regional economies*".

Policy efforts to promote improved local service delivery in South Australia's regions, coupled with strategies to invest in infrastructure, amenity (liveability) and human capital (people and jobs) will serve to make the regions more resilient. An increase in population will support further investment in local service delivery and attract more government funding and investment. A growing regional population will also serve to retain existing businesses and attract new investment as confidence in the regions grows. New investment will generate more opportunities for employment, creating a multiplier effect of more people, more investment and more jobs in the regions, along with wages growth and an increase in consumer spending.

Increased investment and expenditure will lead to further economic development. That means more rates for local Councils and taxation revenue the State and Federal governments, which in turn leads to a virtuous cycle of more investment and expenditure in the regions. Simply put, this is the government's (and the community's) return on investment in a strategic, informed and targeted approach to regionalisation in South Australia.

2.3 The Benefits of Regionalisation

According to the Parliamentary Standing Committee's *Regions at the Ready* report, the purpose of decentralisation (regionalisation) is two-fold: (1) to facilitate better government through the improved provision of services and development of policy; and (2) to create social and economic opportunities for communities.

The Local Government Association of South Australia (SAROC) promotes one way to deliver services to regional areas and enhance the economic development prospects of regions is through a 'hub and spoke' model, where more government decision-making is decentralised, meaning the need for more government jobs to be located in South Australia's regional areas. It argues that decentralisation of public service is a cornerstone of local decision-making. If the public service has senior officers from and/or residing in communities outside of Adelaide, it will start to arrest the 'brain-drain' and rebuild the pool of the next generation community leaders.

The House of Representatives Standing Committee's Issues Paper sets out some of the benefits of decentralising government agencies. It notes that in addition to addressing population imbalance and providing employment opportunities in the regions, decentralisation of government sector jobs may bring government services closer to the people they serve, better align government agencies to specialist regional areas and resources, tap into specialist skills and experience of people living in regional areas and reduce operating costs for government.

The Committee states in its findings that public sector jobs should be more widely distributed throughout Australia, particularly in rural and regional areas and that Australians should not be prevented from joining the public service or having access to government career opportunities because of where they live. A collateral advantage of decentralisation is reducing the congestion and population pressure on capital cities.

2.4 The Impacts of the COVID-19 Pandemic on Migration to the Regions

Over the past two years, since the COVID-19 pandemic hit Australian shores, the national economy has been significantly disrupted by social distancing measures and business restrictions, which have curtailed economic activity and impacted employment. According to an article by the Australian Bureau of Statistics (<https://www.abs.gov.au/articles/one-year-covid-19-aussie-jobs-business-and-economy>), in the June 2020 quarter, Australia's Gross Domestic Product (GDP) dropped by a record 7 per cent, the second quarter in a row of falls. The following month, the unemployment rate peaked at 7.5 per cent, which was the highest in over 20 years.

As well as causing major disruptions to global business supply chains, the pandemic has had a once-in-a-generation impact on how people live, work and play. Amongst the disruption, however, has been the emergence of new opportunities for growth at a regional level. This is evident in Australia's internal migration movements over the past two years, as many people and businesses have looked to the regions to escape the COVID-induced gloom that has been most pronounced in the capital cities, where large concentrations of people live.

According to the Federal Government's Centre for Population (2020), the social, economic and technological impacts of COVID-19 have raised the possibility of a longer-term shift in migration patterns between capital cities and regional areas across Australia. In its report on migration between the cities and the regions, the Centre's central projection scenario sees a net shift in migration away from capital cities in favour of regional areas in 2020-21, before gradually returning towards the long-run average.

Data collected and analysed by the Centre for Population suggests that there has been a net shift in migration towards regional areas. The impact of the lockdown in Melbourne and Victoria is also evident in these data, with Melbourne experiencing its largest net migration loss on record. The study reveals that Melbourne had a net outflow of 17,200 residents from the city in the 12 months to September 2020. This compares to a loss of just 700 residents in the year to September 2019. This outflow marks the largest net migration loss for Melbourne on record, with the majority of the outflow, 15,400 of the 17,200, occurring in the six months to September 2020.

The Centre for Population highlighted the fact that the flexibility to work remotely, brought on by the response of governments and businesses to deal with periodic lockdowns and social distancing requirements, could be a major disrupter to internal migration, giving people the opportunity to live in more affordable, or lifestyle driven locations. One study showed that prior to COVID-19, 21.5 per cent of people reported working from home at least one day per week. During September 2020, 40.0 per cent of people reported working from home at least once in the last week.¹

2.5 Capitalising on the Trend for Migration to the Regions

In September 2021, the Regional Australia Institute (RAI) noted that *"over the past 12 months, more people in Australia have turned their hearts and minds to the opportunities available in our regions than at any other time since Federation"*. It went on to say that *"net migration is at record levels, as are job opportunities beyond the city limits, and our research informs us that one in every five city dwellers want to make the move. The challenge now is to capitalise on this newfound appreciation, not squander it"*.

In its Regional Movers Index, the Regional Australia Institute presents analysis of movements between Australia's regions and capital cities. The September 2021 Regional Movers Index shows that, despite lockdowns and travel restrictions in Australia's major capitals, overall population flows from capital cities to regional areas continued to increase in the September 2021 quarter. It indicates that the number of capital city people moving to the regions edged higher by 2 per cent in the September 2021 quarter and 3 per cent higher than a year earlier.

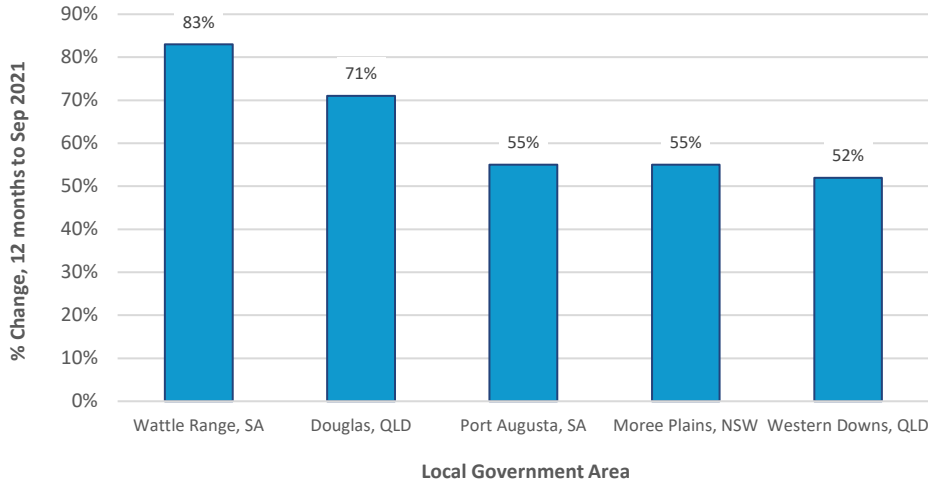
People moving from capital cities to regional areas accounted for 6.2 per cent of all movers. Population flows in the reverse direction accounted for a slightly larger share of overall movements, up by 0.3 percentage points over the same period. The September 2021 Regional Movers Index reveals that:

- COVID-era migration patterns continue to show a preference for regional areas: capital-city dwellers are moving to the regions in greater numbers, while regional people are electing to stay in place in greater numbers.
- Over the past year, those moving from the capitals to the regions have consistently accounted for a 6.2 per cent share of total movements. Those moving in the other direction have generally accounted for a smaller share, around 4 per cent. Over the past six months however, this share has shrunk from 4.2 per cent to 3.9 per cent, reflecting fewer people moving from the regions to the capitals. This has been key to driving net migration higher over the latest quarter, the index rising by 14 per cent. Net migration is not far off the peak reached 12 months earlier, down by just 8 per cent.

¹ Australian Bureau of Statistics (September 2020), Household Impacts of COVID-19 Survey

Interestingly, over the 12 months to September 2021, the Local Government Area (LGA) of Port Augusta was amongst the top five LGAs in Australia for growth in capital city to regional migration. The South Australian LGA of Wattle Range, which neighbours Mt Gambier, saw the strongest growth in migration from capitals among all LGAs during the 12 months to September 2021. Douglas in Queensland experienced the second largest increase followed by Port Augusta, Moree Plains in New South Wales and Western Downs in Queensland.

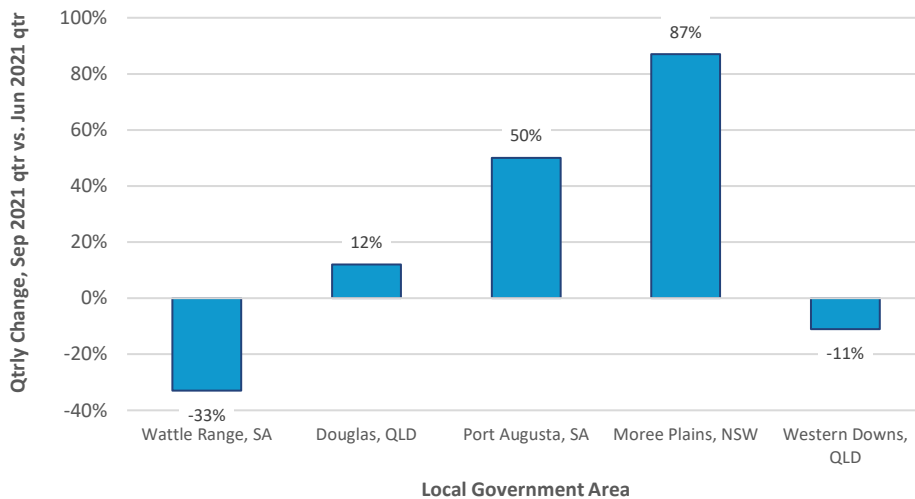
Figure 1. Top 5 LGAs by Annual Growth in Internal Migration, September 2020 to September 2021



Source: Regional Australia Institute with interpretations by SC Lennon & Associates

Over the September 2021 quarter however, the number capital city people moving into Wattle Range and Western Downs declined (by 33 per cent and 11 per cent, respectively). The Douglas, Port Augusta and Moree Plains LGAs each experienced growth (up by 12 per cent, 50 per cent and 87 per cent, respectively).

Figure 2. Quarterly Change in Migration for Top 5 LGAs, September 2021



Source: Regional Australia Institute with interpretations by SC Lennon & Associates

These migration patterns, while short-term in nature, present a strong rationale for areas such as the Far North Region of South Australia, to place greater emphasis on attracting government departments, businesses and people to the region as part of a broader economic development strategy.

2.6 A Regionalisation Target for South Australia

According to the House of Representatives Standing Committee on Regional Development and Decentralisation, ‘decentralisation’ can be broadly interpreted. For some people, it refers to establishing or relocating public (and private) sector jobs and functions from metropolitan capital cities to regional or rural areas. As a strategy to support regional and rural towns, decentralisation seeks to create sustainable employment opportunities as part of a broader strategy to improve growth and prosperity in these areas.

For others, decentralisation may also include the establishment or presence of regional offices or out-posted offices in areas where services are needed and have traditionally existed; for example Centrelink, Medicare and Australia Post offices have distributed workforces across the country. In these cases, a head office may be located in a capital city with a network of rural or regional offices elsewhere.

In support of the case for decentralisation / regionalisation, SAROC argues for 30% of the State Government public service to be based outside Greater Adelaide and for this to be linked with the ‘Royalties for Regions’ program to support new, strategic and catalytic regional infrastructure. It states that enabling regional leaders to contribute meaningfully to inform the distribution of the collected funds in terms of prioritisation of spend would go some way to building, retaining and attracting those local leaders.

Equally, if not more important, is the contribution the private sector can make to regional economic development through regionalisation. The House of Representatives Standing Committee highlighted the fact that a key to regional development is to facilitate corporate investment in regional areas, on the understanding that growing regional economies will unlock their potential, from which the whole nation will benefit.

Neither the House of Representatives Standing Committee or SAROC put forward a recommended target for relocating private sector businesses and investment from the cities to the regions. To do so for the purposes of this report would be fraught with the potential for significant inaccuracies given the complexities of industry dynamics and supply chains at a State and national level. It is recommended that more in-depth research would be required to accurately estimate and quantify the potential uplift in private sector investment that could be attracted to the regions from the cities, and more specifically, to the Far North Region. More important for public policy purposes, is to concentrate on the ‘enabling’ role governments at all levels play in encouraging more business investment, employment and development in the regions.

2.7 Enabling Corporate Regionalisation

As well as considering the role of government decentralisation in promoting regional economic development, the House of Representatives Standing Committee explored the concept of corporate decentralisation. The report refers to corporate decentralisation as: businesses re-locating to the regions or to regional cities rather than the major population centres of the state capitals; or businesses maintaining their head-office in a state capital but decentralising some or all of their operations around the country. In each case, ‘corporate decentralisation’ is about corporations making investments in regional Australia that are of benefit to those regions, not only in terms of direct employment, but also in terms of indirect employment and development as a result of those investments.

While there will be a need for some government investment in terms of fundamental infrastructure, it is considered that the best way of developing the regions is through the private sector rather than by relying on government agencies and/or public sector decentralisation. And the best thing governments can do to facilitate corporate decentralisation is to create the right conditions and policy framework for private entities to invest in regional Australia.

So, while business and industry ‘drives’ regional economic development, government agencies, regional development organisations such as Regional Development Australia Boards and local government authorities can provide, support and influence the ‘enablers’ of regional economic development, that is, the services, infrastructure and support mechanisms required to facilitate access to economic opportunity.

3. Economic Impact of Regionalisation in the Far North

3.1 Economic Modelling Assumptions and Rationale

For the purpose of economic analysis, the potential impacts of government regionalisation policy on the Far North Region of South Australia is driven by a consideration of the potential for an increase in public sector jobs that would accompany any relocation (either in whole or in part) or establishment of government services in the Far North Region.

Assumptions are made regarding the quantum of government decentralisation to regional South Australia and the Far North Region specifically, using a target set by the Local Government Association of South Australia, that 30% of the State Government public service be based outside Greater Adelaide. This is used as a starting point for the analysis, with assumptions also made about the level of Federal Government decentralisation that could be captured by regional South Australia and the Far North Region specifically.

As noted in the House of Representatives Standing Committee's Issues Paper on Regional Development and Decentralisation, when considering the potential impacts of government regionalisation, it is important to understand that employment opportunities are not necessarily restricted to those within a relocated government department or agency. Rather, employment opportunities may arise from any increased spending in the regional economy by public sector employees and their families, and from any associated private / corporate investment that follows a public sector move to a non-metropolitan area. These 'economic flow-ons', including increases in private sector activity through growth from within or relocation from elsewhere (external investment) are captured in the economic analysis presented below.

With respect to corporate regionalisation, it is difficult to make assumptions about what level of additional investment might be captured by regional South Australia and the Far North Region in particular. It is considered that public sector regionalisation plays an important role in this regard by providing a signal to the private sector, or certain industries at least, that investment in the regions is a viable proposition.

The estimated 'uplift' in public administration jobs generated by government investment in regional South Australia, would flow through to other sectors in the economy in the form of production-induced and consumption-induced multipliers. The associated quantum of corporate investment (regionalisation) is implicitly captured in the resulting increase in output, value-added and employment in these other industries.

The economic analysis begins with a consideration of the distribution of government administration and other public sector jobs between metropolitan (Greater Adelaide) and regional (remainder of) South Australia using ABS Census data. This shows that of the approximately 52,000 Local Government, State and Federal Government and other public sector jobs (including Defence jobs) in South Australia, 86% are in metropolitan Adelaide and 14% are in regional South Australia.

ABS Census data shows that public administration jobs include those in local government, State Government and Central (Federal) Government, as well as Defence jobs, jobs in Justice, Public Order, Safety and Regulatory Services and Government Representation. Taking a conservative approach to the economic impact analysis, a 'regionalisation' scenario is put forward herein, one which considers a potential uplift in both State Government and Federal Government jobs in regional South Australia. It is assumed that, through the multiplier effects of this initial uplift in government jobs, other public sector jobs, such as regulatory services for example, would follow in line with anticipated population growth.

As stated earlier, the estimated ‘uplift’ in public administration jobs generated by government investment in regional South Australia, would also flow through to other sectors in the economy in the form of production-induced and consumption-induced multipliers. The associated quantum of corporate investment (regionalisation) is therefore, implicitly captured in the resulting increase in output, value-added and employment in these other industries.

3.2 Assumed Initial Employment Impacts of Regionalisation

There are approximately 1,200 Local Government, State and Federal Government and other public sector workers (including Defence workers) working in the Far North Region, which is approximately 2% of South Australia’s total and 17% of regional South Australia’s total.

The data shows that of the approximately 15,000 State Government jobs in South Australia, 91% are located in metropolitan Adelaide and just 9% are in regional South Australia (while 1% are located in the Far North Region).

Of the approximately 7,900 Federal Government jobs in South Australia, 93% are located in metropolitan Adelaide and just 7% are in regional South Australia (while 2% are located in the Far North Region).

Table 1. Current Distribution of Local, State and Federal Government Jobs, South Australia

Sub-sector	Far North Region		Regional South Australia		Metropolitan Adelaide		South Australia	
	Number	% of Regional SA jobs	Number	% of SA-wide jobs	Number	% of SA-wide jobs	Number	% of SA-wide jobs
Local Government Administration	267	10%	2,704	31%	6,150	69%	8,854	100%
State Government Administration	180	13%	1,399	9%	13,531	91%	14,930	100%
Federal Government Administration	148	27%	545	7%	7,377	93%	7,922	100%
Other Public Sector Jobs	604	24%	2,569	13%	17,535	87%	20,104	100%
Total	1,199	17%	7,217	14%	44,593	86%	51,810	100%

Source: REMPLAN and ABS Census of Population and Housing with interpretations by SC Lennon & Associates

As stated earlier, SAROC’s proposal is for 30% of State Government public service jobs to be based outside Greater Adelaide. This proposed shift therefore represents an uplift of 21% of State Government jobs over and above current numbers that would be located in regional South Australia. This target uplift in regional South Australia’s share of State Government jobs has been assumed in this regionalisation scenario. This means regional South Australia’s share of State Government jobs would increase from 1,399 jobs to 4,479 jobs, a direct increase of over 3,000 jobs.

It is assumed that the Far North Region’s current share of regional South Australia’s State Government jobs would increase slightly, from 13% to 15% of the total. This means there would be an initial uplift of 492 State Government jobs in the Far North Region over and above the existing 180 jobs.

To complement this ambitious State Government jobs growth target for regional South Australia, it is also assumed that regional South Australia’s share of Federal Government jobs in South Australia would increase from 9% to 12% of the total, or from 545 jobs to 951 jobs. It is assumed that the Far North Region’s current share of regional South Australia’s Federal Government jobs would increase slightly, from 27% to 30% of the total. This means there would be an initial uplift of 137 Federal Government jobs in the Far North Region over and above the existing 148 jobs.

Table 2. Assumed Re-distribution of Local, State and Federal Government Jobs, South Australia

Sub-sector	Far North Region		Regional South Australia		Metropolitan Adelaide		South Australia	
	Number	% of Regional SA jobs	Number	% of SA-wide jobs	Number	% of SA-wide jobs	Number	% of SA-wide jobs
Local Government Administration	267	10%	2,704	31%	6,150	69%	8,854	100%
State Government Administration	672	15%	4,479	30%	10,451	70%	14,930	100%
Federal Government Administration	285	30%	951	12%	6,971	88%	7,922	100%
Other Public Sector Jobs	604	24%	2,569	13%	17,535	87%	20,104	100%
Total	1,828	17%	10,703	21%	41,107	79%	51,810	100%

Source: REMPLAN and ABS Census of Population and Housing with interpretations by SC Lennon & Associates

The combined uplift in State and Federal Government jobs as a result of regionalisation under this scenario, would result in a **direct increase of 629 public sector jobs in the Far North Region** (that is, an additional 492 State Government jobs and 137 Federal Government jobs). There will be multiplier impacts associated with this uplift, in the form of economic output, industry value-added and additional employment.

3.3 Regional Economic Impacts (Multipliers)

The initial uplift in public sector employment generated by enhanced government regionalisation in South Australia, will, using the assumptions stated above, result in a further economic stimulus to the Far North Region in the form of output, industry value-added and employment impacts, which will flow through all sectors of the local economy. To estimate these impacts, the assumed initial public sector jobs stimulus has been modelled using the REMPLAN model of the Far North Region economy, with the results shown below.

Employment Impacts

From the direct stimulus of 629 public sector jobs, flow-on supply-chain effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in the gain of a further 58 jobs in the Far North Region. This represents a Type 1 Employment multiplier of 1.092.

The associated increase in direct and indirect output and the corresponding creation of jobs in the Far North Region economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local (Far North) economy. The consumption effects under this scenario are estimated to further boost employment by 180 jobs.

Total employment, including all direct, supply-chain and consumption effects is estimated to increase by up to 867 jobs. This represents a Type 2 Employment multiplier of 1.378.

Output Impacts

Public sector investment which results in the direct addition of 629 jobs in the Far North Region economy will bring with it an associated uplift in economic output of \$123.26 million. From this direct increase in output of \$123.26 million, it is estimated that the demand for intermediate goods and services would rise by \$15.22 million. This represents a Type 1 Output multiplier of 1.124. These supply-chain effects include multiple rounds of flow-on

effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy.

The increases in direct and indirect output and jobs in the Far North Region economy will be accompanied by a corresponding increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated at \$43.31 million.

Total output, including all direct, supply-chain and consumption effects is estimated to increase by up to \$181.79 million. This represents a Type 2 Output multiplier of 1.475.

Value-Added Impacts

From a direct increase in output of \$123.26 million, the corresponding increase in direct value-added in the Far North Region economy is estimated at \$77.91 million. From this direct expansion in the economy, flow-on supply-chain effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in a further increase to value-added of \$7.38 million. This represents a Type 1 Value-added multiplier of 1.095. The consumption effects under this scenario are expected to further boost value-added by \$26.60 million.

Total value-added, including all direct, supply-chain and consumption effects is estimated to increase by up to \$111.88 million. This represents a Type 2 Value-added multiplier of 1.436.

A summary of the regional economic impacts is presented in Table 3.

Table 3. Estimated Economic Impacts of Regionalisation, Far North Region

	Direct Effects	Supply Chain (Production-induced) Effects	Consumption- induced Effects	Total Impact
Output	\$123.26 million	\$15.22 million	\$43.31 million	\$181.79 million
Value-Added	\$77.91 million	\$7.38 million	\$26.60 million	\$111.88 million
Employment	629 jobs	58 jobs	180 jobs	867 jobs

Source: REMPLAN with interpretations by SC Lennon & Associates

4. Conclusion and Recommendations

Policies aimed at regional economic development and ‘regionalisation’ are justified by the important contribution Australia’s regions make to national prosperity. Presently, only a small percentage of State and Federal Government employees are located outside the metropolitan areas of each state and territory. In South Australia, representation of public sector employment is particularly low even by current national standards.

While the Federal Government embarked on a decentralisation program in 2017, as yet, South Australia does not have a formal policy on decentralisation. In its July 2019 submission to the PIRSA Regional Development Strategy Discussion Paper, the Local Government Association of South Australia (SAROC), highlighted the importance of decentralisation as a key policy tool to assist with the growth and development of regional South Australia through enhanced service delivery and population growth, as essential ingredients of regional economic development.

Policies aimed at decentralisation (regionalisation) are important components of broader regional development policies because they can help to facilitate better government through the improved provision of services and development of policy, and they can directly contribute to social and economic opportunities for communities in South Australia’s regional areas.

In addition to addressing population imbalance and providing employment opportunities in the regions, decentralisation of government sector jobs may bring government services closer to the people they serve, better align government agencies to specialist regional areas and resources, tap into the specialist skills and experience of people living in regional areas and reduce operating costs for government. A collateral advantage of decentralisation is reducing the congestion and population pressure on capital cities.

The disruptions caused by the recent COVID-19 pandemic shows that, with these disruptions comes opportunity for regional Australia. According to the Federal Government’s Centre for Population (2020), the social, economic and technological impacts of COVID-19 have raised the possibility of a longer-term shift in migration patterns between capital cities and regional areas across Australia. Data collected and analysed by the Centre suggests that there has been a net shift in migration towards regional areas. This is supported by the Regional Australia Institute, its research showing that, despite lockdowns and travel restrictions in Australia’s major capitals, overall population flows from capital cities to regional areas continues to increase.

These migration patterns, while short-term in nature, present a strong rationale for areas such as the Far North Region of South Australia, to place greater emphasis on attracting government departments, businesses and people to the region as part of a broader economic development strategy.

The analysis presented in this report is informed by an overview of current thinking / arguments for regionalisation in Australia, some assumptions about what quantum of government departments might potentially re-locate to the Far North Region from Adelaide and elsewhere and economic modelling of the potential impacts. The report recognises that, complementing government investments in regionalisation, corporate regionalisation (or decentralisation) also offers opportunities for investment in regional Australia that benefits those regions, not only in terms of direct employment, but also in terms of indirect employment and development as a result of those investments.

Governments have an important role to play in this regard, by providing the enabling environment - the services, infrastructure and support mechanisms required to facilitate access to economic opportunity - which will make their regions conducive to private sector investment. The complexities of industry dynamics and supply chains at a State and national level means that to estimate what potential uplift in private sector investment could be generated by more focussed regionalisation policies is challenging and more in-depth research would be required

to accurately estimate and quantify the potential uplift in private sector investment that could be attracted to the regions from the cities, and more specifically, to the Far North Region.

When considering the potential impacts of government decentralisation / regionalisation on the Far North Region, it is important to understand that employment opportunities are not necessarily restricted to those within a relocated government department or agency. Rather, employment opportunities may arise from any increased spending in the regional economy by public sector employees and their families, and from any associated private investment that follows a public sector move to a non-metropolitan area.

The economic analysis presented in this report demonstrates that the benefits of government-led regionalisation in South Australia will be substantial and if the Far North Region can capture its share, this will result in significant direct and indirect benefits in the form of public sector employment and economic activity, with flow-ons throughout all sectors of the Far North regional economy.

The combined uplift in State and Federal Government jobs as a result of regionalisation under the scenario put forward in this report, would see a direct increase of 629 public sector jobs in the Far North Region. There will be multiplier impacts associated with this uplift, resulting in a total increase in industry value-added of approximately \$112 million and another 867 jobs across all sectors in the Far North regional economy. These economic impacts are substantial.

To help the Far North Region progress its case for more government investment in the region and realise these estimated economic benefits through pro-active and tailored regionalisation policies and strategies, it is recommended that RDA Far North:

- Engage with its regional development partners - the Outback Communities Authority, Local Councils and others - to share the contents and findings of this report as a means of establishing a shared policy position on regionalisation in the Far North Region.
- Use the contents and findings of this report as the basis for the region's advocacy efforts with State and Federal Government agencies, to present the case for regionalisation in the Far North Region.
- Work with its regional development partners to embed a shared regionalisation policy in all future economic development and investment attraction policy and strategy material.

Progressing these next steps will place the Far North Region on an informed, strategic and co-ordinated pathway to pro-actively support the case for greater government and private sector investment in the Far North Region.

Bibliography

Australian Bureau of Statistics (September 2020), *Household Impacts of COVID-19 Survey*

Australian Bureau of Statistics (2016), *Census of Population and Housing, Working Population Profile (2006.0)*

Commonwealth of Australia, Centre for Population (2020), *Migration Between Cities and Regions – A quick guide to COVID-19 impacts*

Commonwealth of Australia (June 2018), *Regions at the Ready: Investing in Australia's Future – House of Representatives Standing Committee on Regional Development and Decentralisation*

Commonwealth of Australia (2018), *House of Representatives Standing Committee on Regional Development and Decentralisation – Issues Paper*

Local Government Association of South Australia (July 2019), *PIRSA Regional Development Strategy - Discussion Paper, LGA Submission*

Government of South Australia, PIRSA (2021), *Regional Development Strategy*

Regional Australia Institute (28 October 2021), *Regional Movers Index*

Regional Australia Institute (2015), *The Economic Contribution of Regions to Australia's Prosperity*

Regional Australia Institute (September 2017), *Submission to the Select Committee on Regional Development and Decentralisation*

Lennon, S. (2014), *Addressing the Determinants of Sustainable Economic Development*, in Economic Development, The Quarterly Journal of Economic Development Australia, Volume 7, Issue 1

<https://login.remplan.com.au/community/?proj=f98e07dfbdf14275b6c49c412a414dab>, viewed 13 December 2021

<https://www.abs.gov.au/articles/one-year-covid-19-aussie-jobs-business-and-economy>, viewed 3 February 2022

<https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release>, viewed 13 December 2021

<https://www.canberratimes.com.au/story/7449409/regionalisation-the-time-to-act-is-now/>, viewed 3 February 2022



SC Lennon & Associates

economics • planning • policy • strategy

Offices in Brisbane and Melbourne

p: (07) 3312 2375

m: 0410 550 272

e: sasha@sashalennon.com.au

w: www.sashalennon.com.au