

INSTITUTE FOR **Rural Futures**

# **Rural Australia after the crisis**

**Richard Stayner**

## A victim of the downturn?



## 'The bush' (non-metropolitan Australia)

- ... is familiar with large and sudden changes
- ... has been getting better at dealing with them
- ... is very diverse
- ... is not the site of widespread and chronic disadvantage.

# How were rural regions travelling?

## *Agriculture*

- Long-term structural adjustment: replaces labour with capital, and leaves declining local economic footprint.
- Widespread and severe drought
- Recent spike in commodity prices, now back on trend ... and rising?
- Natural resource challenges (water, climate change) - scarcity & collapse?
- Is the research effort adequate? (yields; Land & Water Australia wound up).
- There are more smart, innovative farmers, and the culture is changing.

# What about mining, energy and tourism?

***Mining: major expansion -***

***Very*** capital intensive.

Has increased housing and labour costs in many rural communities, but often leaves a small local economic dividend; long-distance commuting means geographical separation of work and spending.

- Rapid response to changing demand conditions can mean high adjustment costs at start-up and closure.

***Tourism*** - diversification, more labour intensive; linked to the conservation of natural capital. Appears to be changing the culture of many communities and some regions.

## The employment structure of rural regions is catching up - construction often out in front

(*% change in employment by industry, Victorian regions, 1996-2006*)

| <b>Victorian<br/>Statistical<br/>Division</b> | <b>Agricult<br/>etc.</b> | <b>Retail</b> | <b>Education</b> | <b>Health &amp;<br/>social<br/>assistance</b> | <b>Construction</b> | <b>Total<br/>employment</b> |
|---|--------------------------|---------------|------------------|---|---------------------|-----------------------------|
| <b>Mallee</b>                                 | -15                      | 28            | 22               | 25  | <b>52</b>           | 11                          |
| <b>Wimmera</b>                                | -16                      | 14            | -3               | 25  | 34                  | 2                           |
| <b>Western<br/>District</b>                   | -14                      | 28            | 9                | 35  | <b>65</b>           | 13                          |
| <b>Central<br/>Highlands</b>                  | -5                       | <b>40</b>     | <b>32</b>        | 27  | <b>82</b>           | 24                          |
| <b>Loddon</b>                                 | -9                       | <b>39</b>     | 23               | 43  | <b>81</b>           | 26                          |
| <b>Goulburn</b>                               | -13                      | <b>36</b>     | 15               | 48  | <b>67</b>           | 18                          |
| <b>Ovens Murray</b>                           | -5                       | 33            | 15               | 31  | <b>69</b>           | 16                          |
| <b>Gippsland</b>                              | -19                      | 42            | 18               | 55  | <b>70</b>           | 19                          |
| <b>East<br/>Gippsland</b>                     | -16                      | 31            | 12               | 39  | <b>50</b>           | 12                          |
| <b>Barwon</b>                                 | -7                       | 41            | 29               | 44  | <b>71</b>           | 25                          |
| <b>Melbourne</b>                              | <b>-20</b>               | <b>36</b>     | <b>30</b>        | <b>35</b>                                     | <b>55</b>           | <b>21</b>                   |
| <b>Australia</b>                              | <b>-13</b>               | <b>33</b>     | <b>25</b>        | <b>34</b>                                     | <b>51</b>           | <b>19</b>                   |

Source: ABS Population Census, 1996 to 2006, Time Series Community Profiles

## And in Western Australia ...

The highest rate of increase in mining was in Perth  
while in the Pilbara, retail employment increased by just 1%

| Western Australia Statistical Division | Agriculture forestry & fisheries | Mining    | Construction | Retail    | Total Employment |
|--|----------------------------------|-----------|--------------|-----------|------------------|
| Central                                | -24                              | 2         | 13           | 23        | 5                |
| Kimberley                              | -4                               | 52        | <b>75</b>    | 57        | <b>30</b>        |
| Lower Great Southern                   | -16                              | 31        | 56           | 33        | 15               |
| Midlands                               | -15                              | -21       | 34           | 21        | 1                |
| Pilbara                                | -42                              | 38        | 54           | 1         | 14               |
| South Eastern                          | -25                              | -3        | 3            | 15        | 0                |
| South West                             | -10                              | 14        | <b>95</b>    | 64        | <b>38</b>        |
| Upper Great Southern                   | -17                              | -10       | 11           | 16        | -6               |
| <b>Perth</b>                           | <b>-21</b>                       | <b>97</b> | <b>62</b>    | <b>34</b> | <b>25</b>        |

## In-migration (sea- and tree-changers)

- Has been replacing some of the inevitable outflow; both push and pull factors.
- They come for a job, but they also require social, cultural, and environmental *amenity*.
- Some have skills and motivations that have strategic value for rural communities - they *contribute*
- Their place attachment is weakened by the quality of secondary education.
- Increasing numbers of elderly: demand for services
- Some attracted by low housing costs have special needs, and can create cultural friction.

## From *sustainability* to *resilience*

- The key ingredients are

**human capital** - *the skills, experience, creativity, imagination and attitudes of people*

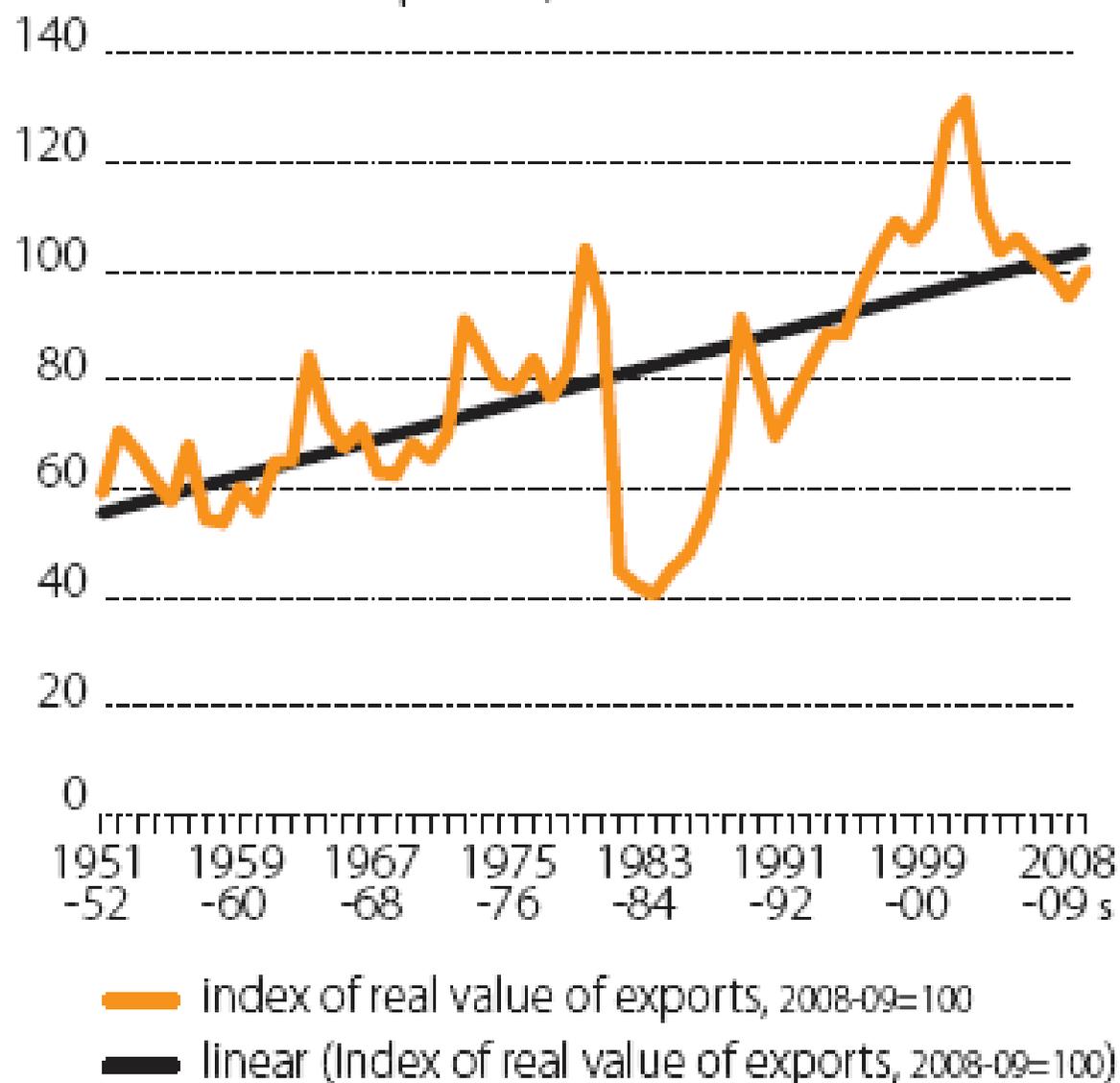
*And their*

**social capital** - *shared attachment to place, capacity to work together for community good, local and extended networks.*

## Impacts of the crisis/downturn

- See House of Reps Inquiry and its submissions, eg., Qld Government.
- Agriculture: big for dairy, but for others ... noise?
- Mining: site-by-site responses, impacts can be both local and widespread.
- Tourism: Regionally important; \$AU exchange rate rise is hurting (eg., Far North Qld - double whammy with mining).

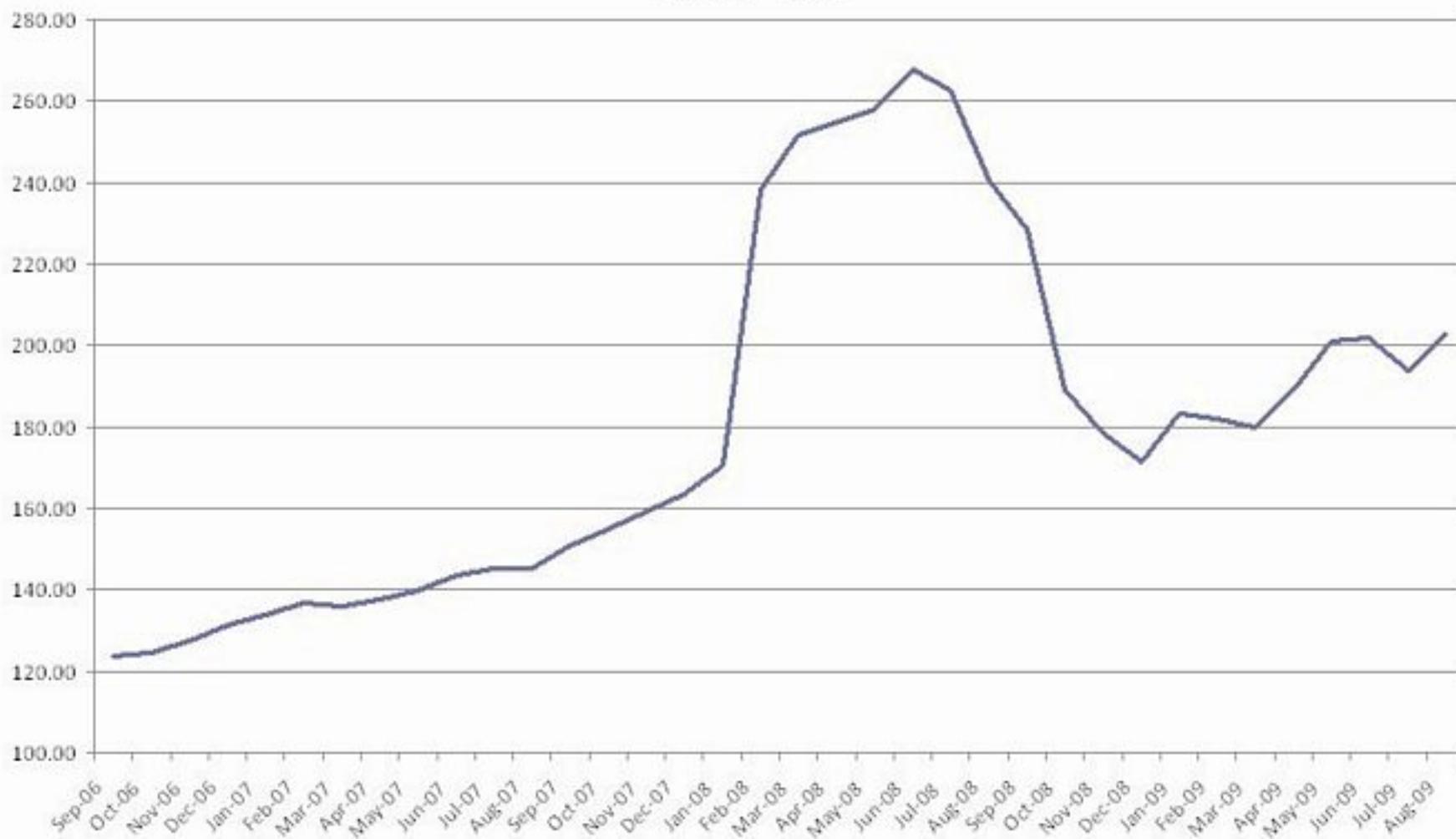
# 1 Australia: Index of real value of farm exports, 2008-09=100



s ABARE estimate.

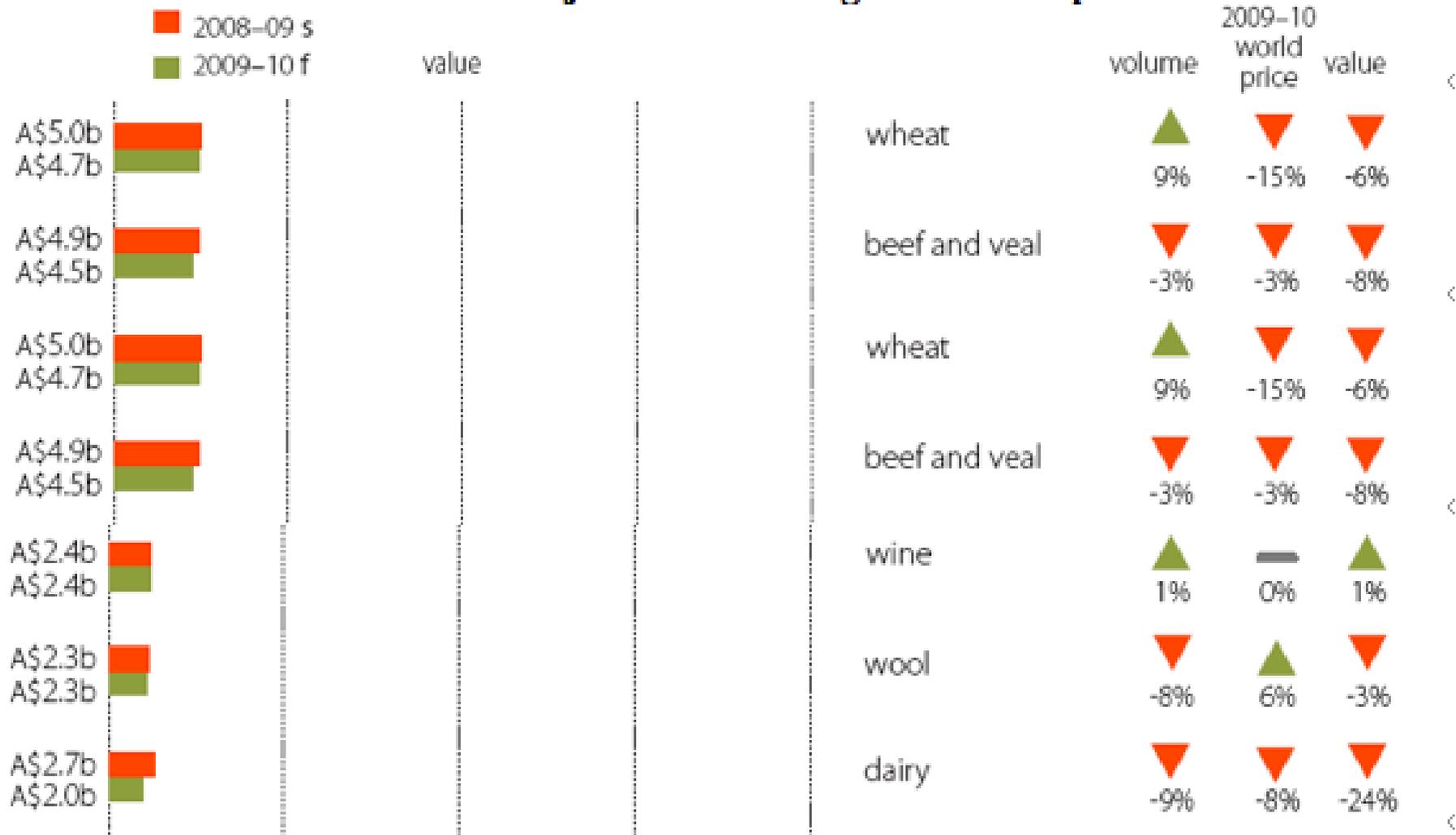
Source: ABARE 2008: ABSa,b.

### World Bank Index - Agriculture (1990=100)

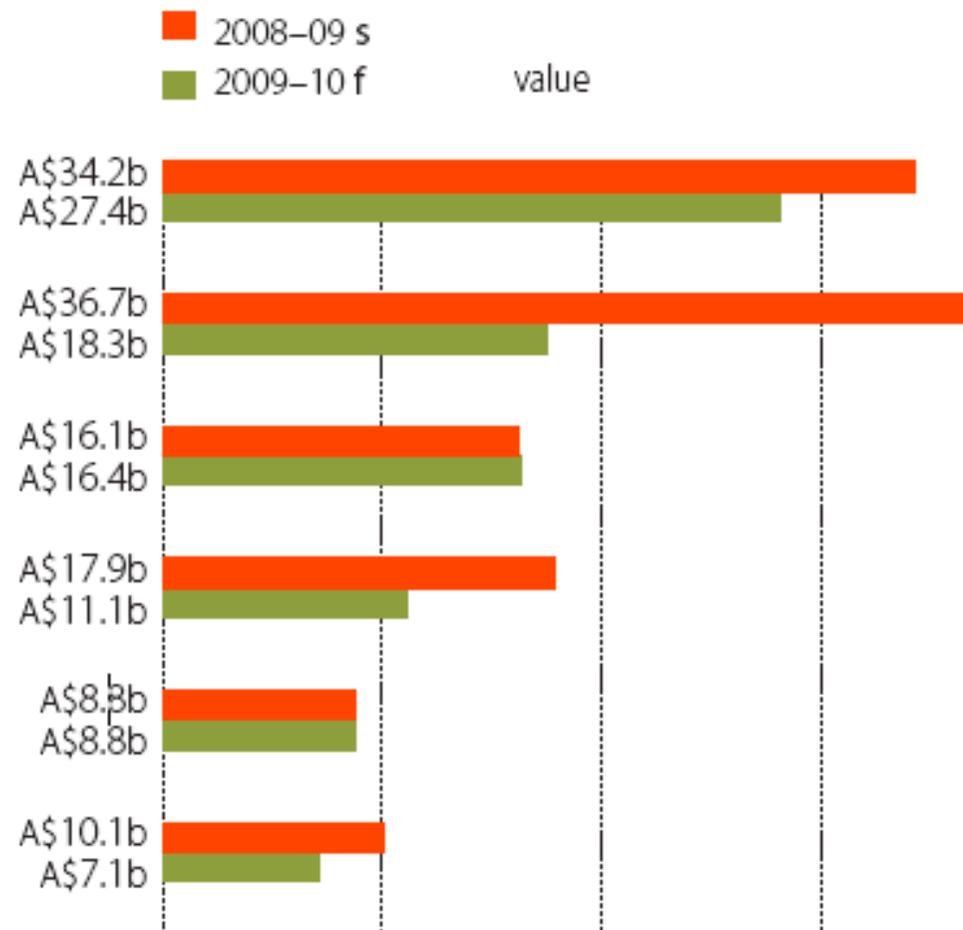


source: [mongabay.com](http://mongabay.com) using World Bank Commodity Price data

**Table 7: → Major Australian agricultural exports** ¶



Source: ABARE *Australian Commodities* 09.3 September



|                    | volume   | 2009-10 world price | value     |
|--------------------|----------|---------------------|-----------|
| iron ore           | ▲<br>18% | ▼<br>-33%           | ▼<br>-20% |
| metallurgical coal | ▲<br>4%  | ▼<br>-57%           | ▼<br>-50% |
| gold               | ▲<br>1%  | ▲<br>9%             | ▲<br>1%   |
| thermal coal       | ▲<br>3%  | ▼<br>-44%           | ▼<br>-38% |
| crude oil          | ▼<br>-3% | ▲<br>2%             | ▬<br>0%   |
| LNG                | ▲<br>8%  | ▬<br>na             | ▼<br>-29% |

# Impacts on jobs

- Some losses, regionally patchy. May be difficult to attract retrenched labour back in the recovery phase.
- *Keep Australia Working* report identifies 19 'priority employment regions', many rural.
- National Economics *State of the regions supplementary report* predicts high second phase unemployment for many regions.

## Beyond the recovery - policy matters

- Did the stimulus package help with the longer term challenges of rural regions?
- It targeted *built* rather than *human* and *social* capital - these require long term investment.
- Agriculture: Opportunities if food prices rise long-term, but the capacity of Australia's agric sector to respond will require recharging the research effort. And it won't drive regional economic growth.
- Similarly for adaptation to climate change and water policy changes; the wind-up of Land & Water Australia looks odd in this context.

# Adjustment challenges

- Water policy: agriculture managing with lower volumes, and higher variability?
- Mining: Limited regional dividend, so is there a rationale for a *Resources for Regions* approach?
- Improving the 'liveability' of rural places: human services - health, education, recreation, aged care.
- IT connectivity - how wide will the roll-out be?
- Absorbing some of the population increases (increasing congestion costs in cities)
- Seeing and nurturing other values for rural regions - beyond the quarry.

## And then there's climate change ...

- Future inclusion of agriculture in mitigation (reducing sources)
- Good start to adaptation research (increasing sinks)
- Wind and solar power - low employment generation? Are smart grids the missing link?
- Rural communities already interested - eg., farmers in growing C
- How to communicate climate change, and involve communities in planning for and managing their responses.

## Helping communities manage natural resource limits

- **Information** - better understanding (science)
- **Institutions** - more trusting relationships ('politics')
- **Identity** - build on the need for belonging (social capital)
- **Incentives** - people's desire to improve their wellbeing (economics)

Mark van Vugt (*New Scientist*, 25 August 2009)

*We can also help communities to:*

- **Imagine** a different (but acceptable) future

# Ravenswood, Queensland, ca 1907 ...



... and in 2007

