

# *SUSTAINING REGIONS, the newsletter of ANZRSAI, 4(1)*

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## **EDITORIAL**

### *From the President Paul Collits*

Welcome to 2014 and to our first Sustaining Regions newsletter for the year. I commend it to you as a good source of Association news and general information, still relevant to members, I believe, in an era of instantaneous, multiple sources of knowledge.

We are coming off a very successful conference held at Hervey Bay Queensland last December and planning is well underway for our 2014 conference in Christchurch. One of the conference themes, not unexpectedly, will be regions dealing with disasters and recovering from shocks (absolutely no pun intended). Paul Dalziel, immediate Past President, has things well in hand for the conference, and further details and a first call for papers will be coming shortly. This will be our first conference in New Zealand since 2007.

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I am working towards a Sydney conference in December 2015 with a focus on urban regions. Yes, cities are regions too! We generally have a focus in Australia on non-metropolitan and rural regions, for a range of reasons, and a conference in the big smoke will provide an opportunity for a shift in emphasis. Surprisingly, perhaps, there has never been a conference in Sydney in my 21 years with ANZRSAL. I will shortly begin discussions with a number of potential host universities.

Regional development continues to have an uncertain ride, both within government and in universities. The change of government in Canberra will mean bureaucratic trimming and possibly changes to the governance of regions. We shall see very shortly in the Budget! What future for the RDA Committees will be one question of interest.

While there are still a number of universities with centres or institutes for regional development, money is tight, and through my own bitter experience, I know these centres are on a hiding to nothing and face endlessly uncertain futures as universities seek to maximise external grant funding. In regional development research these days, it is definitely not what you know but who you know.

On a personal note, many of you will know that I recently left academia, at least in terms of a day job. I have joined the ranks of the practitioners, as I embark on a new stage of life as an economic development adviser with Gosford City Council. I am keeping my hand in academically, with the offer from the University of the Sunshine Coast Business School of an adjunct appointment that I regard as a great honour and a great opportunity.

I wish everyone a very successful 2014. And please try and recruit at least one new member each!

Adjunct Professor Paul Collits  
President

### ***Foreword***

2014 will be a challenging year for regions and for regional science. At the time of writing the Australian Government's Audit Review, which is expected to influence spending decisions in the 2014-15 Australian Budget, has not been released. There is speculation that the Regional Development Australia program funding may come to an end. While the major cities can expect infrastructure spending, many non-urban regions may need to focus on community self-reliance and diversity. In this issue we review some submissions to the Australian Parliamentary Joint Select Committee on Northern Australia, and provide extracts from the Regional Australia institute and from the Business Council of Australia on regional development and Australia's future prosperity. Editor

### ***Joint Select Committee on Northern Australia***

The Northern Myth revisited? The House of Representatives Joint Select Committee on Northern Australia is to provide an interim report to Parliament on the outcomes of submissions and public hearings as soon as practicable after 31 May 2014. The period for submissions has passed. The final report is due on or before 6 July 2014.

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The Terms of Reference are "...to consider policies for developing the parts of Australia which lie north of the Tropic of Capricorn." The Committee is to examine the potential for development of mineral, energy, agriculture, tourism, defence and other industries in the region. The Committee is to provide policy recommendations to grow trade and investment with the Asia-Pacific regions; to encourage development through regulation and taxation; to address impediments to growth; and to set conditions for private investment and innovation.

The Honourable Warren Entsch MP is the Chairman and made the following statement in the only media release from the Committee to date: Committee Chair, the Hon Warren Entsch, stated:

"With its abundant resources and proximity to Asia, Northern Australia is set to become the new frontier in the economic development of Australia, opening up new opportunities which will benefit the entire nation. With the right policies and incentives in place, Northern Australia has the capacity to become a leader in agriculture, minerals and energy, tourism, research and education. We must remove impediments to growth and set the stage for innovation and investment."

A submission from the University of Notre Dame, which has a campus in Broome, argues for consideration of the educational needs of people in Northern Australia including developing workforce qualifications, adult literacy, cultural awareness, and negotiation skills, and providing access to schools, training and professional development which offer the same quality and opportunity as in metropolitan areas.

The Australian Institute of Health and Welfare provided a submission outlining collections of geographically disaggregated data on health and community service infrastructure, and of research and evaluation of what works to overcome Indigenous disadvantage. Regional studies may benefit from this cache.

In their submission the James Cook University Faculty of Medicine, Health and Molecular Sciences provides an imaginative set of suggestions building on clinical training and placements through The Greater Northern Australia Regional Training Network, by establishing a Northern Australia Clinical School and a Tropical Academic Health Centre and developing a capacity to improve health services not only in Northern Australia but in Indonesia, Timor, Papua New Guinea and Australia's northern neighbours. Flinders University has made a similar submission with a focus on health research and service capabilities in the Northern Territory. There may be room for collaboration in health.

The Australian Academy of Science is much more cautious. Despite receiving rainfall of about eight and a half times the annual runoff of the Murray Darling Basin much of this runs quickly out to sea. Of the balance 65 percent evaporates or is transpired by plants, 20 percent enters rivers or streams and about 15 percent recharges groundwater. The Northern Australian Land and Water Taskforce *Northern Australia Land and Water Science Review* concluded that the development of groundwater resources provides the best prospect for such increased use, with a potential for approximately 600 gigalitres of groundwater to be available across northern Australia. CSIRO Northern Australia Irrigation Futures project has found that a patchwork mosaic of smaller-scale irrigation based on groundwater, in those areas that have better soils,

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might prove to be an effective way to develop new agriculture opportunities.

(<https://theconversation.com/we-need-a-smarter-debate-on-developing-northern-australia-16846>) The Academy counsels against granting entitlements to water without integrated and scientific advice noting the failure of the Ord River schemes to deliver their anticipated potential. Agriculture can create extreme soil erosion and salination of land without adequate understanding of soils and methods.

The submission of the Business Council of Australia provides the following conclusion from the Regional Australia Institute. “The Regional Australia Institute has found that northern Australia has sound, long-term prospects for growth yet is lacking in resources of physical and human capital.

“... infrastructure and human capital are the two most serious bottlenecks for growth in northern Australia. Business sophistication is also weaker on average compared to the rest of Australia and is likely to act as a further constraint in many areas.

“In contrast, economic fundamentals in northern Australia have been very high, reflecting the extent to which the resources boom has occurred, and continues to occur in northern Australia. (Regional Australia Institute, *Rethinking the Future of Northern Australia’s Regions*, p. 6.)

There are many gaps in knowledge regarding Northern Australia. The challenge is to develop an economic, institutional and social structure which delivers the social services required to sustain communities and adapt to remoteness, while generating over time the resources necessary to sustain the necessary levels of investment in education, health, research, governance, institutions and infrastructure.

Members may find it interesting to read the submission of Kate Sutcliffe of Research Australasia.

[www.aphref.aph.gov.au\\_house\\_committee\\_jscna\\_subs\\_sub039](http://www.aphref.aph.gov.au_house_committee_jscna_subs_sub039) – research Australia.pdf

### **SELECTED PAPERS**

#### ***Rethinking the future of Northern Australia***

More than mines, dams and development dreams

A report from ***Regional Australia Institute***

We here reproduce the Executive Summary with attribution to the Regional Australia Institute. The full report is available at [www.regionalaustralia.org.au/research-policy/our-research/](http://www.regionalaustralia.org.au/research-policy/our-research/)

Northern Australia remains the topic of fierce debate and renewed policy interest. While discussion often centres on the prospects for particular industries or projects, it is essential that the national debate and resulting policy frameworks take into account the diversity of situation and opportunity in the north.

Part of the Regional Australia Institute’s mandate is to work with communities, government and policy makers to help unfold the story, to begin meaningful and productive conversations, and to support regions to achieve development which meets their needs, capacity and goals.

To identify the imperatives for a balanced, regionally responsive development strategy for northern Australia, this paper has reviewed the competitiveness profiles from [In]Sight: Australia’s regional

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competitiveness index for seven Regional Development Australia (RDA) regions and 74 Local Government Areas (LGA) north of the Tropic of Capricorn.

Consultation and input on the results and issues highlighted by this work was then sought from leaders in regional development across northern Australia to refine and focus the findings and implications.

The results of this process show very clearly that infrastructure and human capital are the two most serious bottlenecks for growth in northern Australia. Business sophistication is also weaker on average compared to the rest of Australia and is likely to act as a further constraint in many areas.

In contrast, economic fundamentals in northern Australia have been very high, reflecting the extent to which the resources boom has occurred, and continues to occur in northern Australia.

Discussion of the development of northern Australia is usually held at this general level. Yet, the most important insight from the analysis is an understanding of the particular opportunities and challenges that three distinct types of regions offer in northern Australia:

1. Northern cities - Northern Australia's large regional cities (Townsville, Cairns, Darwin, Mackay and Rockhampton) do not share the constraints of the north as a whole and are competitive in their own right. Significant growth is most likely to occur in this group over time regardless of the development approach taken by policy makers.

2. A diverse group of mid-size towns - Amongst the diverse mid-size towns of the north are a mixture of situations driven by location and industry:

- For those places close to the northern cities, the barriers to further development are lowered by the existing concentration of people, infrastructure and other economic resources
- Mining centres feature some of the strongest economic fundamentals of any region in Australia. Yet, their wider competitiveness profiles are often poor, emphasising how much of the boom's growth has been driven by outside resources and has not yet translated into broader, sustainable, long term competitive strengths for these regions
- Intensive agriculture regions (e.g. Queensland, Katherine and the Ord River Irrigation Area) which have opportunities emerging in Asia, and
- Tourist hubs such as Broome, Alice Springs and Whitsunday.

3. The very remote pastoral areas and remote Indigenous communities which include many of the least economically competitive LGAs in the country.

A strategy for northern development must explicitly recognise these differences in situation and opportunity to be successful.

A detailed assessment is essential across these groups to identify the specific infrastructure, health and education limitations which are creating barriers to growth and development across northern Australia.

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Leveraging the export services opportunity - linking with Asia and increasing the value to the regions of tropical expertise, education, mining and agriculture related services - is important for sustained growth, particularly in the northern cities and specialised mid-sized towns.

Mining centres, which have done well in recent years, face a need to find some level of economic diversity. There is awareness of this at the regional level, and perhaps state/territory level, but, as yet, less so in the national debate or policies.

Expanding agriculture will continue to be a central concern in northern development. Despite the work already done, a clearer and more definitive consideration of the opportunities or otherwise for expansion of intensive agriculture into new areas remains needed. For the extensive beef industry, which underpins many remote economies, economic diplomacy in export markets, addition of processing capacity (if feasible) and renewed industry innovation are opportunities to grow the value of this crucial part of the northern economy.

These broad strategies for industry development can then be integrated with knowledge of different regions to more precisely establish the scope of economic opportunity in northern Australia and the practical policy changes needed to unleash the region's potential.

However, conventional regional development policy thinking and approaches are unlikely to be an agent of significant change in the most remote communities. While many communities have specific opportunities in resources, agriculture or tourism, government continues to dominate economic activity in remote Australia.

To facilitate the economic and wider development of these very remote places, policy needs to firstly focus on:

- Resolving the complex impediments to using leasehold and Indigenous land and water as a flexible economic asset, and
- Reforming the governance of public investment to provide these remote communities with more responsibility and say over their future.

Overall, the challenge for the next stage of policy implementation is to bring some new sophistication and ambition to this discussion.

It is important to move away from a structure where the regions' strategic planning is driven by interests outside the region, who may have limited local knowledge and, despite the best of intentions, suffer no personal or organisational risk if outcomes for communities go wrong.

The challenge for policy is to create an approach that devolves genuine responsibility to people in the regions, incentivises their leadership in building a different future and provides the time needed for this seismic shift in approach to occur.

Northern Australia has too often been the recipient of groups of one-off strategies that may be positive in isolation, but add up to little significant change for most of the communities and people in the north.

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Amongst all of the issues and opportunities in northern Australia, this is perhaps the core challenge for the development of a White Paper on Northern Australia.

### *There's no place like home in regional Australia* *Regional Australia Institute*

Text reproduced with acknowledgement to Regional Australia Institute. The link is [www.regionalaustralia.org.au/archive-blog/blog-regional-returners-theres-no-place-like-home/](http://www.regionalaustralia.org.au/archive-blog/blog-regional-returners-theres-no-place-like-home/)

In Australia between 2010 and 2011, over 135,000 people left a capital city to move interstate or into a regional area. Of these:

- 2,374 people moved from Hobart to regional TAS
- 34,551 people moved from Sydney to regional NSW
- 30,576 moved from Melbourne to regional VIC
- 37,016 moved from Brisbane to regional QLD
- 11,252 moved from Adelaide to regional SA
- 19,981 moved from Perth to regional WA

Overall, this domestic mobility led to an increase in Australia's regional population by 10,597 people.

Are you a regional returner? Or perhaps you've been thinking about making the move for a while? RAI would love to hear from you about what drives your desire to move back home, or what the impediments are. You can get involved by commenting, or heading to the 'Have Your Say' section of the RAI website. You can also join the discussion on the RAI Facebook and Twitter pages.

To download 'Talking point: returning to regional Australia' use the link above.

### *Business Council of Australia* *Action Plan for Enduring Prosperity* *Sustainable growth in our cities and regions*

Thanks to the [Business Council of Australia](http://www.bca.com.au/) and Rebecca Austin for permission to use this selection from Action Plan for Enduring Prosperity. The full report is available at [www.bca.com.au/](http://www.bca.com.au/)

#### *Why do we need to get cities and regional planning right?*

There are a number of important considerations that relate to the management of the growth in our cities and regions. Cities contribute 80 per cent of Australia's GDP growth and employ 75 per cent of the workforce and are where most of Australia's knowledge-intensive businesses and workers are located.

The consequences of failure to invest in our growing cities will be congestion, unaffordable housing, low productivity and poor urban amenity. There are also agglomeration benefits from city development with studies showing that for every doubling of job concentration there is a 5 to 13 per cent increase in labour productivity.



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The provision of infrastructure, housing and other services in Australia's fast-growing cities and regional centres needs to keep pace with economic activity. As such, investments in cities and regions need to be planned many years in advance.

The growth in our cities and regions must also be consistent with proper valuation and care for our natural environment and the need to manage it on behalf of future generations.

Communities are concerned that governments do not have adequate strategies for managing the impact of change on them and ensuring that they are broadly benefiting. Instead in many cases they see a lack of strategic planning and an absence of supporting development in local infrastructure and provision of services.

Many in the community are concerned about the impact of growth on the environment. Policies need to get the incentives to drive efficient resource use and give communities the comfort that these issues are being sensibly addressed and in an economically responsible way.

### *How do we get well-managed growth in our cities and regions?*

A well-managed growth agenda in our cities and regions is needed to make sure we plan and invest to support population growth. It would focus on reforms to implement:

- improved cities and regional governance arrangements across the federation
- better long-term integrated planning processes and project approvals
- investment in housing, services and infrastructure.

As most Australian cities will grow strongly in the period ahead, governments will need to grapple with how that growth will be implemented and address critical questions, such as whether it will occur at the urban fringe or by carefully planned urban in-fill.

Fundamentally, strategic city planning needs to ensure that we identify the future jobs, transport and housing corridors and invest in the housing, infrastructure and other services needed to ensure that population growth is consistent with positive outcomes for communities.

Better integrated cities and regional governance are key things for Australia to get right. All three levels of government have policy roles in cities. State governments and metropolitan local councils are primarily accountable for city development. The federal government has sought to play a larger role through establishment of a Major Cities Unit and the release of a National Urban Policy.

A key question for the federation is what role each tier of government should play and how they should collaborate better and with communities and the private sector to develop cities in the future. A second question is whether there should be for each major city a single authority charged with bringing together a comprehensive metropolitan-wide growth strategy for design and implementation. With numerous local government areas in most cities, the states are probably best placed to serve this leading role.

Outside our major cities, state and local governments should work better together on regional planning.



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Local government authorities should come together and make decisions at a regional level through regional planning authorities.

Many regional areas where large projects are being commissioned and delivered are going through significant changes to their economies and communities. Communities are concerned that governments do not have adequate strategies for managing the impact of that change on them and ensuring that they are broadly benefiting. Instead in many cases they see a lack of strategic planning and an absence of supporting development in local infrastructure and provision of services. Regional development plans in fast-growing regional areas should be carried out by state governments. Special development zones could be established to expedite approvals of land use for local infrastructure.

Nationally, there will be a need for leadership at the Commonwealth level for putting in place a strategy for the long-term development of Australia's northern regions to begin to unlock the large potential economic and social benefits. The Commonwealth should be heavily involved in developing these plans given the significant resources that will be required along with the need to coordinate multiple state, territory and local government jurisdictions.

Amalgamation of local government authorities in cities and regions is another option that should be strongly considered to allow for more resources to be allocated to strategic planning of a wider economic area.

Better strategic planning of cities and regions should assist in speeding up project development assessment and approvals and help to lift the quality of projects. They will also give the community the confidence that city development is being well managed.

The Business Council has joined with the Regional Australia Institute to conduct regional consultations on the 'Action Plan for Enduring Prosperity' in Port Hedland, Wollongong, Geelong and Townsville.

*Reflections of Tony Shepherd AO,  
Outgoing President of Business Council of Australia  
Excerpts from Farewell Address.*

Full speech is available at <http://www.bca.com.au/newsroom/farewell-address-by-tony-shepherd-outgoing-president-of-the-bca>

Tony Shepherd called for and Chaired the as yet unpublished Commission of Audit.

The new President of Business Council of Australia is Catherine Livingstone who is a widely respected CEO and board member.

Australia faces "...a fiscal challenge that could lead to 16 consecutive deficits through to 2023-24 and accumulated debt of \$667 billion."

"The growth outlook is uncertain, consumer confidence has softened and business confidence since the election is only creeping above average.

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“Most concerning, we are losing our competitiveness on many fronts and there is no good reason for that.

“Australia has valuable and rich natural advantages in land and resources.

“We have a highly qualified, highly educated labour force.

“We have a stable political system and the rule of law.

“These advantages provide the foundation for enormous and enduring success.

“Australia today has an unparalleled opportunity for prosperity – developing economies in Asia mean that the centre of global growth is on our doorstep, and demand for many of our products is strong and getting stronger.

“We have every reason to be optimistic about our future.

“However, we are going to have to work for it. There are no free kicks in the modern world.

“The BCA has long argued that we have become a high-cost country, and our productivity performance has not kept pace with many other advanced nations.

“We have been one of the few countries to reintroduce rigidity into our labour market and other areas of the economy when what’s needed is greater agility and flexibility.”

“I am proud that” The Business Council of Australia has “...established a new Innovation Task Force [which] has been essential in recalibrating the council for the 21<sup>st</sup> century.’

“I am also very proud of what the Business Council and member companies have been achieving in our Indigenous engagement efforts. ...we could and should be doing more. ...This [and] a Reconciliation Action Plan, ...is a leadership responsibility that should be very straightforward for our members.

[Having] “...an ambition to have 50 per cent of senior leadership positions in BCA member companies filled by women within the decade ...is not just an equity issue, it is a productivity issue. In a country with poor productivity performance and an ageing demographic, we cannot have half of the potential workforce denied the opportunity to participate to the maximum of their potential.

### *On the Commission of Audit*

“The audit puts into focus a very difficult long-term fiscal outlook for Australia if we are to achieve our key Term of Reference of a sustainable surplus of 1 per cent of GDP by 2023–24. A modest target and one which a country so richly endowed should be able to achieve in 10 years.

A “...significant public education task ...needs to be undertaken to make reform politically possible.”

“The community must understand the very real risk of us becoming a country of ‘haves and have-nots’ and leaving our children and grandchildren to sort out the mess.

“A terrible thought is that my grandchildren may not have it as good as I have.

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“One of my major concerns and priorities is youth unemployment in Australia. With 13 per cent unemployment amongst young Australians, we are looking down the barrel of something very frightening.

“Tomorrow, it is no coincidence that Catherine’s first official role as president will be to lead a roundtable discussion on youth unemployment between our members and a group of young people from the Foundation for Young Australians.

“I cannot imagine a more virulent social and economic disease than youth unemployment.

“But if I’ve learnt one thing in my time as BCA President, confirming what I’ve come to believe over my life, it’s the essential good sense of the average Australian.

“If they want good jobs for their kids and grandkids, quality services and infrastructure, and a meaningful welfare system that looks after the deeply disadvantaged and lifts people out of poverty, they will understand we have to stop governments making promises to every sector of the community.

“That includes business. ...

“I also look forward to seeing the Commission of Audit report published because I believe the former government should be held to account for the budgetary decisions they made.

[Particularly for]“The long-term commitments, entrenched and legislated into future budget cycles that they must have known Australia couldn’t afford on any reasonable projections. Major programs with growth rates way above projected growth in CPI, GDP and tax revenue. ...

“A final point I wanted to make about the audit is how important it is for the Business Council and all of our members to do all we can to counter the argument that fiscal discipline is somehow at odds with economic growth.

“That somehow waste and inefficiency, unaffordable commitments and growth in government debt is good for the economy.

“My rock-solid belief is that you cannot have the kind of sustained economic growth that we in the Business Council – and sensible politicians of all persuasions – have been advocating, if our starting point is a weak budget.

“You can’t modernise the economy and keep Australia competitive when your hands are tied behind your back, fiscally speaking.

“You won’t undertake proper tax reform through 16 years of deficits because proper tax reform requires proper compensatory arrangements ... as it ought to.

“You won’t see governments sharing the infrastructure responsibility with the private sector when there’s no money to invest.

“Nor will you see them embark on the next big skills agenda around VET and kids’ foundation skills.

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“If Australia takes this opportunity to correct the fiscal position, if we do it structurally and sustainably and in tandem with broader economic reforms, that’s what will give us the platform for growth.

“We must also fix the federation and put the states and territories in a sustainable fiscal position. We cannot afford continued waste, duplication and conflict between the two levels of government.

“This was the thinking behind the Business Council’s Action Plan for Enduring Prosperity. ...

“I know Australia can do the things I’ve talked about and my confidence in the average Australian is rock-solid. I have a great feeling about the future.

“My confidence in the BCA and the positive influence you’ll continue to have is equally solid.”

Editor. Much commonsense here. With thanks to Business Council of Australia.

### *Productivity Commission Commissioned Study on ‘Geographic Labour Mobility’*

The Draft Report was released on 3 December 2013. The report to Government is due on 21 May 2014. There are 58 submissions on [www.pc.gov.au/projects/labour-mobility](http://www.pc.gov.au/projects/labour-mobility)

The Australian Government has requested that the Productivity Commission undertake a research study assessing geographic labour mobility within Australia and its role in a well-functioning labour market.

The principal objective of the study will be to examine patterns of mobility, impediments and enablers, and their effect on the ability to meet Australia's continually changing workforce and employment needs.

Specifically, the Commission has been asked to:

- examine patterns and trends in geographic mobility, their relative contribution to regional labour supply, and the implications of structural, demographic and technological developments
- identify the key determinants and drivers of mobility, including the costs and benefits from the perspectives of businesses, individuals, their families and governments, any differences in the determinants and drivers of mobility between groups, and an assessment of the effectiveness of market signals, such as wages
- identify the major impediments to geographic mobility to support economic adjustment, employment and productivity outcomes
- assess the current strategies used by employers and governments that affect geographic mobility, and discuss possible options to enable further mobility
- estimate the prospective economy-wide impacts of reducing impediments to geographic mobility.

In undertaking the study, the Commission will consult with governments and other interested groups.

The draft report gave the following findings.

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Geographic labour mobility is helping the economy adjust to major structural change, and has enabled wealth to be spread across the country, according to a draft report released by the Productivity Commission today.

The Commission found that Australian workers and employers show considerable flexibility in responding to market conditions. Commissioner Alison McClelland said 'generally, people are moving to areas with better job opportunities and employers use a range of strategies to attract employees with the required skills'. The increased use of fly-in, fly-out (FIFO) practices and temporary immigration have also been critical to meeting labour demand in many parts of the country.

However, the report finds that there is room for improvement — areas of skills shortages remain and, at the same time, there are areas of high unemployment.

There are no simple levers that governments can use to influence where people live and work.

Rather, the Commission has identified a number of significant policy areas where the programs are poorly designed and, amongst a number of negative effects, have the unintended consequences of reducing geographic labour mobility. Reform in these areas would lessen impediments to that mobility and have broader community benefits.

The Commission's draft recommendations include: cutting stamp duties; improving assistance for unemployed people to find employment in other locations; improving the efficiency of land-use planning and land release and the operation of the Commonwealth Rent Assistance program to overcome housing shortages and high prices; and, urgently addressing the substantial delays in the implementation of the national occupational licensing system.

There are gaps in the understanding and measurement of geographic mobility, particularly of temporary or 'service populations'. The Commission finds that more can be done in this area, and that the greater use of administrative data for policy analysis and program design is a key.

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Ed: Some room for further research may be flagged in the final report.

### **CURRENT RESEARCH**

#### ***Papers in Regional Science***

ABSTRACTS Vol 93(1) 2014

***Broadband and knowledge intensive firm clusters: Essential link or auxiliary connection?*** (pages 3-29)

Elizabeth A. Mack

This study evaluates the relationship between the spatial distribution of broadband providers and the presence of knowledge intensive firm clusters in US counties. Results highlight this relationship is heterogeneous and localized. In some places, broadband appears to be an

essential link that enables knowledge firms to strategically locate in lower cost counties and in close proximity to major knowledge centres. In other places, the availability of broadband Internet connections are unable to overcome the negative externalities associated with locations in more remote areas of the country. From a policy perspective, this suggests that broadband should be viewed as a key component, but not the only component, of comprehensive local economic development plans.

***Testing for labour pooling as a source of agglomeration economies: Evidence for labour markets in England and Wales*** (pages 31–52)

Patricia C. Melo and Daniel J. Graham

This paper generates new evidence for England and Wales on the importance of labour pooling as a source of agglomeration economies. Estimates of worker and firm productivity are obtained from longitudinal worker and firm micro-data and used to test the hypothesis that denser labour markets increase the quality of the matching between employees and employers across labour markets. Our findings provide evidence supportive of a positive relationship between the quality of the employee-employer matching and the economic size of labour markets.

***Path dependence, institutions and the density of economic activities: Evidence from Italian cities*** (pages 53–76)

Marco Percoco

In recent years a growing body of literature has begun to consider the possible presence of path dependence in the development processes of countries. This phenomenon has always been recognized in regional and urban studies because the path of development almost naturally

follows a history-dependent spatial diffusion influenced by both physical geography and the quality of institutions. In this paper, I consider the case of firm and employment concentration in Italy and its impact on local development. A large and growing literature has argued in favour of persisting effects of past institutions on current outcomes. Hence, in order to identify the impact of firm and employment density on income, I use instruments from the history of a set of Italian cities: namely the presence of a university and status as a free-city state in the Early Middle Ages. I first show that those two variables had an important effect on the process of urban development between 1300 and 1861, together with favourable geographic conditions. Then, when I use these instruments to predict firm and employment density, I find that the elasticity of income to firm and employment density is in the interval 0.08–0.13. This result is interpreted as providing evidence of the historical roots of agglomeration economies in Italy.

***All in the family: Self-selection and migration by couples*** (pages 101–124)

Kent Eliasson, Robert Nakosteen, Olle Westerlund and Michael Zimmer

This paper examines determinants of couple migration in a model that accounts for self-selection of migrant couples. The study is based on a sample of married couples from the Swedish population. The model incorporates controls for earnings of both spouses preceding the move, and explicitly addresses unmeasured heterogeneity in the family decision to migrate. Two statistical formulations are presented. In the first version, migration is measured as a dichotomous move/stay decision. A second formulation replaces the dichotomous indicator with the distance moved by migrants. Results

suggest that family migration is selective of relatively low earning wives with unmeasured potential for strong earnings.

***Search costs decrease prices in a model of spatial competition*** (pages 125–139)

Ralph M. Braid

This paper examines the Nash equilibrium prices of stores in a spatial search model. By assumption, a large store is certain to have the particular product a consumer wants, whereas a small store has it with probability  $w$ . Large and small stores alternate with each other on a circular roadway. Consumers must search by visiting stores. In the Nash price equilibrium, large stores charge higher prices than small stores. Perhaps surprisingly, all Nash equilibrium prices are lower than in the corresponding perfect-information-no-search model (for a given value  $w$ ). This last result is also demonstrated in a model with only small stores.

***Zipf, Gibrat and geography: Evidence from China, India and Brazil*** (pages 159–181)

Kwok Tong Soo

We investigate Zipf's Law on the size distribution and Gibrat's Law on the growth of sub-national populations in China, India and Brazil. We reject Zipf's Law for India, but not for China and Brazil; a log normal distribution also fits Brazil well, but not China and India. Gibrat's Law holds for Brazil; that is, lagged population is the best predictor of current population in Brazil. In China, market potential is an important predictor of population growth, while in India both crop area and market potential are important. Our results show that there is a diversity of experiences across countries, and we speculate that this diversity

maybe caused by differences in the characteristics of the three countries.

***Innovation and the local workforce*** (pages 183–201)

David C. Maré, Richard Fabling and Steven Stillman

We combine firm-level innovation data with area-level Census data to examine the relationship between local workforce characteristics, especially the presence of immigrants and local skills, and the likelihood of innovation by firms. We examine a range of innovation outcomes, and test the relationship for selected subgroups of firms. We find a positive relationship between local workforce characteristics and average innovation outcomes in labour market areas, but this is accounted for by variation in firm characteristics such as firm size, industry, and research and development expenditure. Controlling for these influences, we find no systematic evidence of an independent link between local workforce characteristics and innovation.

***The relationship between start-ups, market mobility and employment growth: An empirical analysis for Dutch regions*** (pages 203–217)

Sierdjan Koster and André van Stel

Recent literature suggests two mechanisms through which the start-up of new firms contributes to economic development: the growth of start-ups and competition among incumbent firms induced by the start-ups. While existing studies derive the competition effect indirectly, this paper deploys a direct measure, called market mobility, to approximate the induced competition effect. The empirical results are consistent with the idea that both effects are important in explaining the long-term



economic impact of start-ups. First, the most successful start-ups grow to become high-

### **BOOK REVIEW**

*International Handbook on the Economics of Migration.* – Edited by *Amelie F. Constant and Klaus F. Zimmermann* (pages 219–220)

Daniela-Luminita Constantin

In the current globalization context none of the countries is excluded from the international migration flows. They are either countries of origin or transit or destination countries for migrants, or they present these three characteristics simultaneously. The implications of the migration related phenomena on political, economic, social, cultural life are manifold and have made migration an extremely exciting field of research, generating a rich literature worldwide.

In such a dense space *The International Handbook on the Economics of Migration* has been remarked from the very beginning as an exquisite work which deepens and widens the migration economics, opening new doors for the research in this area. As a result of their huge expertise in migration studies, the editors – Amelie F. Constant and Klaus F. Zimmermann – have succeeded in gathering 44 excellent experts in the field and to produce 28 state-of-the-art chapters on very challenging contemporary migration issues.

In fact, one of the distinctive features of the handbook is the integration in the mainstream of migration economics of a series of issues relatively unexplored or less explored from an economic perspective compared to, for example, sociology or psychology. At the same time, the classic issues are addressed from new, original

growth firms, and second, the entry of new firms stimulates incumbent firms to perform better.

angles, shedding more light on specific, timely aspects.

In the former category can be mentioned topics like the relationship between migration and happiness, child labour migrants, the economic consequences of inter-ethnic marriages, the spatial mismatch in ethnic hiring, the controversial issue of educational mismatch, the healthy migrant hypothesis and the obesity issue, the refugee and asylum migration, the assimilation of refugees, natural disasters and migration, human smuggling and trafficking in human beings with the clear distinction between the two, the links between immigration and crime, etc. In tackling most of these topics the authors review the existing theoretical work, reveal the scarcity of empirical evidence, indicate the areas where additional research is needed, propose new investigation methods and clearly identify challenges for future policy advice.

For example, when ethnic hiring is addressed, the barriers to employment are discussed in terms of discrimination, spatial mismatch and networks. Even if there is large evidence of ethnic discrimination offered by audit or correspondence studies, it may be possible that these studies do not really identify discrimination. Moreover, the new method proposed for coping with the identification problem needs further development so as to be applied to data from both new and existing studies and thus to check the robustness of the evidence of ethnic discrimination. In another register, an exciting investigation deals with human smuggling and human trafficking, pointing out the different mechanisms and implications in the two cases, even if they may look quite similar at first glance. An analytical

framework for understanding the micro-foundations of the human smuggling market is provided, and a large collaboration between economists, sociologists, anthropologists, legal scholars, etc. is proposed in order to systematically process the available empirical evidence, so as to calibrate the existing and new theories in this field. As far as the issue of independent child labour migrants is concerned, starting from the finding that the literature in the field is still in an infancy stage, the needs in terms of measurement and analysis of causes and consequences of this phenomenon are identified. It is emphasized that the correct, profound understanding of the relationship between the independent child migration circumstances and its repercussions is a sine-qua-non condition for conceiving the correct policy mix aiming at helping the independent child migrants.

The latter group of topics includes issues relating to migration decision and migratory flows, temporary, return, repeat or circular migration, skilled migration, labour market consequences of mobility, immigrants in risky occupations, the impact of migration on the family left behind, the economic impact of migration on the sending and host countries, immigrant selection, political migration and citizenship ascension, the evaluation of immigration policies, welfare migration, diaspora resources and policies. In all cases new research perspectives are highlighted.

When, for example, temporary, return, repeat or circular migration are focused on, new challenges for modelling and predicting migration patterns are identified, accompanied

by adequate policy measures to manage circular migration. In relation to labour market consequences of mobility, the enlarged Europe is offered as a relevant case, being demonstrated that not only 'the pre-enlargement fears of labour mobility proved to be unjustified' but, 'rather, there appear to be positive effects on the EU's productivity' (p. 3). One can also find an interesting debate on the welfare magnet hypothesis, which discusses the likelihood of migrants' movement to countries with generous welfare systems. Based on solid empirical evidence it is argued that the existing literature has failed to notice the existence of different migration regimes and the possibility of a reverse causal relationship between welfare spending and immigration. The discussion about diaspora resources and policies enlarges the existing approaches as well, the main message being that in a globalizing world it is not just a source of remittances but it also has an important contribution to increasing bilateral trade and investments between the home and the residence countries. At the same time diaspora members can support the development of the capital markets and the firms' access to new technologies and skills in their origin countries, etc.

The above considerations have been meant to emphasize that the handbook will definitely become a milestone in the migration reference lists in the forthcoming years and will serve as an excellent guide for both researchers and policy-makers. The editors as well as all contributors deserve congratulations and the entire appreciation for this outstanding accomplishment.

## **ABOUT ANZRSAI**

### ***ANZRSAI Annual Conference 2014***

The 2014 Annual Conference will be in Christchurch New Zealand. Christchurch is the recommendation as host for next year's conference from 1<sup>st</sup> to 4<sup>th</sup> December. Paul Dalziel has strong roots to the city and his sister is Mayor.

There are also a Pathways conference in Wellington and a labour market conference which participants may be able to attend before or after the ANZRSAI Conference.

The Call for Papers will be issued in May.

**Photo: Paul Dalziel describes the location of the 2014 Annual Conference.**



### ***ANZRSAI News***

Members and friends of ANZRSAI will be aware that ANZRSAI now has a Facebook page and work continues on a more attractive website.

The edited proceedings of the Annual Conference, held at University of Southern Queensland in December 2013, have been published and are available from the website.

The Annual General Meeting resulted in some changes in the members of the Council.

Membership growth will be a key focus for the ANZRSAI Council in 2014. Membership rates are a competitive \$80 per year and help to maintain our journal, Australasian Journal of Regional Studies and our community of scholars and practitioners. Please join.

An institutional membership policy was adopted at the Annual General Meeting. The policy

offers a discounted individual membership to employees of specified institutions while they remain with the institution.

During 2014 ANZRSAI is calling for expressions of interest in editing Australasian Journal of Regional Studies (AJRS). At the same time efforts to strengthen the listing of AJRS on Scopus and other citation databases are ongoing.

The 2015 Annual Conference will be in Sydney.

## *SUSTAINING REGIONS, the newsletter of ANZRSAI, 4(1)*

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