COVID-19 Economic Recovery Proposal

Boosting Australia's Economy through Growth Area Productivity

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Executive Summary

The National Growth Areas Alliance (NGAA) represents Councils from the fast growing outer urban areas around Australia's major cities, home to more than 5 million people. Growth area councils accommodate 20% of Australia's population in just over 5% of Australia's local government areas.

The economic shock brought on by COVID-19 will have a disproportionate effect on growth areas due to their reliance on the hardest hit sectors for employment, and the prominence of vulnerable communities.

- Conservative estimates of unemployment rates up to 16% could leave 424,000 people in growth areas unemployed.
- 334,000 of Australia's most vulnerable small businesses – those employing fewer than 20 people - operate in growth area LGAs
- GDP is forecast to decline in most growth area councils at a higher percentage rate than the national average
- 16 of the top 20 postcodes suffering mortgage stress are in growth areas
- Internal migration and high birth rates will see population growth in these areas continue at above average rates during the pandemic recovery.

Stimulus allocations to growth areas are essential and the economic recovery period provides an unparalleled opportunity to increase growth areas' productivity.

Population growth protected Australia from the worst of the Global Financial Crisis; now, with the right support, existing growth areas could help our economy emerge strong from COVID-19. With a large workforce, easy access to greenfield industrial and employment land and a strong small business culture, growth areas are positioned to be Australia's next economic powerhouse.

In addition to prioritising Growth Area projects in short-term stimulus allocation, the Alliance proposes recovery activities focus on:

1. Ensuring Local Government can deliver the level of service required by local business and community
2. Improving conditions for Australian businesses to grow
3. Supporting construction industry to continue residential development.

Longer-term policy shifts will also be critical to gear up Growth Area economies and populations for ongoing productivity increases. These are highlighted in this document, but draw on the NGAA 2020-21 Federal Budget Submission.

Prioritising Growth Areas in short-term stimulus allocation

The NGAA calls on the Federal Government to prioritise growth areas in immediate and medium-term responses to the COVID-19 pandemic. Fast-tracking major projects in particular, will create local jobs, address the infrastructure deficit in growth areas and stimulate residential housing development.

Economic forecasts by SGS show Australia's GDP is expected to decline by 6.7% in 2019-20 compared to the 2018-19 fiscal year. This estimate accounts for state and federal stimulus measures, as well as the impact summer bushfires and COVID-19. Economic output in growth areas in Perth is forecast to decline by up to 15%, by up to 10% in Sydney's growth areas and by up to 15% in Melbourne's. (SGS Economics and Planning). Local Government is not immune to broader economic downturn and is substantially impacted by downturns in commercial and industrial rate revenue.

Growth Areas should be prioritised in recognition of:

- The attractive multiplier effect of investment and job creation in geographic areas where 20% of Australia's workforce lives and where localised unemployment rates will be higher than the national average given the employment dependence on sectors that will be hardest hit by the economic shock - retail trade (9.7% of growth area workforce), manufacturing (8.5%) and construction (10.4%) (.id, 2019).
- At least half a million employees (over 30% of total employees in Growth Areas) work in retail, construction and manufacturing. Job losses in these industries will put an additional burden on already stretched services in growth areas. An unemployment rate of 10-16% means that around 265,000 to 424,000 people in growth areas across the country could be unemployed.
- 16 of the top 20 postcodes suffering mortgage stress are in growth areas, risking catastrophic mortgage default rates and ensuing housing and homelessness crisis. (DFA)
- 14% of Australia's most vulnerable small businesses – employing fewer than 20 people – are located in growth areas, with Councils playing a pivotal role in supporting their development. (ABS)
- NGAA members have an average SEIFA Index of 922.2. This means that 59% of Australian LGAs are more socio-economically advantaged than growth areas.
- The significant deficits in access to transport, education, health and recreational infrastructure, created by long-term underinvestment in growth areas during a period of unprecedented population growth.

- Population growth in these areas will continue to outpace national averages due to high birth rates, although in the short to medium term, overall population growth rates will be slowed by a lack of inward overseas migration.

Growth Area Councils' responses to COVID-19

Councils are embedded in their local economies, as much as they are an integral part of their local community. Downturns in local economies, either directly due to COVID-19 operational restrictions, or indirectly through markets and suppliers drying up in the pandemic environment, all impact local government.

For growth area Councils this impact is exacerbated by the level of dependence of new communities (recently arrived populations and higher than average cultural diversity), as well as the lack of other providers of business and community support.

During the pandemic response, NGAA member councils have been first responders, scaling up and diversifying their services to meet urgent community and business need, often beyond their existing remits, including:

- Meeting a drastically increased need for assistance to vulnerable communities, of which growth areas have a higher than average number, including financial and employment vulnerability, health and disability, victims of family violence, new migrants and refugees.
- Delivering extensive support for local small and medium sized businesses – which in recent years have been established in growth areas at double the national rate - including multi-million dollar support packages, fast-tracked payments to local suppliers, training and one-on-one engagement
- Uncertainty about the future of their own workforce, while also being required in some states to find employment opportunities to newly-unemployed people from different sectors.

At the same time, growth area councils have seen drastically reduced revenue caused by:

- the impact of state government measures aimed at assisting industry and business, such as freezing fees and charges and waiving rates for small business (on top of existing rate capping)
- restrictions on delivery of Council services such as early years education and childcare, libraries, arts and cultural activities, community and recreations facilities such as gyms, pools and community centres
- waiving, rebating or reducing fees and charges to local businesses, residents facing financial hardship,
- the downturn in the residential housing sector.

However, a range of opportunities are also appearing, that provide the chance for growth areas and the Australian economy more broadly to emerge better and stronger post-pandemic. These include:

- Fast-tracking capital works projects through streamlined approval and funding mechanisms, to create local jobs
- The roll-out of infrastructure stimulus packages at both the state and federal government level
- An appetite to build the capacity of small business to embrace innovation and new technologies and build resilience

Our recommendations are geared towards giving outer urban growth areas the opportunity to reach their economic and productivity potential, and play a pivotal role in the nation's recovery from COVID-19 economic shock.

They build on the long-standing set of principles for development on which the Alliance is based, and support our more extensive 2020-21 Federal Budget Submission which contained details of shovel-ready projects in growth areas.

COVID-19 Economic Recovery Proposals

The Australian economy needs growth areas to fulfil their productivity potential to drive economic growth and provide a local workforce for new and emerging industries. With a large workforce, easy access to greenfield industrial and employment land and a strong entrepreneurial culture, growth areas are positioned to be Australia's next economic powerhouse. Population growth protected Australia from the worst of the GFC; now, with the right support, existing growth areas could help our economy emerge strong from COVID-19.

Outer urban growth areas have become a major driver of economic and employment growth in Australia. The national economic significance of growth areas is large, accounting for 12% of GDP despite making up just 29 (or 5%) of Australia's 537 Local Government Areas (LGAs).

In 2018, 1.7 million jobs were located in growth areas, (13.5% of Australia's employment, up from 9.6% in 2006). A significant shortfall in local employment opportunities remains for the workforce of 2.65 million people (ABS). There are nearly one million young people in growth areas who will be looking for further study and employment opportunities within the next decade.

A business as usual approach (focusing on CBDs and regions) risks further entrenching significant disadvantage through un- and under-employment, reduced access to affordable housing, ongoing deficits in hard and soft infrastructure.

Three ways to prompt economic growth during a 6-18 month recovery period

1. **Ensure Local Government in growth areas can deliver the enhanced level of service required by local business and community**

Local Government has the capacity to act quickly and comprehensively to stimulate local economic growth and job creation.

In the recovery period, NGAA proposes:

- 1.1. $100 million shared between NGAA Member Councils to provide urgent support to newly vulnerable communities who already face significant disadvantage, unemployment, disengagement and lack of access to services.
- 1.2. $5 million to coordinate small business support services in Growth Areas, delivered through NGAA Member Councils, in acknowledgment of the key role they are playing in mentoring, training and building resilience in their local business communities
- 1.3. Replication nationally (at the State Government level) of the NSW Government's $395 million economic stimulus package to safeguard council jobs, services and infrastructure
- 1.4. Flexibility in local government procurement regulations, to ensure Councils can support their local and regional suppliers. Federal and State Government support to fast-track

shovel-ready community and social infrastructure projects delivered by NGAA Member Councils, particularly sport and recreation facilities.

1.5. A one-off grant to all LGAs, equivalent to two quarters of the annual $2.6 billion Financial Assistance Grant funding stream to maintain pre-COVID-19 levels of service delivery.

2. Improve conditions in growth areas for Australian businesses to grow

2.1. Guarantee roll-out of the Federal Government's 10 year Infrastructure pipeline, expanding the Urban Congestion Fund to fix local hot spots in growth areas and including a youth employment incentive.

2.2. Increase long-term employment rates in an expanded and more efficient freight and logistics sector (the backbone of retail, supply chain and international trade) through investment in transformational freight infrastructure.

2.3. Provide grants to support business who are responding to emerging opportunities in niche manufacturing.

2.4. Mandate continued remote working arrangements by establishing satellite offices in outer urban areas for Federal and State Government departments, and providing incentives for employers and employees to work from home.

3. **Support construction industry to continue residential development**

Growth Area economies rely on a strong construction sector, both in terms of employment generator but also in housing the growing population. Population growth may slow but will not stop in growth areas, where birth rates are high and new residents are migrating from established inner urban areas rather than from overseas. While a downturn in residential development is expected, efforts to support the sector include:

3.1. The welcome review of planning processes which has the potential to vastly improve and modernise outcome for growth area developments

3.2. Reviewing mechanisms such as land tax to make them sufficiently flexible to cope with current, recent and assumed future economic shocks

3.3. Addressing the severe shortage of social and affordable housing through facilitating shovel-ready projects in growth areas, thereby creating opportunities for our most vulnerable community members to have secure housing which in turn leads to increased employment capacity.

Long-term proposals to Gear Up for Ongoing Growth

While the current focus is rightly on immediate support and stimulus, we urge the Government to look to Australia's outer metropolitan areas, where one fifth of the population and over one quarter of the workforce lives, to lead Australia's medium and longer term economic recovery.

Australia's response to COVID-19 provides a rare opportunity to rebalance the spatial structure of our capital cities through better planning and investment that supports distributing infrastructure, jobs and housing more evenly across the metropolitan area, including bringing new jobs closer to where the growing population lives. This is a necessary shift in traditional metropolitan planning practices in Australia.

1. Harness the potential of growth areas' young workforce to increase national productivity

A concerted effort by all levels of government to skill up our young workforce, attract new industries and commit to transformational infrastructure will have enormous long-term benefits for the national economy.

Australia's outer suburbs are home to a workforce of 2.65 million people, with another million ready to join within the next ten years. Young people who have recently joined or will soon join the workforce will be disproportionately affected by COVID-19, and it is critical that long term strategies include a focus on youth employment.

A significant skills gap remains, with 13% of residents in the outer suburbs having a bachelor's degree compared to the national average of 19%. This gap is a major barrier to economic development, particularly as we shift towards the new economy.

2. Embrace ongoing change in work and business practices

Australians and Australian businesses have shown remarkable agility in responding to the economic shock of the COVID-19 pandemic. In growth areas, this has been seen in the uptake of working from home, small business pivots to online operations and revised service offers and filling supply chain gaps with innovative niche manufacturing.

This Government now has the opportunity to set up Australia's economy and workforce for long-term growth, to leave outdated practices in the pre-COVID-19 era and create a new economy.

3. Shift to a new foundation for building and retrofitting communities

Rather than approach outer suburban planning as simply housing for a labour market, we can use the current shift to remote working to make growth area communities fit-for-purpose for a population that spends more time at home and in their local environment instead of commuting to CBD or inner city jobs. This will mean a focus on active transport, open and public space, local congestion hotspots and local delivery of health, education, community and commercial services.

Australia's outer urban growth areas are home to 1.2 million children, and thousands of babies are born every week within NGAA member councils. Due to the geographic location of their home, those children will have insufficient access to education, community facilities and services that will allow them to thrive.

Appendix A - The Impact of COVID-19 on Growth Areas

Outer growth areas will be significantly economically and psychologically impacted by COVID-19. Around 13% of Australia's jobs are in outer growth areas (.id, 2019), which lie within just 5% of all Local Government Areas. The residents living within these areas are also more likely to face job cuts, higher cost of living and worse health outcomes as a result of the crisis (Boucher, 2020) (Karp, 2020).

The combined effects of COVID-19 will be devastating for outer growth areas. However, the opportunity to stimulate the economy by investing in local physical and social infrastructure in these areas will have an overall greater benefit than investing in central metropolitan areas. This is because outer growth areas are growing faster and developing at a more rapid rate (.id, 2019). This is not all due to overseas migration: internal migration and high birth rates in growth areas are ongoing growth factors.

Main growth area employment sectors hardest hit

OECD estimates suggest each month of lockdown will reduce two percentage points off annual GDP (Grattan Institute, 2020). The RBA is similarly predicting a large reduction in output of 10% and up to 20% reduction in hours worked by June 2020 (Grattan Institute, 2020). For growth areas, this will hit hardest in three of its biggest employment sectors, retail, construction and manufacturing. According to the 2016 census, at least half a million employees (and over 30% of total employees) work in these industries in growth areas (.id, 2019). According to the Grattan Institute, the unemployment rate will reach between 10-16% (Grattan Institute, 2020). With unemployment already higher in growth areas (0.9% higher than across Australia), this will likely put an additional burden on already stretched services in growth areas.

ABS data shows growth areas labour force was 2.65 million in December 2019 (ABS). An unemployment rate of 10-16% means that around 265,000 to 424,000 people in growth areas across the country could be unemployed. Without the Job Keeper wage subsidy, the Grattan Institute puts the unemployment rate at a higher 17-28% (Grattan Institute, 2020). Around 30% of residents in growth areas were born overseas, making them much more likely to be on a temporary visa or similarly, underreporting their income, meaning they're ineligible for either the Job Keeper or Job Seeker allowance. (.id, 2019)

Young people disproportionately affected

Young people are disproportionately impacted by job losses because of COVID-19 due to casual and part-time employment. The ABS reported job cuts of 9.9% for those aged 20 and under (Karp, 2020). In growth areas, the population is dominated by young working families, usually with children. The rate of young people in growth areas (aged12-24) is around 0.6% higher than across Australia which continues to increase as young people stay at home longer (.id, 2019). As job cuts increase, more rates of young workers and working students are expected to return to living in their family home in growth areas.

The psychological and health impact of COVID-19 will hit growth areas hard due to existing higher rates of poor mental health, obesity, isolation and youth disengagement (.id, 2017)

In 2016, 11.6% of those aged 15 to 24 years in NGAA areas were disengaged with employment and education, compared to 9.6% in Australia (.id, 2019). For some growth areas, like the City of

Playford, South Australia, the rate is as high as 61%, impacted by intergenerational unemployment and poverty. (Elder, 2019)

Health impacts

The rates of heart disease and other chronic health conditions are higher in growth areas compared to across Australia, as well as higher rates of psychological distress and high health risks such as diabetes and obesity (.id, 2017). These risks are likely to be inflamed by social isolation and lack of access to medical facilities and places of exercise. These health problems impact directly on quality of life as well as the cost of living.

While there are well-documented links between health behaviours and health outcomes, there is also a growing body of work suggesting that the way we are designing and building our suburbs can have a significant impact on the health outcomes of our communities. We know that where people live should not determine their health. But in many cases, it does (.id, 2017)

These health and wellbeing outcomes are directly related to poor social and environmental conditions, and result in reduced quality of life, increased healthcare costs and increased productivity costs to local businesses. By providing and supporting education pathways, a diversity of local employment, good quality affordable housing, and the other infrastructure needed for people to be active, eat healthily and form and maintain social connections, we invest in healthier communities with greater social and economic resilience (.id, 2017).

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