



**Centre of Full Employment and Equity**

**Prosperity and Distress in Australia's Cities and Regions**

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## 1. Introduction

As Australia moves through its second decade of the 21<sup>st</sup> century, there is an eerie sameness about the uneven distributional outcomes of the country's economic and social advances. This sameness relates to the fact that across all levels of analysis, there is a continued realisation that the rising tide of economic and social progress does not lift all boats and that there are certain segments of society that continue to be left behind in social and economic terms. Researchers talk in terms of a society divided with divisions driven by endogenous and exogenous economic, social and policy changes that result in broadly defined winners and losers. The divisions can be seen at the scale of individuals, but also at broader spatial or geographical scales.

The geographies of inequality are clear to see in the mosaic of outcomes that are laid out in any large or medium sized city or urban area. While some locations or communities and the people residing in them remain prosperous and resilient in the face of negative shocks, others are pushed further into disadvantage and distress. Referring to these patterns O'Connor, Stimson and Daly (2001, p. 1) argue that "a nation's economic geography is volatile, and the impacts of that volatility can be both profound and uneven as it differentially affects both people and places." Presenting an Australian wide evidence base pertaining to this spatial volatility is the main focus of this paper. Using a methodology proposed by the Economic Innovation Group (EIG, 2017) in the United States, spatially aggregated data is used to develop an Index of Prosperity and Distress in Australian localities (PDI). The main methodology for the PDI is presented in this paper and can also be reviewed on our web site.

## 2. Background to understanding the geography of prosperity and distress

Understanding the associations between geography or space and well-being, social exclusion, inequality or poverty has been a part of the social science research landscape for many decades. Within Australia, existing research has noted the uneven distribution of social and economic outcomes across major cities, towns and urban areas. While some work has focused on individual cities including Sydney (Stilwell, 1989), Adelaide (Baum and Hassan, 1993) and Sydney and Melbourne (Randolph and Holloway, 2005), there has also been attempts to present a whole-of-Australia approach (Baum, O'Connor and Stimson, 2005; Gregory and Hunter, 1995). The picture this work presents is that of a patchwork or mosaic of advantage and disadvantage across Australia's economic and social geography, and, similar to research emanating from overseas, illustrates the decimation of our economic and social landscape (Springer, 2017) and the fact that outside of the most advantaged communities wellbeing is tenuous and economic stability is eroding (EIG, 2017).

While much of the contemporary literature deals with the fallout from recent periods of economic and political change, the patterns identified do not exist in complete isolation from divisions that have appeared in earlier periods. Rather, contemporary patterns have developed from these earlier outcomes. Contemporary patterns therefore reflect the socio-spatial histories of cities, towns and regions. What are different about the contemporary socio-economic patterns are the factors and conditions leading to particular outcomes and the often long drawn out nature of their existence.

What we are now seeing, and have been seeing over the past two or three decades, is a complex set of interlinked factors impacting on the social and economic processes underway across space. Academics have talked about the 'geography and the worried country' and considered the uneven spatial outcomes that have come to be reflected in the daily lives of people and across space in competing places (O'Connor *et al.*, 2001), while former Federal Labor

Treasurer Swan (2005) talked about the splintering of the nation along spatial lines. Individual level advantage and disadvantage gets reflected in local communities, neighbourhoods and towns through the uneven spatial impact on local labour markets, and through the operation of housing markets. In short, changes in social and economic life that have included shifts in economic process and fortunes, changes to the demographic structure and shifts in the welfare state, are linked to the circumstances in local communities, neighbourhoods and towns because of where particular people live and their roles in society and the economy. For example, some groups are able to exercise a broader choice, across a wide range and diversity of living environments within Australia's cities because their economic advantage provides them with the wealth and/or capacity to borrow, enabling them to choose to live in high-cost housing market areas. Others do not possess these economic means and have to make residential choices that are constrained within low-cost housing market locations (Baker, Bentley, Lester and Beer, 2016).

But it is not only this differentiation between individuals and households, in the relative constraints within which their housing choices are exercised, that is a significant issue in the social and spatial differentiation that is readily discernible across our cities and regions. Rather, it is in addition to the differences in the potential of people to engage in the labour market, influenced by (among other things) the supply of jobs and the ability of people to tap into new opportunities, that become crucial in that social and spatial differentiation. The patterns of variation in prosperity and distress across communities and neighbourhoods will therefore reflect a complex set of both individual and societal-scale issues, and in addition will reflect the stages of communities in the transformation from the past to the contemporary economic era.

Much of the interest around the uneven geography of economic and social outcomes relates to concerns around the negative impacts that living in disadvantaged or distressed neighbourhoods or localities can cause. This concern relates to the argument that living in a distressed community is likely to impact on life chances in a way that multiplies other forms of disadvantage (Atkinson and Kintrea, 2001). Swan (2005, p. 172) alluded to these compounding neighbourhood or area effects when he argued:

Income, employment and economic growth vary by postcodes. As the wealthy take over real estate close to the good jobs, the best schools and hospitals they lift the cost of entry to those areas. On the other hand, as the splintering middle and poorer people move further away they are paying more to get to work, school and see the doctor. If they lose their job, distance compounds their disadvantage.

A gradually expanding body of research shows that to varying degrees living in a disadvantaged community impacts on life chances through weaker social networks, poor role models and lack of opportunity and resilience, relative to living in more prosperous communities. In a collection of research papers, we have shown that where you live impacts significantly on your employment prospects (Baum, Bill and Mitchell, 2008) and self-perceived levels of health (Baum, Kendall and Parekh, 2016) and satisfaction and wellbeing (Baum, Arthurson and Rickson, 2010). Others have shown that in the Australian context, neighbourhood socio-economic status is important in childhood development (Edwards, 2005), educational attainment (Cardak and McDonald, 2004), youth labour market participation (Andrews, Green and Mangan, 2002) and health and morbidity outcomes (Turrell, Kavanagh, Draper and Subramanian, 2007).

The general message from this collection of research is that living in a distressed community or neighbourhood is likely to come with a higher probability of witnessing disadvantages that

either compound existing problems and adds a new layer of disadvantage for an individual or family. It is concerns such as these that drives the discussion contained in this report.

### 3. Developing the index

The PDI is an indicator that rates areas across Australia in terms of their relative economic prosperity and distress based on a range of economic performance factors. For the analysis that we present in this paper, we utilise Australian Bureau of Statistics (ABS) Statistical Areas Level 2 (SA2s) as our spatial unit of analysis. SA2s are a level of aggregation used by the ABS for census data output. Their purpose is to represent a community that interacts together socially and economically. In large cities, they can be thought of as largely representing one or a few small suburbs, while in rural areas they represent a town or a town's surrounds, or both combined (ABS, 2016).

Of the 2289 SA2s that cover the eight states and territories of Australia defined for the 2016 Census, the PDI was calculated for 2151 SA2s. 137 SA2s were excluded from the analysis for having very small or no population, or for having less than 10 businesses. The resulting rankings cover 99.8 per cent of the total Australian population.

The simple methodological approach used to build the PDI follows a similar approach used by the Economic Innovation Group (EIG) in developing a similar index based on zip codes throughout the USA.

Seven indicators are used as follows:

1. **No post school qualification** – proportion of the population 25 years and older without a post school qualification
2. **Change in housing vacancy rate** – change in the percentage of unoccupied dwellings from 2011 to 2016
3. **Adults not working** – proportion of the prime-age population (ages 25-64) not currently in work
4. **Poverty rate** – proportion of the population whose equivalised household income was below \$500/week (approximate poverty measure – 50% of median range)
5. **Median income ratio** – the median income of a community expressed as a percentage of the median income of its state/territory
6. **Change in employment** – proportional change in the number of jobs from 2011 to 2016
7. **Change in business establishments** – proportional change in the number of business establishments from 2012 to 2016

The SA2s are ranked on each of the seven metrics. We then rank SA2s by the average of their seven metric ranks. These ranks are standardised such that the PDI score is equivalent to a percentile. Hence, the lowest ranked SA2, the most prosperous community, has a score approaching zero (in fact 0.05) and the highest ranked SA2, the most distressed community has a score of 100. The SA2 with an Index score of 50 (50.02) is the middle ranked community in the country.

All SA2s are then assigned to a grouping depending on the quintile they are in as per Table 1. It should be noted that the underlying modelling used to compute the PDI takes into account individual characteristics at an aggregate level. Hence, any one person who resides in what may be a highly distressed community may not themselves be in economic distress. Similarly, a person who may reside in a relatively prosperous community may in fact be in high economic

distress. But in aggregate, the communities with higher Index scores overall we expect to lack vitality and be alienated from the benefits of the overall economy, while prosperous communities thrive and take advantage of the overall economy.

Table 1 Distress score groupings

<b>PDI category</b>	<b>PDI score range</b>	<b>Communities</b>
<b>Prosperous</b>	0-20	430
<b>Comfortable</b>	20-40	430
<b>Mid-range</b>	40-60	430
<b>At risk</b>	60-80	430
<b>Distressed</b>	80-100	431

Source: authors' calculations

#### 4. Prosperity and distress across Australia

The PDI is designed to distinguish between communities that endure economic distress compared to those that achieve economic prosperity. Communities are ranked depending on the economic performance of their constituents on a range of indicators, being education levels, relative income and employment opportunity; as well as a community's dwelling vacancy rate and business establishments. The indicators are combined and then all communities are ranked compared to all other communities across the country.

The PDI is accompanied by a fully searchable and scalable mapping tool and suburb profiles at: <http://fullemployment.net/pdi/maps/Aus-PDI-map-2016.html>. Table 2 provides an indication of the distribution of the PDI categories across the States and Territories of Australia.

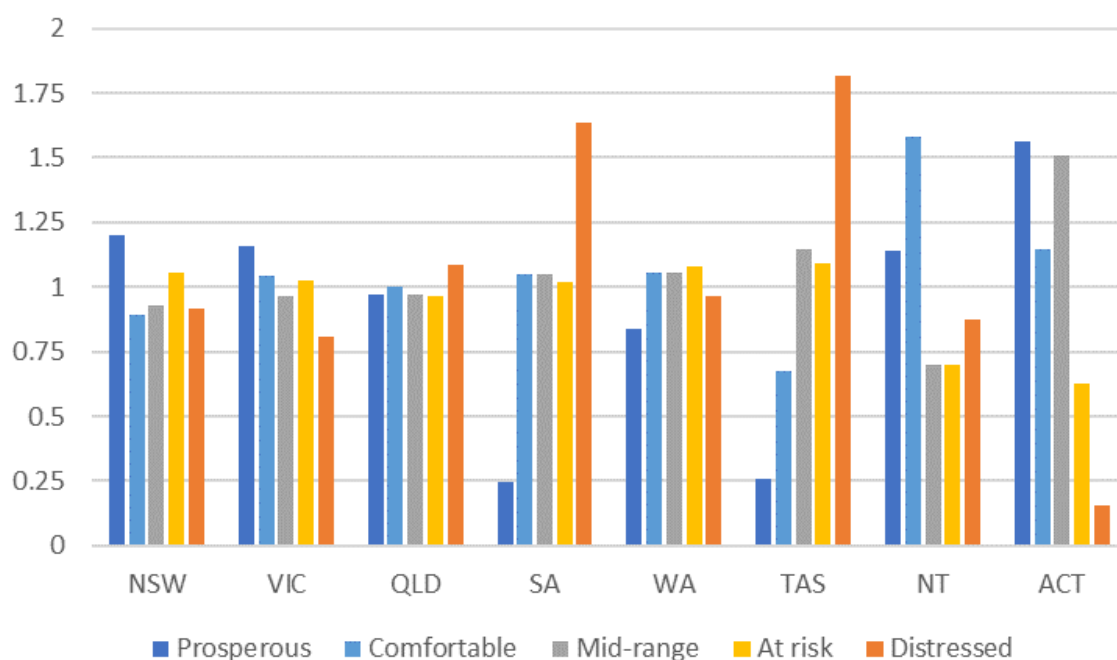
Table 2 Distribution of communities by quintile, State/Territory, per cent of total

	<b>Prosperous</b>	<b>Comfortable</b>	<b>Mid-range</b>	<b>At risk</b>	<b>Distressed</b>
<b>NSW</b>	24.0	17.9	18.6	21.1	18.4
<b>VIC</b>	23.1	20.9	19.3	20.4	16.2
<b>QLD</b>	19.4	20.0	19.4	19.3	21.8
<b>SA</b>	4.9	21.0	21.0	20.4	32.7
<b>WA</b>	16.7	21.1	21.1	21.6	19.4
<b>TAS</b>	5.2	13.5	22.9	21.9	36.5
<b>NT</b>	22.8	31.6	14.0	14.0	17.5
<b>ACT</b>	31.3	22.9	30.2	12.5	3.1
<b>AUS</b>	20.0	20.0	20.0	20.0	20.0

Source: authors' calculations

Figure 1 provides a visualisation of the concentration of the communities across the states and territories. The Regional Concentration Ratio (RCR) illustrates the relative distribution of communities and their groupings across each state/territory. The RCR is a version of a location quotient, which determines the extent to which a state/territory has an over (under) representation of localities in any of the groups. The RCR is calculated by considering the percentage distribution of communities in each of the groups in each state divided by the percentage distribution of that group's communities across all states. An RCR greater than 1 indicates that the number of communities in that grouping in a particular state is overrepresented. An RCR less than 1 indicates the opposite outcome.

Figure 1 Regional Concentration Ratio



Source: authors' calculations

The 20 per cent of communities across the country with the highest PDI score are classified as distressed. Geographically, they are present in all states and territories, however there are only three such communities in the ACT. In relative terms these communities are greatly over-represented in South Australia and Tasmania and to a lesser degree in Queensland. Tasmania in particular has nearly double the number of distressed communities compared to the national average. Just over 4 million Australians are residents of distressed communities. In contrast, prosperous communities are over-represented in New South Wales, Victoria, the Northern Territory and the ACT, representing almost 5.5 million Australians.

As we will see in the next sections the eight capital cities in Australia have proportionally more prosperous communities and less distressed communities, compared to the areas outside the capital cities. This reflects the opportunities afforded people who live in the capital cities as opposed to regional areas. Despite there being pockets of distress in the capital cities, overall there is much more prosperity as people take advantage of the wider net of opportunity. In contrast, in regional centres, the slowdown or loss of a major industry or a lack of resources permeates the community, with few people able to escape the economic distress that brings.

The picture of communities in the various groupings is very different. Table 3 presents the median value for each of the seven indicators used across each of the quintiles. It can be expected that a community in the distressed group will overall be more disadvantaged than a community in one of the other quintiles, however they may not be worse off in every economic indicator. Aside from the change in vacancies indicator, the median values move from better to worse as the quintiles move from prosperous to distressed.



Table 3 Median performance of communities in quintiles across PDI indicators, per cent

	Prosperous	Comfortable	Mid-range	At risk	Distressed	AUS
<b>Qualifications of Adults</b>	25.6	31.3	36.2	40.8	45.5	36.11
<b>Change in Vacancies</b>	0.13	0.48	0.29	0.12	0.86	0.37
<b>Adults Not Working</b>	18.2	20.9	23.3	26.8	33.2	23.3
<b>Poverty Rate</b>	11.9	16.1	20.3	26.4	32.6	20.3
<b>Median Income Ratio</b>	127.7	109.0	98.4	88.4	79.7	99.2
<b>Change in Employment</b>	8.6	3.6	2.4	1.2	-3.1	2.3
<b>Change in Businesses</b>	5.7	1.5	-0.4	-1.8	-4.5	0

Source: authors' calculations

## 5. Location of prosperous and distressed communities

The communities and suburbs that fall into the distressed grouping according to the PDI are among a somewhat familiar list of places that are among the most disadvantaged places in Australia to live, which have for decades been home to the real battlers of society (Baum *et al.*, 2008; Baum, Mitchell and Flanagan, 2013; Baum *et al.*, 2005). These communities are a mix of high-density suburbs and groups of suburbs in our capital cities; country towns and their surrounding areas that are reliant on a few specialised industries; and remote communities with scarce resources. Likewise, most of the prosperous communities have long been associated with high incomes and economic opportunity and advantage.

The top 20 prosperous and distressed communities across Australia are listed in Table 4. The most prosperous communities are all located in our capital cities. Four of the five most prosperous are northern suburbs of Canberra, while the fifth is a beach suburb of Perth. Perth has a further three communities in the top 20, Canberra has a further two. Brisbane's inner city community of Chelmer - Graceville is sixth most prosperous, with the outer south area of Sheldon - Mount Cotton and inner south area Wakerley also in the top 20. Sydney has three inner city communities in the top 20 as well as two outer suburbs and the semi-rural area of Douglas Park - Appin to the south. Darwin has just one suburb in the north of the city. Melbourne, Adelaide and Hobart do not have communities in the top 20, but Melbourne's top ranked community, Point Cook - South comes in at number 22. Adelaide's highest ranked community is West Beach (ranked 193) and Hobart's highest ranked community is Old Beach - Otago at 164.

Distressed communities are primarily located outside the capital cities, with 12 of the top 20 distressed communities located in regional areas. Large, remote SA2s include Barkly and East Arnhem in NT, Derby - West Kimberley in WA and Yorke Peninsula and The Coorong in SA. Less remote but perennially disadvantaged regions include Palm Island off the coast of north Queensland, Morwell in eastern Victoria and Whyalla in SA. Regional cities with small communities within them, which are in the top 20 most distressed across the country, include Launceston and Burnie in Tasmania and Bundaberg and Townsville in Queensland. In the capital cities, the area of Logan in Brisbane has two proximate suburbs in the top 20, while the Elizabeth area in Adelaide has three such suburbs. Melbourne, Perth and Hobart have one community each in the top 20 distressed communities.

Table 4 Top 20 prosperous and distressed communities

<b>Top 20 Prosperous SA2s</b>	<b>Region</b>	<b>Top 20 Distressed SA2s</b>	<b>Region</b>
Crace	(Canberra)	Logan Central	(Brisbane)
Forde	(Canberra)	Barkly	(Central NT)
North Coogee	(Perth)	Smithfield - Elizabeth North	(Adelaide)
Bonner	(Canberra)	Derby - West Kimberley	(Northern WA)
Casey	(Canberra)	Ravenswood	(Launceston)
Chelmer - Graceville	(Brisbane)	Kingston (Qld.)	(Brisbane)
Lyons (NT)	(Darwin)	Yorke Peninsula - South	(Yorke Peninsula SA)
Forrestdale - Harrisdale - Piara Waters	(Perth)	East Arnhem	(Northern NT)
Alkimos - Eglinton	(Perth)	Kings Park (Vic.)	(Melbourne)
Darlinghurst	(Sydney)	Greenfields	(Perth)
Iluka - Burns Beach	(Perth)	Svensson Heights - Norville	(Bundaberg, Queensland)
Kingston (ACT)	(Canberra)	Whyalla	(Whyalla, SA)
O'Malley	(Canberra)	Acton - Upper Burnie	(Burnie, Tasmania)
Parklea - Kellyville Ridge	(Sydney)	Elizabeth	(Adelaide)
Sheldon - Mount Cotton	(Brisbane)	Morwell	(South-eastern Victoria)
Helensburgh	(Sydney)	Bridgewater - Gagebrook	(Hobart)
Douglas Park - Appin	(Sydney)	Palm Island	(Northern Queensland)
Paddington - Moore Park	(Sydney)	Heatley	(Townsville, Queensland)
Petersham - Stanmore	(Sydney)	Elizabeth East	(Adelaide)
Wakerley	(Brisbane)	The Coorong	(South-eastern SA)

Source: authors' calculations

## 5.1 Capital cities

There are stark differences in the number of prosperous and distressed communities that are present in the capital cities compared to communities outside the capital cities. There is an over-representation of prosperous communities in capital cities and an over-representation of distressed communities in regional areas. Tables 5 and 6 highlight the differences between the capital cities and the regions. In summary 29.2 per cent of communities in capital cities are classified as prosperous and only 11.3 per cent as distressed, while only 7.2 per cent of communities outside the capital cities are prosperous, yet 32.2 per cent are distressed. Indeed, the grouping with the highest proportion of communities in capital cities is prosperous, and the proportion of communities decrease as they move to distress. In contrast, outside the capital cities the grouping with the highest proportion of communities is that of distressed and the proportion of communities decrease as they move to prosperous.

Sydney, Melbourne, Brisbane, Darwin and Canberra all have the highest proportion of their communities in the prosperous grouping. In Perth prosperous communities are the second most prevalent. Sydney has the highest proportion of its communities that are classified as prosperous at almost 40 per cent, while just over 10 per cent of its communities are in distress. Darwin has the lowest proportion of its communities in distress, just 2.6 per cent. Adelaide and Hobart go against the trend of the other capital cities. In Adelaide, prosperous communities are most uncommon, while in Hobart they are second most rare, while both cities have over 20 per cent of communities in distress – above the national average.

Table 5 Distribution of communities by quintile, capital cities, per cent of total

	<b>Prosperous</b>	<b>Comfortable</b>	<b>Mid-range</b>	<b>At risk</b>	<b>Distressed</b>
<b>Sydney</b>	38.4	21.9	16.5	12.5	10.8
<b>Melbourne</b>	31.1	25.8	17.5	15.9	9.6
<b>Brisbane</b>	30.3	25.4	17.1	18.9	8.3
<b>Adelaide</b>	7.8	28.2	24.3	17.5	22.3
<b>Perth</b>	21.1	27.0	17.1	17.8	17.1
<b>Hobart</b>	14.7	32.4	20.6	8.8	23.5
<b>Darwin</b>	34.2	31.6	15.8	15.8	2.6
<b>Canberra</b>	31.3	22.9	30.2	10.5	3.1
<b>Capitals</b>	29.2	25.3	18.7	15.5	11.3
<b>AUS</b>	20.0	20.0	20.0	20.0	20.0

Source: authors' calculations

Despite having proportionally less communities in distress than in regional areas, the capital city communities among the most distressed are perhaps the most familiar of the areas that have long been regarded as being disadvantaged. It is here where groups of suburbs in close proximity exacerbate the distress, as neighbouring suburbs sit together, excluded from the share of opportunity afforded the rest of the city. In Sydney these include a corridor of suburbs in the south-west of Sydney, stretching from east of Bankstown, through Auburn and Fairfield to west of Liverpool. In addition, there are pockets of distress surrounding Campbelltown as well as in the Mount Druitt area. In Melbourne the areas of distress include the north-western suburbs surrounding Broadmeadows and St Albans, some south-eastern suburbs near Werribee, as well as in the south-east to the north of Dandenong. Other suburbs to be classified as distressed include Frankston North, Cranbourne and Melton. The Logan area in Brisbane has long been associated with disadvantage and has a group of suburbs in distress, as do communities around Ipswich. There is also an area of distress in the north of the city, near Redcliffe. In Adelaide a large community in distress has remained in the north-east of the city around Salisbury and Elizabeth, stretching down to the Port Adelaide area, while it is also concentrated in the southern suburbs around Hackham and Morphett Vale. Perth's southern

suburbs around Rockingham and Mandurah form a group of distressed communities, as does an area from Bentley to Thornlie and Gosnells and onto Armadale in the east. In the north there is a pocket of distress to the west of Ballajura as well as at Swan View. Hobart has a pocket of distress in the north of the city around Glenorchy and again near Bridgewater and to the east the communities of Risdon Vale and Mornington - Warrane. Darwin has just one suburb in distress, while Canberra only has three such suburbs.

In contrast, large swathes of the capital cities are classified as prosperous. In Sydney most of the communities in the north and the east of the city are prosperous – or at worst comfortable. In Melbourne the inner-city areas are mostly prosperous, particularly to the south-east of the CBD. There is another group of prosperous suburbs in the outer south-east around Cranbourne and to the north around Doreen. Brisbane similarly has a large area of prosperity around the inner-city which stretches in two corridors to the north and south of the city. Adelaide has the smallest proportion of prosperous communities, with much of the outer east areas prosperous or comfortable, as well as the coastal suburb of West Beach. Perth's northern coastal suburbs form a large area of prosperity, stretching to just west of the CBD. Similarly, there is a prosperous area in an inland corridor to the south. Also in the north are very prosperous areas of Eglinton and Iluka as well as Carramar, Madeley and Ellenbrook. Hobart's prosperous areas include Howrah and Cambridge to the east, Old Beach to the north, Lenah Valley to the west and Margate to the south. Most of the inner city of Darwin is prosperous, with a few northern suburbs and the outer areas of Palmerston City.

## **5.2 Non-capital localities and communities**

It is an entirely different situation throughout the country in areas outside the capital cities. Distressed communities are prevalent in all states and territories at rates much higher than the national average. All states/territories have their highest proportion of non-capital city communities in the distressed category except New South Wales and Western Australia. Further, all regional areas have the lowest proportion of prosperous communities compared to the other groupings.

South Australia in particular warrants concern, with over 50 per cent of its regional communities in distress. This is compounded by the fact Adelaide was the worst performing capital city with a higher than average occurrence of distressed communities. Tasmania and Northern Territory both have well over 40 per cent of their regional communities in distress. Further, all three of these states' regional areas do not contain a single prosperous community. In addition, South Australia and Tasmania have a large proportion of at risk communities, such that in both states over 72 per cent of their communities are grouped in the highest two categories, when the national average is 40 per cent. There is little chance of progression for these communities when the story is similar in much of the state.

The design of the spatial unit being used for the PDI (SA2) has a bearing on the incidence of the prosperity/distress across regional areas. Where a country town is big enough it has one or more SA2s for the urban area and the surrounding area is a separate SA2. In smaller towns the town and surrounding area form the single SA2. Many of these towns are in distress while their surrounds are much better off. The prosperous areas in regional areas are largely confined to affluent suburbs of the larger cities and successful coastal holiday destinations.

Table 6 Distribution of communities by quintile, rest of state, per cent of total

	<b>Prosperous</b>	<b>Comfortable</b>	<b>Mid-range</b>	<b>At risk</b>	<b>Distressed</b>
<b>Rest of NSW</b>	7.4	13.2	21.0	31.1	27.2
<b>Rest of VIC</b>	6.8	10.8	23.0	29.7	29.7
<b>Rest of QLD</b>	10.7	15.7	21.4	19.6	32.7
<b>Rest of SA</b>	0.0	8.5	15.3	25.4	50.8
<b>Rest of WA</b>	8.0	9.3	29.3	29.3	24.0
<b>Rest of TAS</b>	0.0	3.2	24.2	29.0	43.5
<b>Rest of NT</b>	0.0	31.6	10.5	10.5	47.4
<b>Rest AUS</b>	7.2	12.7	21.8	26.2	32.2
<b>AUS</b>	20.0	20.0	20.0	20.0	20.0

Source: authors' calculations

In New South Wales, the towns that are large enough to have their own SA2 regularly are in distress, while their surrounding areas are more often than not better off. This is the case for most of the coastal towns, including Tweed Heads, Lismore, Nambucca Heads, Kempsey, Taree, Tuncurry, Nowra, Batemans Bay and Eden. Inland towns facing the same situation include Muswellbrook, Cessnock, Kurri Kurri, Lithgow, Orange, Cowra and Tamworth. Other towns where both the town and surrounding area are classified as distressed include Casino, Grafton, Inverell, Young and Parkes. The sparse north-west and western areas of the state are also in distress. The more prosperous areas in New South Wales outside Sydney includes a region surrounding Canberra and the Snowy Mountains, north of Orange and Dubbo's surrounds, as well as some coastal areas such as Byron Bay and Kiama. There are also isolated communities in some of the larger towns of Newcastle, Wollongong, Wagga Wagga and Albury.

It is a similar situation in Victoria where many country towns are in distress while their surrounding areas are doing better, such as Benalla, Moe, Seymour, Kerang, Ararat and Hamilton. Other towns where the surrounding area is also in distress include Lakes Entrance, Camperdown, Portland and Mildura. Prosperous areas include parts of Bendigo, Ballarat and Geelong.

In Queensland, most of the large coastal towns have areas of distress, often most of the town. These include Maryborough, Bundaberg, Gladstone, Rockhampton, Mackay, Bowen, Ayr, Ingham and Innisfail, as well as large parts of Townsville and Cairns. The region west of Maryborough and Bundaberg is largely in distress, as is the region in the north near the Gulf. Prosperous communities occur on the Gold Coast and Sunshine Coast, parts of Toowoomba as well as the Whitsundays and north of Cairns.

In South Australia, there is an arc of distress surrounding Adelaide, extending from Whyalla and Port Augusta in the north to Renmark in the east and down to Victor Harbor. Further, large towns such as Coober Pedy, Murray Bridge and Mount Gambier are also in distress. There are no prosperous communities in South Australia outside Adelaide.

The outer areas of Bunbury are one of the areas in distress in Western Australia outside Perth. Similarly, much of Geraldton and its surrounds is classified as distressed. The northern areas surrounding Broome (excluding the town of Broome), Halls Creek and Kununurra are all in distress. Margaret River and Busselton are classified as prosperous, as is the mining community of Port Hedland and much of the surrounding area.

In Tasmania, the north-eastern suburbs of Launceston are classified as distressed, as is much of the north coast including George Town, Devonport, Ulverstone, the stretch from Burnie to Waratah and Smithton. Many of the sparsely populated areas are also in distress, such as Strahan in the west and St Marys in the east. The highest ranked community outside Hobart is

a northern suburb of Launceston which is placed in the comfortable grouping, all other SA2s are in lower groups.

Much of rural Northern Territory is classified as distressed. Most of these areas are sparsely populated with some very remote communities lacking appropriate resources and employment opportunities. In contrast, Katherine is classified as comfortable, and Alice Springs has a number of comfortable suburbs. As is the case in South Australia and Tasmania, Northern Territory has no prosperous areas outside the capital city.

## 6. Federal electorates

The PDI is based on the economic performance and characteristics of constituents of SA2s. SA2s are typically a suburb or a few suburbs in cities, while in regional areas they typically represent a town or a town and its surrounds, or a few smaller towns. In addition, it is possible to obtain PDI numbers for other spatially aggregated units including electoral boundaries. Given the national focus of the PDI we have constructed the index for Commonwealth Electoral Divisions (CEDs). CEDs are an ABS approximation of the official electoral boundaries designed by the Australian Electoral Commission. They are based on Statistical Areas Level 1 (SA1s). Each SA1 has been allocated once to a Commonwealth Electoral Division based on the largest population contribution. For our purposes then each SA1 has been allocated the PDI score of their SA2 and then for each CED we use population-weighted averages of the constituent SA1s. The resulting average is used to rank the CEDs against each other across Australia. As there are 150 CEDs, each of the five PDI categories consists of 30 CEDs.

CEDs align with seats in the House of Representatives and therefore they have somewhat similar populations. Therefore, the capital cities are comprised of many CEDs, while in regional areas a CED may cover a very large area. For example, in NT there are only two CEDs, one that covers the greater Darwin area and the other that covers the rest of the Territory.

Table 7 presents the top 10 prosperous and top 10 distressed electorates across the country. Sydney electorates dominate the prosperous list, with seven of the top ten located there. Notably the most prosperous electorate was represented by the former Prime Minister before his parliamentary resignation; and the second most prosperous electorate is represented by Prime Minister before that. Since losing the seat of Wentworth at the October by-election, the Liberal Party hold the next top three seats and six of the top ten, while the Labor Party hold the other three seats that comprise the top 10.

The top distressed electorates are spread throughout the country, with seven of the top 10 being in regional areas. Interestingly, despite Sydney's dominance of the prosperous electorates it also has two electorates in the top 10 distressed, illustrating the division throughout the city and the occurrence of neighbouring suburbs having similar characteristics. The three distressed electorates in capital cities in the top 10 are represented by the Labor Party, but aside from the north-western Tasmanian seat of Braddon all other top 10 distressed electorates are held by the Coalition partners, with the Liberal Party holding three and the National Party the other three.

Table 7 Top 10 prosperous and distressed electorates

<b>Top 10 Prosperous Electorates</b>			
<b>Electorate</b>	<b>Region</b>	<b>Party</b>	<b>Member</b>
Wentworth	Sydney	Independent	Kerryn Phelps
Warringah	Sydney	Liberal	Tony Abbott
North Sydney	Sydney	Liberal	Trent Zimmerman
Bradfield	Sydney	Liberal	Paul Fletcher
Melbourne Ports	Melbourne	Labor	Michael Danby
Mackellar	Sydney	Liberal	Jason Falinski
Mitchell	Sydney	Liberal	Alex Hawke
Grayndler	Sydney	Labor	Anthony Albanese
Griffith	Brisbane	Labor	Terri Butler
Brisbane	Brisbane	Liberal	Trevor Evans
<b>Top 10 Distressed Electorates</b>			
<b>Electorate</b>	<b>Region</b>	<b>Party</b>	<b>Member</b>
Grey	Northern Outback SA	Liberal	Rowan Ramsey
Braddon	North-western Tasmania	Labor	Justine Keay
Hinkler	Bundaberg-Hervey Bay, Qld	National <sup>a</sup>	Keith Pitt
Fowler	Sydney	Labor	Chris Hayes
Blaxland	Sydney	Labor	Jason Clare
Port Adelaide	Adelaide	Labor	Mark Butler
Mallee	North-western Victoria	National	Andrew Broad
Wannon	South-western Victoria	Liberal	Dan Tehan
Barker	South-eastern SA	Liberal	Tony Pasin
Murray	Northern Victoria	National	Damian Drum

Source: House of Representatives List of Members; authors' calculations

Notes: a - Liberal National Party member who caucuses with the National Party

Table 8 shows the breakdown of the seats held by the respective parties across the five PDI categories. The issue of prosperity and distress remains a bi-partisan challenge for both major political parties in Australia. However, the nature and appeal of the respective parties is reflected in the types of communities they are elected to represent. Capital city electorates in distress are generally held by the Labor Party, while prosperous capital city electorates are generally held by the Liberal Party. In regional areas, the National Party and the Labor Party share the distressed electorates.

The seats that belong to the two Coalition Government partners are at polar opposites in terms of prosperity and distress. While the Liberal Party has a third of its seats classified as prosperous, and only 5 per cent of its seats distressed, the National Party has 13 of its 16 (81 per cent) seats in distress. However, as we saw previously, there is much more distress in regional areas than in the capital cities, and hence the division between the nature of Coalition electorates is largely explained by the city/regional divide. The Liberal Party have the highest proportion of their seats classified as prosperous and the lowest proportion classified as distressed. Of their 19 prosperous electorates 11 are in Sydney, three are in Melbourne, two are in Brisbane and two are in Perth. There is only one prosperous electorate that is completely outside the capital cities, Corangamite, south-west of Melbourne, and it is held by the Liberal Party. The Liberal Party's three distressed seats are Grey (outback SA), Barker (south-eastern SA) and Wannon (south-western Victoria). All 13 of the National Party's electorates in distress are in regional areas.

There are nine distressed electorates that sit in the capital cities and all are held by the Labor Party, four in Sydney, two in Melbourne and three in Adelaide. Labor's nine prosperous electorates are also in the capital cities, meaning as a party they represent people in very

different situations in the same city, unlike the Coalition partners whose constituents have broadly similar economic situations.

Of the minor parties, the Greens' only seat in inner Melbourne is prosperous. Katter's Australian Party (KAP) leader Bob Katter holds a distressed seat in far north Queensland. Centre Alliance (CA, formerly Nick Xenophon Team) member Rebekha Sharkie is the member for the outer Adelaide and Fleurieu Peninsula seat of Mayo, which is classified as comfortable. Independent Andrew Wilkie's Hobart seat of Denison is mid-range and Cathy McGowan's north-western Victoria seat of Indi is categorised as being at risk of distress. The newly elected member for Wentworth, Independent Kerryn Phelps, can lay claim to representing the most prosperous electorate in the country, while previous Liberal member, now Independent, Julia Banks' seat of Chisholm is classified mid-range.

Table 8 Distribution of federal electorates by quintile, political party

Party		Prosperous	Comfortable	Mid-range	At risk	Distressed
<b>Liberal<sup>a</sup></b>	No.	19	12	18	6	3
	%	32.8%	20.7%	31.0%	10.3%	5.2%
<b>Labor</b>	No.	9	17	10	20	13
	%	13.0%	24.6%	14.5%	29.0%	18.8%
<b>National<sup>b</sup></b>	No.	0	0	0	3	13
	%	0.0%	0.0%	0.0%	18.8%	81.2%
<b>Greens</b>	No.	1	0	0	0	0
<b>KAP</b>	No.	0	0	0	0	1
<b>CA</b>	No.	0	1	0	0	0
<b>Independents</b>	No.	1	0	2	1	0
<b>AUS</b>	%	20.0%	20.0%	20.0%	20.0%	20.0%

Source: House of Representatives List of Members; authors' calculations

Notes: a - Liberal party members include Liberal National Party members who caucus with the Liberal Party

b - National party members include Liberal National Party members who caucus with the National Party

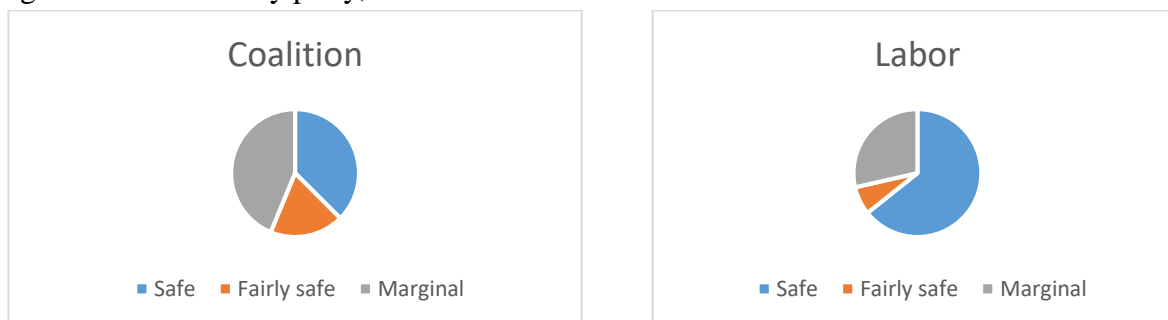
## 6.1 Seat status by prosperity and distress

While the distribution of prosperity and distress across electorates illustrates the uneven representativeness of seats at the federal level, it is when the issue of seat status is considered, that the potential political implications of this uneven distribution is highlighted. Seat status is measured in terms of the outcomes from the most recent election results, with seats being classified as either safe, fairly safe or marginal. A safe seat is defined as when the leading candidate receives more than 60 per cent (two-party preferred), a fairly safe seat is defined as when the leading candidate receives between 56 and 60 per cent and a marginal seat is defined when the leading candidate receives less than 56 per cent.

Although both the Coalition (Liberal and National parties combined) and the Labor party have a similar share of seats in the distressed electorates (relative to the overall share of seats held), the Coalition has proportionally more marginal seats in the distressed category (Figure 2). Figure 2 compares the share of seats by status across the major parties for the distressed group of electorates. Of the total seats held by the Coalition that are classified as distressed, 44 percent or 7 seats are considered to be marginal according to the Australian Electoral Commission. This compares to the Labor party with only 29 percent or 4 seats that are marginal.



Figure 2 Seat status by party, distressed electorates



Source: authors' calculations

The distressed seats are in stark contrast to those seats classified as prosperous (Figure 3). The Coalition is significantly over-represented in the prosperous seats and of these seats the vast majority are safe (58 per cent) or fairly safe (21 per cent). The Labor party in contrast are underrepresented in the prosperous seats and of the seats held one-third are marginal.

Figure 3 Seat status by party, prosperous electorates



Source: authors' calculations

## 7. Concluding remarks

This report has presented a picture of the unequal spatial distribution of social and economic distress and prosperity across Australia. The analysis presented focuses on a broad measure of prosperity and distress, one that accounts for both the characteristics of local populations, together with indicators of the strength of the economy as it is reflected at the local level. Consequently, the position of any one locality within the PDI is a function of a range of endogenous and exogenous factors. As with all indices such as the PDI, it is necessary to view the outputs within the context of the measures and the level of spatial aggregation used. It is true that had we used different indicators, then different outcomes may have been reported. Similarly, with more aggregated spatial data the picture of prosperity and distress may have changed. These issues aside, the outcomes provided in this report do raise several important matters for consideration.

The long-standing nature of patterns of inequality and disadvantage evident across the Australian social and economic geography raises questions regarding the ways in which the larger society views such unevenness. There are perhaps some who might believe that we simply must accept inequalities as they are and view problems as outcomes of the social and economic system that we have lived with for some time. Such views are generally aligned with feelings that in a broader sense, social and economic progress isn't without its casualties and there are certain groups or certain places who have 'taken one for the team', but on the whole Australia has done well and this 'prosperity' has benefited everyone. This 'trickle-down'

mentality is a characteristic of many of the Federal government's political arguments around economic and social management. But it is clearly the case that government responses to the types of inequality we have outlined have not made significant inroads, especially since the neo-liberal policy trend took hold. There is either little real motivation to improve the situation of the most disadvantaged communities in our society, or there is a belief that problems are not as bad as we think. Worst still might be the possibility that those in positions to make real differences are so far removed from the realities of everyday life that they don't have the necessary grasp on what really needs to be done.

The ongoing lack of real and sustained action, and the apparent acceptance of unequal community outcomes misses the important and often negative impacts that these geographic inequalities have. Time and time again, academics and others have pointed to the link between geography and an individual's potential. Former Australian Prime Minister Gough Whitlam did recognise the issues when he stated:

Increasingly, a citizen's real standard of living, the health of himself and his family, his children's opportunities for education and self-improvement, his access to employment opportunities, his ability to enjoy the nation's resources for recreation and culture, his ability to participate in the decisions and actions of the community are determined not by his income, not by the hours he works, but by where he lives (quoted in Troy, 1981, p. 17).

A failure to consider these patterns is likely to be felt with harsh reality at the polls. The distribution of marginal seats in the most distressed electorates should serve as a warning bell. Recent comments by David Gruen, the deputy secretary of the Department of Prime Minister and Cabinet, and the now former secretary of Treasury John Fraser, focus on these points, and the need for concentrated action, although one wonders if these types of comments reflect simple rhetoric. Quoted in the Sydney Morning Herald, John Fraser argued "We have a duty in government to support the poorest and weakest in the community - we need to be very mindful as economists and policy makers that we don't blithely say the market will fix it" (Bagshaw, 2018). In the same article David Gruen, arguing along similar lines warned that experiences in the United States where blue-collar manufacturing workers had been falling further behind, meant the challenge of economically marginalised communities must be addressed head on. "If you don't take seriously the amount of economic pain that communities are going through, then you risk a political backlash that throws the baby out with the bathwater" (Bagshaw, 2018). Certainly, there seems to be little real action to address issues in the most distressed communities, a situation that may haunt those who are looking for votes, especially in marginal seats.

The clear take home message is that society, and especially the politicians that are elected to govern, need to show more concern when it comes to the large gap between prosperity and distress that has seemed to have become a settled pattern across our local communities, or be willing to live with the consequences. It should be clear that while local communities and their residents can, and often do, provide the impetus for positive social and economic change, a key priority for government should be to establish genuine bi-partisan responses that challenges policy approaches from the past, questions the inevitability of uneven community outcomes and engages the best and brightest thinkers to provide stewardship for the way forward.

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