

Australia

Key facts and issues

Australia is a federal country composed of six states and two territories with a population of 24 million. Subnational governments are responsible for 46.4% of public expenditures, making it the 9th most decentralised country in the OECD with regards to public spending. It is the 3rd most urbanised country in the OECD. Currently two-thirds of the country's population live in one of its six metropolitan areas. Urbanisation is increasing rapidly, with four of the metro areas belonging to the 60 fastest growing metros in the OECD. Residents of the metropolitan areas are the least exposed to air pollution among metropolitan areas in the OECD. Inter-regional disparities in terms of life expectancy are the 2nd widest in the OECD, standing at more than 6 years. The Australian Capital Territory performs best on this indicator and is among the top 10% of OECD regions, whereas the Northern Territory is in the bottom 25% of OECD regions.

Australia's GDP per capita of around USD 45 800 is 11% above the OECD average. However, inter-regional disparities in GDP per capita are above the OECD average and growing. The inter-regional disparities in terms of per capita household income have also risen since 2000, overshadowing a reduction in disparities on many other indicators related to employment and innovation. On the productivity side, the regions with the highest levels of productivity include the Australian Capital Territory and regions with strong extractive sectors. The growth rate of productivity in other regions is lower, leading to a wider productivity gap since 2000. Australia has a robust performance in terms of jobs (unemployment and employment rate) compared to the OECD, as all its regions perform better than the OECD average.

Australia: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	No over-arching framework, aspects of regional policy are directed by the White Paper on Developing Northern Australia (2015) and the Agricultural Competitiveness White Paper (2015) ; as well as state, regional and local strategies	On the federal level, strong emphasis on infrastructure provision, strategies to develop at the regional level include, for example, a network of Regional Development Australia committees that builds local partnerships to develop Regional Plans	Department of Infrastructure and Regional Development
Urban	Smart Cities Plan (2016) released with implementation subject to the outcome of the 2016 federal election	The Smart Cities Plan sets out the vision for cities and provides a foundation for continued reform. It supports co-operative action to facilitate long-term investment and co-ordinated planning	Department of the Prime Minister and Cabinet
Rural	Agricultural Competitiveness White Paper (2015) is the basis of a new rural policy approach	Agricultural strengthening, through infrastructure, innovation, as well as biosecurity, albeit not yet implemented	Department of Agriculture and Water Resources

General policy approach

Australia's state and territory governments play the primary role in regional development, with the national government (Commonwealth) service acting as a key investor in regional and urban development infrastructure. The bulk of funds for infrastructure are associated with transport, and a few smaller programmes support other infrastructure needed for community and regional development, as well as programmes to provide subsidies for public services in remote locations, along with tax offsets for individuals in those locations. Several business development programmes are promoted, along with national research and cluster programmes that can support regional development. Australia's Council of Australian Governments is the foremost intergovernmental forum in Australia and is well-known for its good practice in multi-level governance.

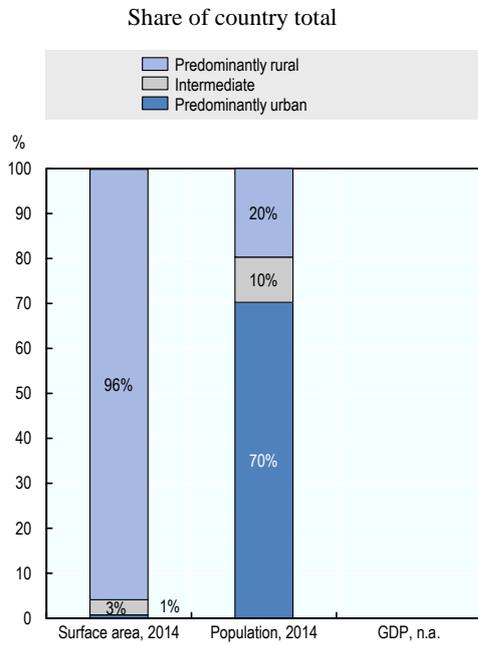
Recent policy changes

- In 2015, Australia released the White Paper on Developing Northern Australia, providing guidelines for unlocking potential and opportunities in the area.
- The Commonwealth and regional (state/local) governments continue to fund new infrastructure investments, in particular road and rail. The Commonwealth also indicated it would progress a new 1 700 kilometre freight link between Brisbane and Melbourne, serving regional areas in addition to the long distance freight task. The project is commencing with corridor acquisition from 2017-18.
- In 2015, the Agricultural Competitiveness White Paper was released, laying the foundations for a new rural policy focusing on innovation in the rural value chains and exports in agriculture, as well as provisions for infrastructure (mainly roads and water).
- In April 2016, the Smart Cities Plan was released by the Australian Government. It commits AUD 50 million for infrastructure planning to accelerate works on major transformative infrastructure projects and establishes an Infrastructure Financing Unit that works with the private sector to develop funding and financing solutions for key government projects. It also invites partnerships between the federal government and a state or territory government, and local governments through City Deals for co-ordinated investment plans and reforms for urban areas.
- The National Government publishes information on regional progress to enable regional communities to understand the trends impacting their communities and respond proactively. The most recent publications are [Progress in Australian Regions: Yearbook 2015](#) and the [Progress in Australian Regions: State of Regional Australia 2015](#).

Australia: Main regional, urban and rural development policy tools

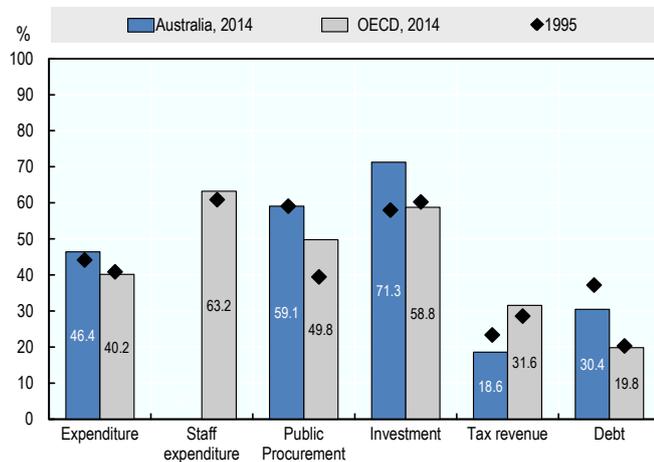
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<i>Regional and urban:</i> a range of programmes are currently supporting infrastructure investments for regional development, some with a distinct place-based dimension; the overarching programme is the Infrastructure Investment Programme constituting partnerships between states, territories and the federal government; it also covers urban areas, however states and territories are responsible for urban planning and development
Other Infrastructure investments	✓	<i>Regional:</i> Various grants programmes are supporting infrastructure programmes outside of transportation, for example the National Stronger Regions Fund
Service delivery (subsidies for public services)	✓	<i>Regional:</i> Public service delivery subsidies, provided by different levels of government, are aimed at maintaining and improving accessibility of public services and basic market services in remote regions. Examples include the Tasmanian Freight Equalisation Scheme and the Airservices Australia Enroute Charges Payment Scheme for air doctors
Business development/innovation support	✓	<i>Regional:</i> the country-wide Entrepreneurs' Programme provides support and advice to firms through experts and firm networks; fosters linkages with the research sector and encourages partnerships
Urban renewal		<i>Urban and regional:</i> Commitments for City Deals have been announced that are intended to create partnerships between the federal and subnational governments to plan for the future of metropolitan and other cities and deliver better outcomes through co-ordinated investments, reforms and better governance
Urban form and land use		
Sustainability policies		
Rural-urban linkages		
Clusters/technology platforms/centres of expertise	✓	<i>Regional:</i> Australia has two distinct programmes for clusters: Industry Growth Centres for clusters with a thematic focus and Cooperative Research Centres Programme fostering co-ordination between businesses and academic research throughout the country
Special economic zones	✓	<i>Regional:</i> Zone tax offsets are special economic zones to lower the tax burden of individuals in regard to difficult and harsh living conditions
Rural landscape preservation		
Skills/training programmes	✓	<i>Regional:</i> Several programmes target various populations, areas and specific skills ranging from industry skills to basic education for specific populations
Capacity building for sub-national governments	✓	<i>Regional and urban:</i> different organisations and programmes aim at government capacity building at all levels. Examples include the Australian and New Zealand School of Government (ANZOG) and the Centre for Local Government

Land, population and economy in rural and urban regions



Subnational government role in public finance

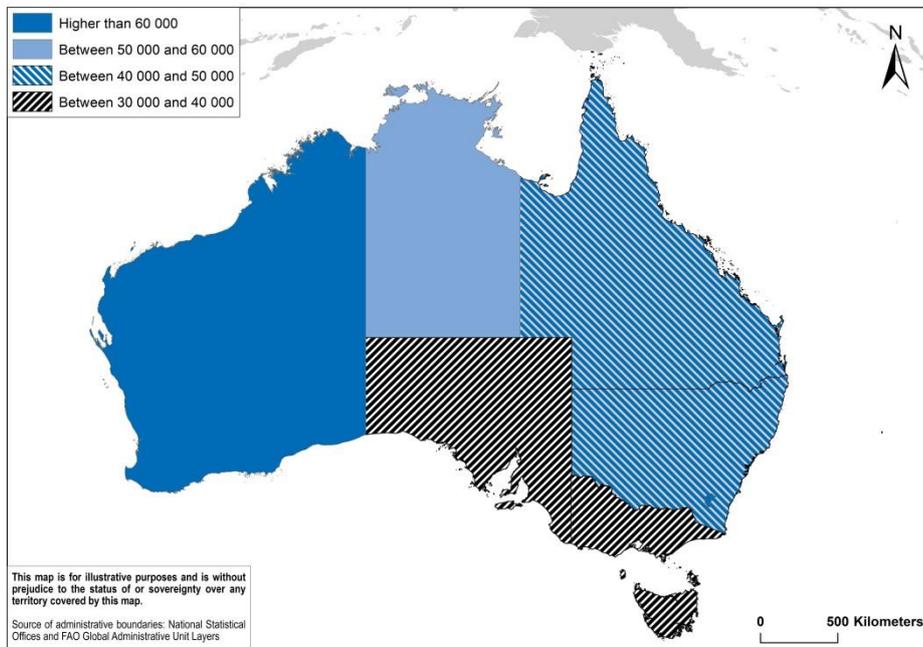
Share of general government



Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
571		8	579

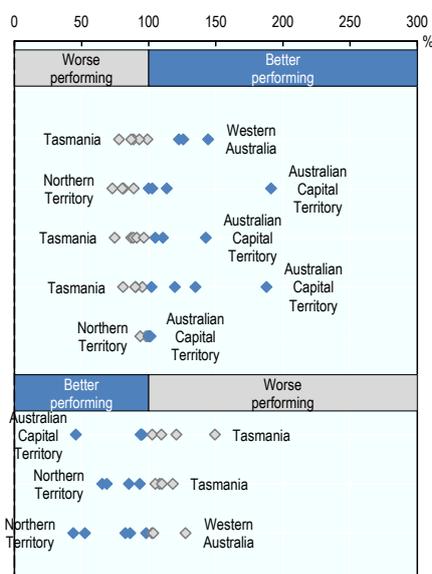
Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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Inter-regional disparities (as a % of the country average)



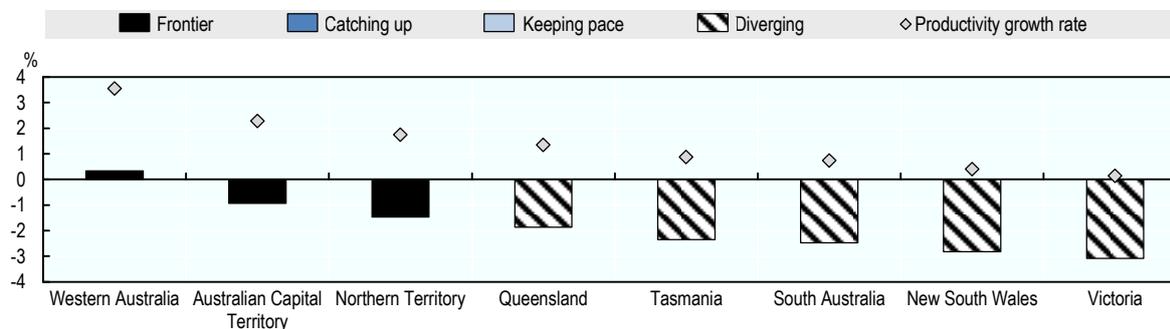
Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	69 590	128 716	89 182	74 520	up
R&D expenditure as a % of GDP (2010)	1.57	4.11	2.15	2.4	down (2000)
Share of labour force with tertiary education	33.9	64.6	45.3	32.3	down (2010)
Disposable household income (2013)	35 629	82 575	43 950	34 866	down (2006)
Life expectancy (2013)	77.1	83.4	82.5	80	down
Share of workforce with only primary education	8.6	28.1	18.8	25.2	up (2010)
Unemployment rate	4.0	7.2	6.1	7.3	down
Gender gap in participation rate	-5.1	-14.8	-11.6	-15.9	up

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

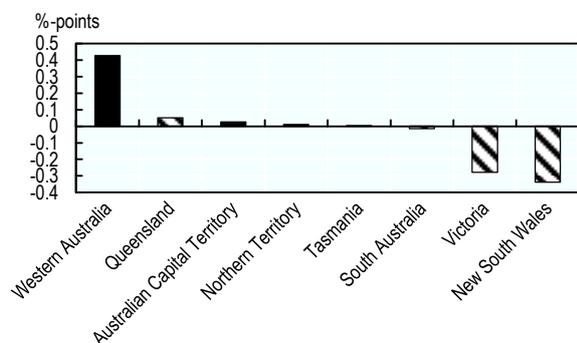
Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013

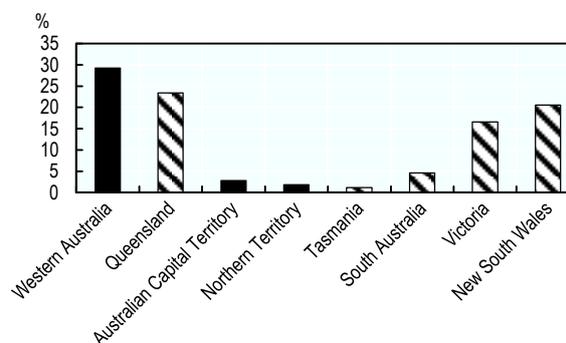
See country page notes for classification of regions



Contribution to labour productivity growth, 2000-13



Percentage contribution to national GDP growth, 2000-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink <http://dx.doi.org/10.1787/888933420202>

Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km ² grid cell population weighted average of satellite-based estimates of small particulate matter (PM _{2.5}).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en.