

## **Poverty and affluence in Sydney and Melbourne**

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### **Introduction**

Towards the end of Australia's post-war boom, two significant professors, Ronald Henderson and Hugh Stretton, promoted government action to reduce inequality. Their recommendations were ill-timed. The failings of economic policy during the 1970s, particularly stagflation, combined with the prestige of the USA, led to the adoption neo-liberal policies which were anti-egalitarian in practice if not in intent. Now that the neo-liberal era is collapsing in debt, pandemic and global warming, it is timely to review the hopes of half a century ago and ask how they fared.

### **Two Prescient Professors**

In its 1975 main report, the Henderson poverty inquiry concentrated on income in relation to needs (Poverty Inquiry, 1975). The inquiry assumed that expenses are shared within 'income units', defined as couples or single people with their children (if any). An income unit was poor if its income was below a poverty line set to cover minimal needs. The inquiry arranged for the ABS to conduct an income survey (Australia's first since the First World War) and found that poverty was largely confined to income units which, for one reason or another, were unable to access the labour market and therefore did not benefit from full employment – the hallmark of the post-war era. All men and single women of workforce age who were willing and able to work could find a full-time job at a wage-rate sufficient to keep a two-adult, two-child household safely above the poverty line.

Henderson reasoned that, provided full employment was maintained, income-poverty could be abolished by providing supplementary income to large families and, crucially, by making a pension or benefit available at a level above the poverty line to all who were unable to work, with potential for extension to all adults. He was also concerned to maintain a supply of affordable housing in locations accessible to jobs and services, which would directly reduce poverty 'after housing costs' and would also ensure that poor households did not suffer geographic segregation, with the concomitant risk of poor services and limited opportunities. In addition to specific policies for the housing sector, he supported the urban development strategies advocated by Hugh Stretton, which in turn were partly based on Peter Harrison's practice in Canberra.

During the 1960s, as Canberra's population grew rapidly due to the transfer of public servants from Melbourne, Harrison planned each new Canberra suburb as its own little region defined by walking distance to a primary school and neighbourhood shops. Each suburb would house a mixture of high- and low-income families – it helped that Canberra suburbs mostly run from downhill to uphill. Geographic mixing would blur class differentials and contribute to equality of opportunity, particularly for children. Harrison grouped Canberra suburbs into towns, each with a town centre, of around 100,000 population. Each town would be large enough to support a fully-

fledged retail centre and would be self-sufficient in most health and education services. There would also be sufficient jobs in the town centre for all residents to find jobs there. At house-and-garden densities such a town would have a radius of around 5 kilometres, so the town centre would be within a convenient bus ride of all the town's homes. The National Capital Development Commission's Canberra thus comprised walking distance neighbourhoods and bus-distance towns (Stretton 1970). (There was something prescient about this distance of five kilometres: it reappeared as the distance within which metropolitan residents were confined during COVID-19 lockdowns – a radius within which urban residents can find 'essential' shopping and services.)

While staunchly defending Harrison's neighbourhoods and towns, Stretton suggested a further regional scale at which more sophisticated urban opportunities became available. This was the scale of Adelaide, with its then population of around 900,000. Stretton followed Harrison in stressing the virtues of houses with gardens. If built at house-and-garden density as a single-centred city on the proverbial infinite plain, Adelaide would have had a radius of 13 km, though as Stretton pointed out its transport arrangements were simplified by a more linear arrangement. As in Canberra, the cost of housing had been minimised by public-sector housebuilding allied to nearby job generation.

Stretton admitted that Adelaide had not avoided geographic segregation by income but thought that this could be more easily avoided in cities of a million than in larger single-centred metropolitan areas, with Sydney particularly handicapped by its sharp division into topographically-attractive and less appealing regions. He feared that business-as-usual growth of Sydney and Melbourne into single-centred cities of five million people would be associated with increases in housing costs and social segregation and recommended that population growth should be directed into new cities, possibly as linear extensions of existing urban areas. These cities would be publicly developed to minimise both segregation and unearned increments in land costs.

### **Poverty and Affluence in 2016**

Stretton's expectation that Sydney and Melbourne would reach populations of around five million proved accurate and housing costs have certainly increased. During the quarter century to 2019 the price of houses (including the dwelling and the land it sits on) increased in Australia generally by around 5 per cent a year, well ahead of the general consumer prices at around 2 per cent (ABS National Accounts). The increase in the land element was well ahead of the increase in the dwelling construction element and was more rapid in the metropolitan areas than in the country. The result was almost certainly an increase in poverty after housing costs, but this paper concentrates on Stretton's prediction of increased geographic

segregation by income group, using Henderson's concept of income-poverty as a marker.

Measuring income segregation requires the definition of regional boundaries: should the regions be small or large? While not disparaging Harrison's concentration on social mixing within walking-distance neighbourhoods, this paper provides a broad-scale analysis using the regions defined for NIEIR's *State of the Regions* reports.

At the regional level, data from the detailed household income surveys which track the Henderson poverty line are vitiated by high standard errors. The Census income question, though admittedly not the best source for trends in the incidence of poverty nationally, provides valid comparisons between regions. Better still, recent censuses the ABS has estimated local distributions of equivalised household income. The bottom ten per cent of households by equivalised income comes close enough to the proportion of income units under the Henderson poverty line to allow valid regional comparisons (for detail see Manning 2019). Table 1 provides 2016 estimates for the NIEIR regions in Sydney and Melbourne and also for the Australian Capital Territory (to reflect its importance as a precedent for both Harrison and Stretton).

Region	% Poor	% Affluent	Region	% Poor	% Affluent
<b>SYDNEY</b>			<b>MELBOURNE</b>		
Central	7.0	32.5	City	12.7	20.4
Inner East	7.9	22.6	Inner South	8.7	17.1
Inner West	7.6	22.1	Inner East	9.2	15.3
North	5.3	21.8	Inner North	9.8	13.7
Parramatta/Ryde	8.2	15.8	West	10.2	8.2
South	7.4	13.3	Outer East	8.3	8.2
Outer West	9.0	6.8	Outer South	9.2	5.4
Outer SW	10.7	6.2	Outer North	11.5	5.3
Mid-west	16.2	4.5			
<b>SYDNEY total</b>	<b>9.1</b>	<b>15.4</b>	<b>MELBOURNE total</b>	<b>9.7</b>	<b>11.1</b>
			<b>ACT total</b>	<b>5.7</b>	<b>19.8</b>
<b>Australia</b>	<b>10.0</b>	<b>10.0</b>	<b>Australia</b>	<b>10.0</b>	<b>10.0</b>

Source: Census 2016 household equivalent income tables.

In 2016 the Australian Capital Territory (ACT) had a very low incidence of poverty, though not as low as the northern suburbs of Sydney. The incidence of poverty in Sydney (definitely) and Melbourne (just) was below national average. In Melbourne poor households were spread across all the regions, such that the proportion of poor households was within 1.7 per cent of the national average in all regions except the City of Melbourne – a small region with high proportion of low-income students. In Sydney the range was much more marked, from 5.3 per cent in the North (Ku-Ring-Gai, the Northern Beaches) to 16.2 per cent in the Mid-west (Canterbury through to Fairfield). As Stretton expected, in 2016 poor households were much more segregated within Sydney than in Melbourne.

Closer inspection, using smaller regions, identified neighbourhoods in Melbourne which matched the high incidence of poverty in Sydney Mid-west, but these neighbourhoods were scattered west, north and south-east. Though poverty rates are sensitive to regional boundaries, however boundaries are drawn no Melbourne region combined size and poverty on the scale of Sydney Mid-west. In both metropolitan areas there was a tendency for the proportion of poor households to increase with distance from the city centre, but the high incidence of poverty in Mid-west Sydney occurred in the middle-distance, not on the fringe of the metropolitan area – an observation to be pursued below.

Was there similar segregation of high-income households? The equivalence scale used by the ABS was developed with low incomes in mind and is perhaps less relevant at high incomes, and an alternative, more individual approach to high incomes is provided in Table 2 below. This said, the residential locations of households in the top ten per cent by equivalised income provides an indication of the location of affluent households, though few of these would regard themselves as particularly high income – to be identified as affluent, a single person without dependents need not earn much more than a full-time average male wage.

Though it provides no guide to the residential preferences of the really rich, Table 1 prompts several observations. First, the ACT, Sydney and Melbourne all had a higher proportion of affluent households than the country at large. The proportion of affluent households in the ACT was roughly double national average (but less than in the inner parts of Sydney), the proportion in Sydney as a whole was roughly 50 per cent over national average and the proportion in Melbourne roughly 10 per cent over. The affluent proportion was higher in the inner suburbs than in the outer, and the difference between the most and least affluent regions was much more marked in Sydney than in Melbourne. The high incidence of poverty in Sydney Mid-west was balanced by a particularly low incidence of affluence.

### **Changes in the Geography of Inequality**

The finding that poor and rich households are currently residentially segregated, particularly in Sydney, accords with Stretton's 1970 prediction, but a major question still arises: was segregation more marked in 2016 than it had been in 1970? Strictly

speaking, there are no data to answer this question, but the Poverty Inquiry income survey of 1973 and the Census of 2016 cover nearly all of the time period and yield data which are sufficiently comparable to permit rough comparison.

<b>Table 2 Australian regions and the ACT, per cent of households poor, 1973 and 2016</b>		
<b>Region</b>	<b>1973 survey</b>	<b>2016 census</b>
SYDNEY	8.8	9.1
(poorest region)	13.9	13.0
(least-poor region)	4.5	5.3
MELBOURNE	7.3	9.7
(poorest region)	8.9	11.1
(least-poor region)	4.6	8.6
BRISBANE	9.1	8.3
ADELAIDE	10.2	11.2
PERTH	10.1	8.6
HOBART	9.6	11.2
ACT	3.4	5.7
OTHER CITIES	10.4	9.6
RURAL	14.4	11.9
<b>AUSTRALIA</b>	<b>10.2</b>	<b>10.0</b>

Source: I G Manning: 'The geographic distribution of poverty in Australia', *Australian Geographical Studies* 14, pp 144-147 (1976) and ABS Census 2016.

Though the Poverty Inquiry's estimates of the incidence of poverty derived from a sample survey, the sample was large enough to yield estimates at the regional level with reasonable standard errors, provided the regions were defined to respect the sample selection processes used by the ABS – hence the regions in Table 2 do not replicate those in Table 1, and the 2016 estimates are approximations due to changes in local government area boundaries. The table compares the regional distribution of the poorest ten per cent of households, using Poverty Inquiry methodology in 1973 and ABS equivalisation methodology in 2016. Though differences in methodology have doubtless contributed to the differences between

the two distributions, the basic income questions and equivalisation methodologies were similar. (Two differences may be noted.

The ABS 'household' is a little more inclusive than the Henderson income unit, so that single people who are members of group or three generation households are less likely to be deemed poor. The effect of this on comparison over time will be limited – the proportion of group households has risen and that of three-generation households fallen. Second, the 'simplified' Henderson equivalence scale as updated by the Melbourne IAESR diverges from the OECD scale used by the ABS, but that is true only for two-adult households with one paid worker. Now that two-adult households are mainly either two-paid or no-paid the difference has largely disappeared. It should also be noted that, for logistic reasons, the Poverty Inquiry survey did not extend to remote areas. An effort has been made to exclude these from the 2016 estimates.)

Despite these caveats, the data in Table 2 suggest that, between 1973 and 2016, the incidence of poverty, relative to national average, increased in Melbourne, Adelaide, Hobart and the ACT (though in the latter it was still very low), was roughly constant in Sydney, and decreased elsewhere, particularly in Perth and in rural regions. Contrary to Stretton's fears, within the two large metropolitan areas the differential in the incidence of poverty between the poorest and the least-poor regions probably diminished, though it is possible that a different set of regional boundaries may have yielded a less happy result.

A major factor underlying these changes was the Commonwealth's implementation of Henderson's recommendation that age pensions should be raised above the poverty line. Rural populations are generally older than metropolitan, especially in regions affected by retirement migration. The increase in the age pension rate was one of several Commonwealth policies which, by accident or by design, shifted the distribution of poverty from elderly people to people of workforce age.

Policies which increased the incidence of poverty among people of workforce age centred on the abandonment of full employment. To maintain wage rates at levels satisfactory to employers, a target unemployment rate of around 5 per cent was adopted and maintained by varying the immigration rate. This was accompanied by reductions in social security payment rates for most benefits available to people of working age.

Poverty rates were increasingly determined by labour markets, as influenced not only by government policy but by other industry and technological developments. Labour markets were buoyant in Perth and South-East Queensland, where poverty incidence fell, and relatively depressed in Melbourne, Adelaide, Hobart and the ACT, where the incidence of poverty increased. In Sydney they balanced out near the national average.

Judging by the rank order of the regions within Melbourne and Sydney, the incidence of poverty fell in the inner suburbs and rose elsewhere (Table 3). The changes were particularly marked in Sydney, where poverty moved south-west out of the inner suburbs. By comparison, the movements in Melbourne were mild.

<b>Table 3 Regions in Sydney and Melbourne ranked by the incidence of poverty</b>			
<b>Region</b>	<b>1973 survey</b>	<b>2016 census</b>	<b>Change</b>
<b>SYDNEY</b>			
East and inner south	4	3	-1
Inner north	5	2	-3
CBD and inner west	7	4	-3
Middle south	3	7	+4
Outer north	2	1	-1
Outer south	1	6	+5
Outer west	6	5	-1
<b>MELBOURNE</b>			
Central	6	3	-3
Inner east	3	3	0
Outer north	5	6	+1
Outer east	1	1	0
South	4	5	+1
West	2	3	+1

Source: I G Manning: 'The geographic distribution of poverty in Australia', *Australian Geographical Studies* 14, pp 144-147 (1976) and ABS Census 2016.

What about changes in the geography of affluence? As already noted, there is reason to ponder whether affluence is best measured by equivalised or by individual income. For longer-term trends there isn't much choice, since equivalised income has only been published for the last few censuses. Table 4 switches back to the NIEIR regions and adopts a shorter but still relevant time comparison. In it the regions are ranked by the proportion of high-income individuals in the adult

population, a metric which, by comparison with the measure of affluence in Table 2, raises the rank of suburbs with high dependency ratios (generally outer suburbs) and reduces the estimate for the ACT relative to Sydney – the ACT has lots of rather high-income households but relatively few very high income individuals.

Within both of the major metropolitan areas the table confirms the considerable gaps between high and low status regions in Sydney, and the generally lower level of regional divergence in Melbourne. In both cities, over the three decades from 1986 to 2016, high-income individuals increasingly favoured the inner suburbs while the outer suburbs fell into relative disfavour. This trend even affected the outer North Shore in Sydney, where high-status was considered entrenched post-war.

<b>Table 4 Regions in Sydney, Melbourne and the ACT ranked by high-income individuals as a percentage of residents aged 15 and over, Census 1984 and 2016</b>							
	Rank	Rank	Per cent		Rank	Rank	Per cent
Region	1986	2016	2016	Region	1986	2016	2016
<b>SYDNEY</b>				<b>MELBOURNE</b>			
Central	2	1	10.5	City	3	3	4.8
Inner East	3	3	9.1	Inner South	4	1	6.1
Inner West	6	4	6.4	Inner East	1	2	5.6
North	1	2	9.2	Inner North	7	4	3.7
Parramatta	4	5	4.5	West	8	6	2.1
South	5	6	3.6	Outer East	2	5	2.5
Outer West	8	7	1.6	Outer South	5	7	1.7
Outer SW	7	8	1.4	Outer North	6	8	1.5
Mid-west	9	9	1.1				
<b>SYDNEY total</b>			<b>4.7</b>	<b>MELBOURNE total</b>			<b>3.4</b>
				<b>ACT</b>			<b>4.6</b>
<b>Australia</b>			<b>3.1</b>	<b>Australia</b>			<b>3.1</b>

Source: ABS Censuses 1984 and 2016.

### The Drivers of Change

Two failed predictions for Canberra help in the interpretation of these trends. The first is Stretton's prediction that Canberra's virtues as a planned city would result in continued rapid growth to a population of a million by 2020. That this did not occur

reflected the failure of the ACT to diversify its economic base; to broaden the range of activities which bring in income from outside the region, as distinct from those which depend on local demand.

This second failed prediction was the failure of Canberra residents to appreciate Harrison's meticulous balancing of housing and employment by town. Instead, they followed the general rule that a journey to work of half an hour is acceptable (Manning 1984). At this time-distance all the jobs in Canberra were accessible from every suburb by car. Canberra's dispersed employment centres drew employees from the whole urban area – all the easier because their dispersion provided space for car parking.

Statistical analysis in the five decades since Harrison planned and Stretton wrote has showed that the residential catchments from which employers draw their workforce have a blurred periphery: suburbs within half an hour's travel time are within the catchment for most prospective employees, but beyond 30 minutes it becomes increasingly difficult to recruit, to the point where residential areas more than 90 minutes from the workplace can be regarded as beyond its labour catchment.

However, for regular travel purposes other than employment, such as shopping, schooling and health services, the catchments revealed by travel surveys are rather smaller, say 18-35 minutes – smaller again for primary schools and very small for neighbourhood playgrounds. Needless to say, elapsed times translate into different geographic distances and shapes according to city layout and means of transport. The basic point, however, is that metropolitan areas comprise as many overlapping catchments as there are trip destinations.

Back in 1973 Henderson noted a strong association between poverty and lack of employment. The policy-induced shift of poverty towards people of working age has strengthened this relationship, but with complications. A legal minimum wage has been maintained and in 2016 a full-time job at the legal minimum wage was sufficient to keep a household of two adults and one child out of the bottom ten per cent of households by equivalised income. However, part-time employment has become more common, associated with the disappearance of the working-age housewife. Though this adds to the income of many households, it means that households which can only find part-time employment are quite likely to end up poor – and jobs are harder to find, thanks to the abandonment of full employment.

Among people aged between 15 and 67 the avoidance of income-poverty continues to depend on access to paid work, which in geographic terms depends on the employment opportunities offered by the labour catchment in which they live. This directs attention to the distribution of employment in relation to residential areas.

At the end of the Second World War both Sydney and Melbourne were centralised cities, in which the central region housed one-third of employed residents but provided around two-thirds of metropolitan jobs, divided more or less half and half

between the CBD and the rest of the central region. The result was substantial inbound commuting. However, as the urban periphery expanded during the post-war period employment also decentralised, so that by 1971 the proportion of metropolitan residents living in the central region had fallen to less than 20 per cent and the proportion of metropolitan employment to a little over 40 per cent (Table 5).

There was still inbound commuting, but it was not quite the tidal flow it had been. Some of this decentralisation of employment was due to local-demand jobs (such as retail trade and schools) moving to the suburbs, but there was also a major outward movement of manufacturing and wholesale trade – liberated by the motor truck from the need to locate near the port and rail terminals, and by the motor car from the need to locate near public transport.

In the 1970s various observers thought that continuing motorisation would spread employment across the suburbs and relieve state governments of the obligation to provide public transport for tidal flows of commuters. Neither Harrison nor Stretton were of this view: they saw a continuing need for major activity centres and believed that town planning should ensure that the necessary centres were accessible from the whole metropolitan area, requiring the multiplication of centres. If planning failed, sheer inertia would ensure that each metropolitan areas remained single-centred, with the centre increasingly inaccessible from the outer fringe. They were proved right, particularly during the quarter century of settled neo-liberal policy which began after the 1990 recession and ended with COVID-19.

<b>Table 5 Share of employment and employee residential locations (% of metropolitan total)</b>					
		<b>Sydney CCC/census</b>		<b>Melbourne MMBW/Census</b>	<b>Census</b>
<b>Employment</b>					
CBD	1945	32	1951	28	
	1961	26	1961	23	23
	1971	19	1971	15	15
Central region	1945	59	1951	65	
	1961	52	1961	56	54
	1971	42	1971		44
<b>Employed residents</b>					
Central region	1945	34	1951	31	

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	1961	22	1961	20	22
	1971	16	1971		18

Source: I G Manning, *Beyond Walking Distance* ANU Press 1984, Appendix. 1945 data originally derived from planning documents by the Cumberland County Council and 1950 from the Melbourne and Metropolitan Board of Works, hence using their planning regions. 1961 and 1971 data from ABS *Census Journey to Worktables*.

<b>Table 6: Workplace employment and resident population, number and percentage distribution by region, Sydney, 1994 and 2019 (per cent)</b>						
		Central	Inner suburbs	Outer suburbs	Periphery	Total
	<b>Jobs ('000)</b>					
1994	1846	22	22	41	14	100
2019	3047	29	19	39	13	100
	<b>Residents</b>					
1994	4062	6	26	49	19	100
2019	5671	8	24	49	19	100

Source: National Institute of Economic and Industry Research.

<b>Workplace employment and resident population, Melbourne regions, 1994 and 2019 (per cent)</b>						
		Central	Inner suburbs	Outer suburbs	Periphery	Total
	<b>Jobs ('000)</b>					
1994	1747	21	28	34	16	100
2019	3081	27	23	35	15	100
	<b>Residents</b>					
1994	3981	6	32	42	22	100
2019	5990	8	26	48	18	100

Source: National Institute of Economic and Industry Research.

Table 7: States of growth of jobs and resident population, 1994 to 2019, Sydney and Melbourne regions (per cent a year)						
		Central	Inner Suburbs	Outer suburbs	Periphery	Total
Sydney	Jobs	3.1	1.3	1.8	1.8	2.0
	Residents	2.4	1.0	1.3	1.4	1.3
Melbourne	Jobs	3.3	1.5	2.4	1.8	2.3
	Residents	2.9	0.9	2.2	1.1	1.6

Source: National Institute of Economic and Industry Research.

Over the quarter century to 2019 the trend to metropolitan decentralisation which had been a major feature of the quarter century to 1970 was decisively reversed. In both Sydney and Melbourne, the proportion of metropolitan jobs located in the central region increased. (The central region is here defined as the CBD plus adjacent areas where high-rise offices were built, in Sydney on the inner North Shore and in Melbourne down St Kilda Road.) In Sydney this re-centralisation was at the expense of the suburbs generally and also of the metropolitan periphery (those adjacent regions, such as the Sydney Southern Highlands, some of whose residents worked in the central region and many in the nearby outer suburbs). In Melbourne the proportion of employment in the central region expanded mainly at the expense of the inner suburbs (those developed before World War II).

In response to the continued vitality of the central regions of both cities, the proportion of the population living in the central region rose at the expense of the inner suburbs. In Sydney the proportion of the population living in the outer suburbs and on the periphery remained constant, but in Melbourne the outer suburban population expanded at the expense of both the inner suburbs and the periphery. Contrary to Stretton's hope that Melbourne would build a new million-city in the upper Yarra valley, its outer suburbs instead expanded to the north and west – directions relatively close to the centre which had been neglected during the post-war boom. Sydney had no green-field equivalents.

The same trends are reflected in rates of growth. In both cities the rate of growth of employment was greater than the rate of growth of population, thanks mainly to an increase in jobholding by married women and the increase in part-time jobs. In both cities the rate of growth of both employment and the resident population was most rapid in the central region and least rapid in the inner suburbs.

Not only did the central metropolitan regions report high rates of employment and population growth, but they also maintained their relatively high levels of income generation per hour worked. The incomes reported in Table 7 are the total of wages and salaries (broadly defined) and the mixed capital/labour incomes of working business proprietors. They exclude asset incomes. In both periods average income per hour worked was a little higher in Sydney, though Melbourne was catching up. In both cities, and on both a workplace and residential basis, income per hour worked decreased from the city centre to the periphery. Though the highest incomes per hour were in the central zone, in both cities they had grown most strongly in the inner suburban ring, particularly on a residential basis.

Growing high income employment in the central regions put a premium on dwelling prices in residential areas within easy commuting time-distance of the centre. Though the proportion of the metropolitan population living in the inner ring of suburbs decreased, incomes increased as these suburbs gentrified. This helps to explain the redistribution of poverty towards the outer suburbs and affluence towards the inner.

<b>Table 8: annual income per hour worked, by workplace and usual residence, Sydney and Melbourne, 1994 and 2019 with rate of growth (%per annum). *Income in 2018 dollars calculated using the GDP deflator</b>							
		Workplaces			Residents		
		1994	2019	Rate of growth	1994	2019	Rate of Growth
<b>Sydney</b>	Central	46	66	1.43	49	69	1.36
	Inner	38	55	1.45	42	64	1.72
	Outer	36	50	1.41	35	50	1.43
	Peripheral	35	47	1.22	37	49	1.17
	<b>Total</b>	<b>38</b>	<b>55</b>	<b>1.48</b>	<b>38</b>	<b>55</b>	<b>1.48</b>
<b>Melbourne</b>	Central	38	56	1.58	40	69	1.46
	Inner	32	50	1.76	34	64	2.00
	Outer	32	45	1.45	32	50	1.42
	Peripheral	31	43	1.38	31	44	1.42
	<b>Total</b>	<b>33</b>	<b>49</b>	<b>1.61</b>	<b>33</b>	<b>49</b>	<b>1.61</b>

Source: National Institute of Economic and Industry Research.

## **Policy and outer-suburban poverty**

Did government policies contribute to the renewed centralisation of the cities?

Firstly, and obviously, the Whitlam government's attempts to draw population growth into new cities failed. As Stretton feared, the inertia of the city centres was too strong. The big money required to outbid them could not be found. Map-colouring town-planning measures were not enough, though they succeeded in protecting the upper Yarra valley from Stretton's new city.

Centralisation increased demands on the cities' radial transport systems. State governments supported it by building radial freeways, most of which had been planned during the early post-war period, and by resuming investment in radial public transport. However, these rather passive investment responses were not as important as policies which affected the economic base of cities and their suburbs.

A number of economic-base industries can readily be identified by ANZSIC code, including agriculture, mining, manufacturing and wholesale trade (though within each there will be employers who serve local demands, for example quarries serving local construction.) There are also readily identifiable local-demand industries, including construction, retail trade, schools, health services, police, cafes and hotels except where serving tourists.

The remaining industries combine economic base and local demand functions, broadly under the headings of transport, public utilities, public administration, media, financial services, professional services, and tertiary education. Employment in these industries is widespread – the local council, the bank branch, the local accountant, the local VET college – but congregates in major centres which provide state-wide, nation-wide or even international services. These largely office-based services provide the economic base of the metropolitan centres.

During both the post-war and the neo-liberal periods, the local-demand industries followed the population to the suburbs, along with manufacturing, wholesale trade, transport and the public utilities. The suburban economic base was heavily weighted with manufacturing and logistics (a combination of wholesale trade and freight transport), plus agriculture on the metropolitan peripheries. The automation of manufacturing and logistics continued, increasing productivity but limiting job generation. In the 1980s manufacturing employment also contracted thanks to that centrepiece of neo-liberal policy, the withdrawal of protection.

In the late 1990s it was further hit by the failure to maintain selective industry assistance programs such as those associated with the late Senator John Button, and during the mining boom it suffered from the Commonwealth's failure to protect trade-exposed industries from the surge in the exchange rate which lasted from 2005 to 2015. These government policies added to job losses and contributed to the continued low-income status of manufacturing and agriculture. Logistics was less exposed and incomes per hour increased.

Weak suburban job generation in these economic base industries can thus be attributed to automation coupled with the international events which caused the mining boom, intensified by government policies, particularly towards manufacturing. Were the government policies which, mostly indirectly, discouraged suburban job creation balanced by policies which encouraged job creation in the city centres?

Whether or not they were favoured by government policy, the office industries, like the economic base industries, were economising on labour costs by automating. This seems to have affected primarily their local-demand operations, for example by underpinning the closure of bank branches and raising the prominence of central administration. Employers in industries including media, financial services, professional services, public administration continued to favour central urban locations and to pay relatively high wages, not only in the city centres but elsewhere. The concentration of these industries in the city centres generated high average income per hour worked, as noted in Table 7.

As a close observer of the urban scene during the post-war period, particularly in Sydney, Peter Harrison was not among those who forecast the euthanasia of the CBD. On the contrary, he expected that central cities would prove resilient – though not for a good reason. In conversation during the 1970s, though not as far as I'm aware in print, he argued that dispersion of CBD employment, as then expected, would threaten the fragile egos of the CEO's who control urban investment decisions. He had noted how top bosses compete to look out over the harbour and down on their peers from the highest possible executive suite, perched on top of the tallest possible CBD office block. Limits on the height of CBD buildings were relaxed in the 1950s (first in Melbourne, then in Sydney) unleashing a splurge of investments in high-rise offices.

According to Harrison, this raised the problem of how to usefully occupy the many floors of office space below the boss. This was done partly by increasing floor space per worker but mainly by drafting clerical minions into the created desk-space. Increasing CBD employment was thus, at base, the product of executive status-seeking, coupled with executive control of investment.

However, this was not the only possible explanation. An alternative theory argued that employers who wish to recruit talented workers from the whole of the metropolitan area locate in the city centre, as the only universally accessible spot. Further, these talented workers, once heaped together in the CBD, network with each other, enhancing their productivity. In addition, workers such as creative artists seeking select audiences and sporting stars seeking mass spectators also gravitate to the point of highest mass accessibility.

It is far from easy to discriminate between these rival accounts. Those who believe that the labour market, by and large, generates fair hourly rewards favour the knowledge-economy theory. Those who believe that capitalism is rife with unearned

incomes and economic rents favour the status argument. There is probably an element of truth in both.

Whether or not centralisation was due to the knowledge economy, it has certainly been associated with an increase in economic rents. The rapid increase in city-centre employment brought capital gains, not only to the owners of city-centre properties but to the owners of residential property within the city-centre labour catchment, primarily in the inner suburbs. Neo-liberals valorised these gains and governments expressed their approval with tax concessions. Further government contributions to urban capital gains included the de-regulation of mortgage lending and support for falling interest rates, which together allowed the banks to increase demand for job-accessible housing. The resulting increase in housing costs has doubtless increased the incidence of urban poverty after housing costs. This places a strong caveat on the conclusion drawn from Table 2 above, the conclusion that, while the incidence of poverty shifted from the inner to the outer suburbs, the differential between poor and non-poor regions did not increase.

The package of neo-liberal policies which inflated land rents may also help to explain the large increase in the incidence of poverty in Mid-west Sydney. This region seems to have been too far out to benefit from gentrification but suffered an increase in land prices which made it too expensive to benefit from such buoyancy as remained in suburban economic-base industries including manufacturing and logistics.

## **Conclusion**

Towards the end of the Keynesian quarter century which is now referred to as the post-war boom, Ronald Henderson, Peter Harrison and Hugh Stretton recommended government policies designed to eliminate poverty. In particular, Stretton feared the inequities which would arise from the business as-usual growth of single-centred metropolitan areas with populations of five million. He advocated public sector city-development to prevent this.

Business as usual prevailed, strongly supported by incoming neo-liberal governments. Employment and affluence centralised and poverty moved into the expanding outer suburbs.

On knowledge-economy arguments the growth of strong city centres may have been inevitable, but the accompanying growth in economic rents was not.

Neither of the two prescient professors, nor Peter Harrison, foresaw the future accurately, and the same will apply to the present generation. Let them not forget Australia's communitarian, egalitarian traditions as they face a future where business as usual is no longer sustainable due to its excessive reliance on debt, not to speak of its social and environmental costs.

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