

# Slicker in the city? It ain't necessarily so

**I**F EVERYTHING in the economy has been going so fabulously for so long, who's been getting the lion's share of the lolly? We're used to dividing the nation into rich and poor - and just as used to finding that the rich are doing a lot better.

But what happens if we divide the nation up according to where people live? Who's doing best then? Are the cities streaking ahead of the country?

And what of the talk that Sydney is plugged into the globalised world in a way that other parts of the nation aren't, so that Sydney has gained from the globalisation process whereas other parts of Australia have lost?

Three researchers from the University of Canberra's National Centre for Social and Economic Modelling (Natsem), Professor Ann Harding, Rachel Lloyd and Mandy Yap, looked at income trends by region in a recent study. Their estimates are based on data from the two most recent censuses, in 1996 and 2001.

They start by **dividing Australia into five regional categories: capital cities** (defined widely so that, for example, Sydney includes the Blue Mountains and Perth includes Fremantle); **major urban areas** such as Wollongong, Geelong and the Gold Coast; **regional towns** with populations between 1000 and 100,000; **rural towns** with populations of between 200 and 1000; and **"rural areas"** (everything else).

So you think people in the cities do better? You're right. In 2001 the average capital city household's income before tax was \$57,000 a year.

This was almost one quarter higher than average incomes in major urban areas and rural areas. It was one third higher than incomes in regional towns and almost half as much again as incomes in rural towns.

**So the cities' average of \$57,000 compares with \$46,000 in major urban areas**



**Ross Gittins**

The difference between town and country is not as clear-cut as many believe.

**and rural areas, \$42,500 in regional towns and \$39,000 in rural towns.** The thing to note here is that, on average, people living on farms and stations - "rural areas" - have incomes 18 per cent higher than those who live in very small country towns.

It's not just that incomes in capital cities are, higher. Over the five years to 2001, incomes in the capital cities also grew faster. They grew by 12 per cent, in real terms, compared with 11 per cent for households in rural areas, 10 per cent for major urban areas and rural towns, and a little over 7 per cent for regional towns.

This is a further reminder that people on farms haven't been doing as badly as you might expect from all their complaints over the years.

But surely there must be a separate hierarchy just among the six state capitals? Yes, there is.

And you're right, Sydney leads the pack with an average household income before tax in 2001 of \$63,000. That's combining a couple's income, of course.

Not as high as you were expecting? No. In my experience, people with incomes well above average have a quite exaggerated notion of where the average is.

They have little idea of how many people there are getting by on an income



Photo: Patrick Cummins

much lower than theirs. And the more the price of real estate causes us to be segregated into good suburbs and not-so-good, the harder we find it to picture how the other half lives.

Be that as it may, **average incomes in Sydney are about a fifth higher than in Brisbane and Perth (\$52,500), more than a third higher than in Adelaide (\$47,000) and 40 per cent higher than in Hobart (\$45,000).** But note this: Sydney's average household income of \$63,000 isn't all that much higher than Melbourne's average of \$57,000. So it's wrong to think of Sydney standing out from the pack. These days, there's not a lot between Sydney and Melbourne.

You can see that from the real increase in pre-tax incomes over the five years to 2001. Sydney rose by 13.5 per cent, compared with Melbourne's 13 per cent.

Bringing up the rear are Perth, up 8.5 per cent, and Hobart, up 6 per cent.

But the story doesn't end there. Where we live may influence how much we earn,

but it also influences **how much we have to pay for the homes we live in.**

Consider this: **on average, households in the capital cities spend \$13,500 a year on mortgage payments or rent. In the major urban areas they spend \$12,000, in regional towns and rural areas they spend a bit over \$9,000 and in rural towns less than \$8,000.**

So the gap between city and country incomes is reduced to some extent when you take account of differences in housing costs.

Now note this: over the five years to 2001, **housing costs in the capital cities rose by almost 14 per cent in real terms, whereas such costs rose by only 3.5 per cent in major urban areas and just 1 per cent in regional towns and rural towns.**

The one exception to this pattern is that housing costs in rural areas rose by more than 12 per cent.

And, as usual, that 14 per cent average rise in capital city housing costs conceals as much as it reveals.

Delving deeper, we find that **costs in Sydney and Melbourne grew a lot faster than they did in the other state capitals.**

So great was this difference that housing costs grew faster than incomes in Sydney and Melbourne, whereas in all the other capitals costs grew more slowly than incomes.

In consequence, taking account of housing costs reveals that the citizens of Sydney and Melbourne aren't doing as well as first appearances suggest, while citizens in the other capitals are not doing as badly.

Income after housing rose by about 12 per cent in Sydney, Melbourne and Adelaide, by 11 per cent in Brisbane, 9 per cent in Perth and 8 per cent in Hobart.

It turns out that **housing costs are the great leveller between city and country and between the state capitals.** And living in highly paid Sydney and Melbourne isn't all it's cracked up to be.

It all helps us see why interest rates were such a big deal in last month's election.