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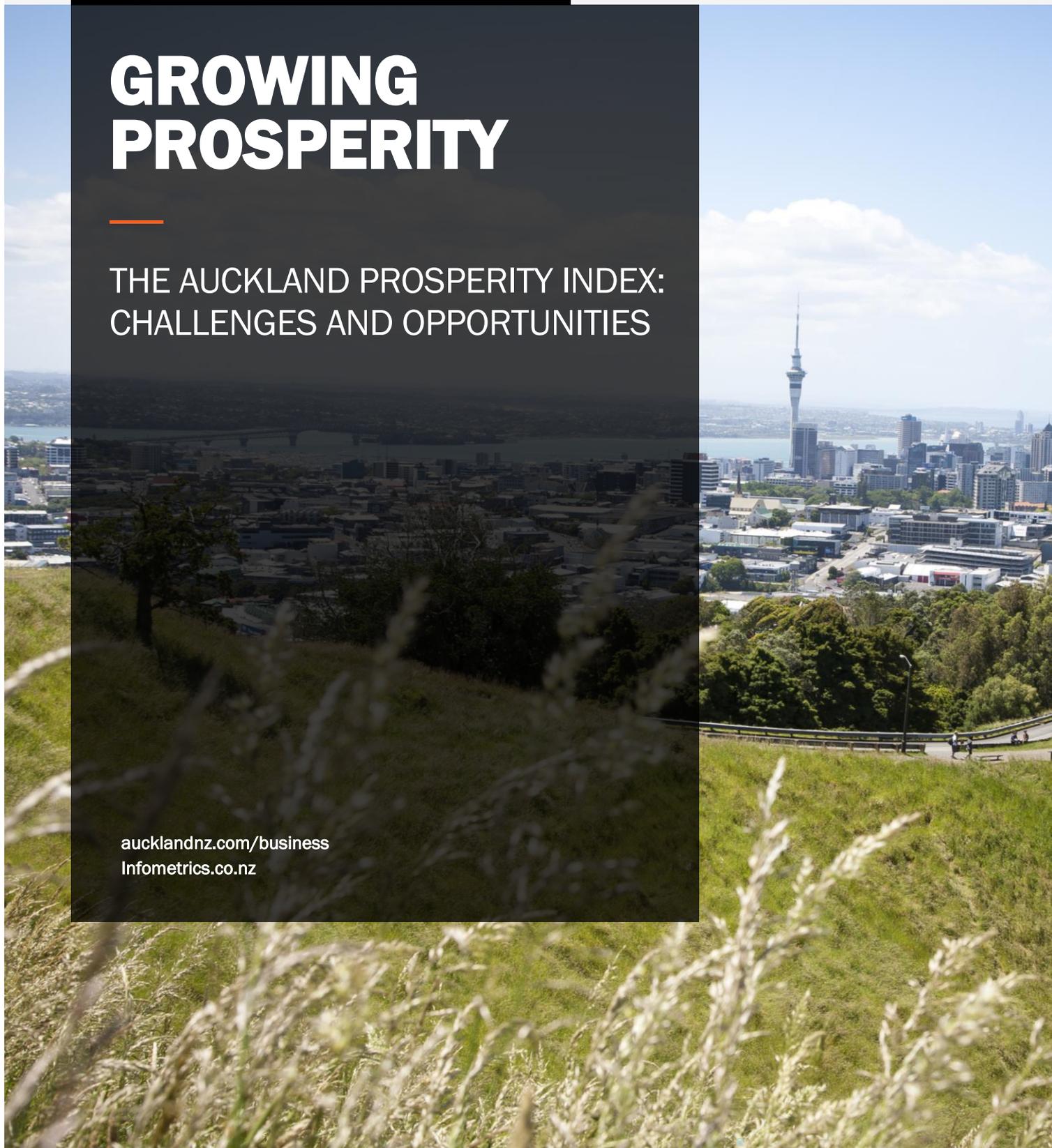
MARCH 2018

AUCKLAND ECONOMIC INSIGHTS SERIES

GROWING PROSPERITY

THE AUCKLAND PROSPERITY INDEX:
CHALLENGES AND OPPORTUNITIES

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Growing Prosperity
The Auckland Prosperity Index:
Challenges and opportunities
March 2018

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Foreword

Across the developed world, there is increasing recognition that the nature of global growth following the Global Financial Crisis has not delivered equally for all communities. While the global economy has slowly recovered since 2012, it has become clear many of those who were less prosperous prior to the crisis remain so and are benefiting least from the recovery. There has been a huge growth in inequality, with the gap between rich and poor wider than at anytime since World War Two.

This divergence speaks to a fundamental tension - a strong macro performance is masking deeper issues and a narrowing opportunity for marginalised populations to achieve prosperity. This has led to an acknowledgement within leading economic development organisations that “top-line growth doesn’t ensure bottom-line prosperity”, challenging the current model of economic development that advocates a trickle-down effect. At a city level, this has most recently been referred to as the “New Urban Crisis” and spurred a drive to find solutions to stimulate a more inclusive and equitable growth.

Since 2012, the macro story of Auckland’s economy has largely been one of growth. Strong GDP growth driven by rapid population growth and record tourism numbers have been consistent features in the economic headlines, contributing to high employment levels and booming house prices. However, as is the case across the developed world, beneath the headlines and when the macro numbers are unpicked, it is becoming clear that many Aucklanders and many areas of Auckland have not benefited from this growth.

In order to achieve a better understanding of this challenge and get beneath the macro numbers, Auckland Tourism, Events and Economic Development (ATEED) has partnered with Infometrics to develop *The Auckland Prosperity Index*. This index is a tool which seeks to explore the prosperity differentials that exist across the Auckland region, and what may be causing these differentials by examining data at a local board level across six broad domains.

The following Economic Insight paper presents a summary of the key findings from *The Auckland Prosperity Index*. This paper will be supported by more technical reports for each local board area, together with an overarching regional report. ATEED’s Local Economic Development Team will work with each board to assist them to use these findings to stimulate inclusive growth in their own areas. ATEED will also use the findings to shape its programme of work at a regional level for the coming three-year period.

This insights paper is the first in the 2018 series, building on the success of the 2017 series. This year ATEED will further examine issues and opportunities within the Auckland economy, and identify how ATEED can continue to use a strong evidence base and work with our partners to develop solutions and create a more prosperous Auckland.

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Top line growth masking bottom line issues

Auckland is a large economically and socially diverse region. As an administrative geography, the 'super city' is only eight years old but its economic history has evolved and developed since Tāmaki Makaurau was first settled by Māori. The region's economy is multi-layered and is aligned to the success of national and global economies.

Analysis of Auckland's performance at a macro level has told the story of growth. There has been an average 3.4 per cent GDP growth, 2 per cent population growth and 2.6 per cent employment growth annually since 2011. These are positive numbers which have boosted confidence and stimulated investment in the region.

However, when examining these numbers from a productivity perspective, GDP per capita has grown at 1 per cent in the same period, with growth at less than 1 per cent in 2015 and 2016 (Figure 1). As GDP per capita in Auckland is growing at a slower rate, this will impact on Aucklanders' prosperity.

While growth has slowed post the Global Financial Crisis (GFC), this decline began in 2000, with Auckland's productivity premium over the rest of New Zealand slowly reducing and at risk of being lost. Auckland is also falling behind international peers in terms of GDP per capita, a challenging trend as we continue to compete internationally for talent and investment.

Figure 1: Indexed Macro Economic Indicators 2010–2016

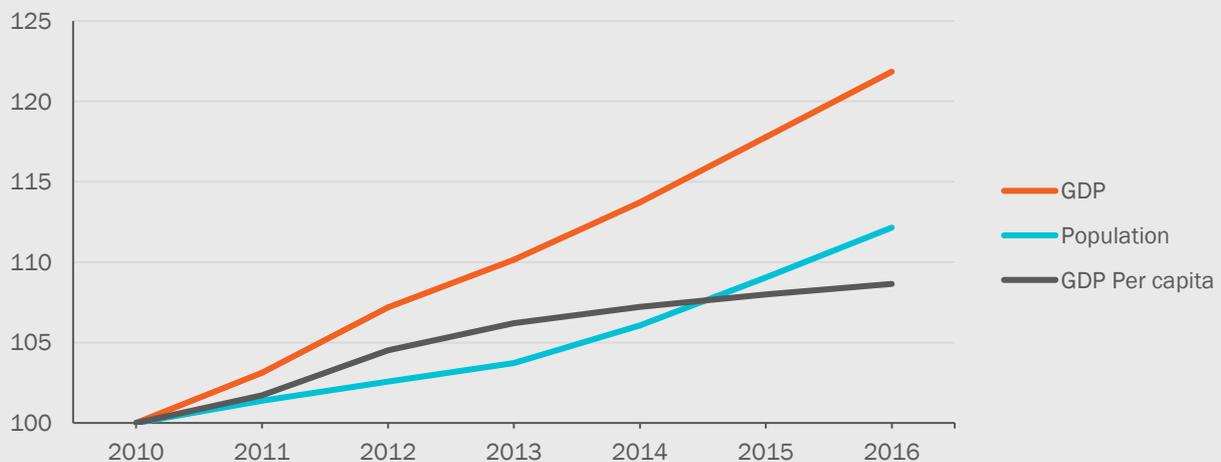


Figure 1 source: ATEED/ Infometrics

Given Auckland's size and economic and spatial diversity, it is inevitable that some areas of the region will have prospered less than others. Auckland's mix of established metropolitan centres, towns, suburbs and villages evolved and developed prior to 2010 under several non-aligned and sometimes competing policy priorities, which were not always conducive to equitable region-wide growth. In the context of reducing GDP per capita, understanding economic performance at a sub-regional level is important to overcoming this issue.

The Auckland Prosperity Index

Given the global context, Auckland's slowing GDP per capita growth, and the region's economic and spatial diversity, ATEED and Infometrics have developed *The Auckland Prosperity Index*. It is a tool which seeks to examine the performance of Auckland's local board areas against key indicators, grouped under six domains (table 1). This approach was taken as it offers a level of granular insight with robust data quality, and allows for analysis at an individual and multi-board level. This will lead to the development of locally based solutions, addressing specific issues across individual, and where required, multiple board areas.

Prosperity is measured across 24 indicators grouped into six domains, with each local board receiving a score between zero and 10. Each local board score can then be compared to the Auckland average. The domains and their descriptors are detailed in table 1 below:

Table 1: Domains and Rationale

Domain	Rationale
Skills and Labour Force	Gaining knowledge and skills enhances peoples' ability to meet their basic needs, gain meaningful employment, and widens the range of options in every sphere of life. Indicators include qualification levels of the resident population.
Demography	Population growth contributes to economic prosperity when it is at a level that ensures the working-age population can support non-working age residents. Indicators include population growth, and current and forecast dependency ratios.
Connectedness	The degree to which individuals access work opportunities and engage with broader social networks can have a significant effect on their economic and social wellbeing. This domain measures the ability of residents to access employment, education, and business opportunities that will help drive their prosperity. Indicators include commute times and internet access.
Business Activity	Growth in the number of businesses and overall business activities is an important contributor to the overall economic performance of a local board. Successful economies tend to be innovative and have a dynamic business and entrepreneurial environment. Indicators include business size, growth and self-employment levels.
Economic Quality	Economic quality looks at a local board's ability to offer local jobs, especially highly skilled and knowledge-intensive jobs. It also captures future job prospects and the diversity of the economy as a safeguard for the future. Indicators include high skilled jobs, employment in knowledge intensive industries and economic diversity.
Household Prosperity	Prosperous households enjoy high incomes, its members are engaged in employment, have more disposable income to spend in their local area, are not on benefits, and are more likely to be able to buy their own home. Areas that score well in the other domains will tend to have prosperous households. Indicators include household income, rental affordability and benefits rates.

Table 1 source: Infometrics

This approach provides an indication of where each local board area has particular strengths or weaknesses relative to the regional average and allows for comparison with other local board areas and local board areas with similar traits. Where a board scores less than the Auckland average, it is considered to be weak against that domain and where it scores higher, it is considered to be strong against that domain. Where a board scores above average against multiple domains, it is considered to be more prosperous and where it scores below average against multiple domains, it is less prosperous.

Overview of findings

The Auckland Prosperity Index highlights consistent geographic patterns against a number of domains across Auckland. These patterns highlight clear spatial disparities, with a significant gap between prosperity levels in the five most prosperous local boards and the least five prosperous. This is highlighted in figure 2 below, followed by a summary of key trends.

Figure 2: map

AUCKLAND PROSPERITY BY LOCAL BOARD

PROSPERITY TYPE	LOCAL BOARD
HIGH	1 Albert-Eden
	2 Devonport-Takapuna
	3 Orākei
	4 Upper Harbour
	5 Waitemata
GOOD	6 Hibiscus and Bays
	7 Howick
	8 Kaipātiki
	9 Puketāpapa
MODERATE	10 Henderson-Massey
	11 Whau
LOW	12 Māngere-Ōtāhuhu
	13 Manurewa
	14 Maungakiekie-Tāmaki
	15 Ōtara-Papatoetoe
	16 Papakura
OUTLYING BOARDS	17 Franklin
	18 Great Barrier
	19 Rodney
	20 Waiheke
	21 Wāitakere Ranges

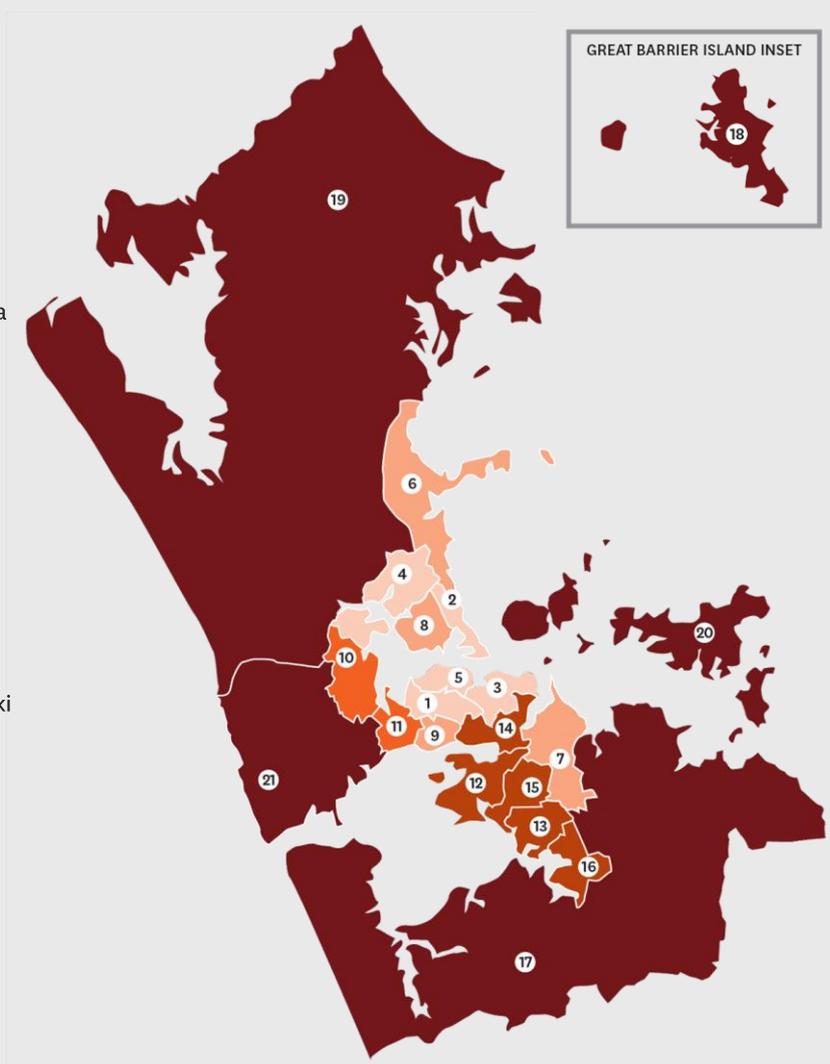


Figure 2 source: Infometrics

Multiple prosperity challenges in Auckland's south and west

- In terms of overall household prosperity, southern Auckland performs poorly compared to the rest of the region. This is despite these areas being home to a significant share of Auckland's employment, indicating that locals are not accessing high-value employment opportunities. The same five local boards which are lowest ranked in terms of Household Prosperity feature in the bottom six of the Skills and Labour Force domain. This highlights the correlation between qualification levels and household income. Southern Auckland boards have the highest concentration of Māori and Pasifika peoples and there is evidence of a link between lower educational attainment and skills levels amongst these communities.
- Two of the western Auckland local boards, Henderson–Massey and Whau, also have prosperity levels below the Auckland average, with a significant gap between Henderson–Massey and Albert–Eden, a neighbouring local board.
- There is significant income disparity across the region, with the lowest performing areas concentrated in Auckland's south and west. Māngere and Ōtara–Papatoetoe income levels are 22 per cent lower than the Auckland average, Whau 18 per cent lower, and Papakura and Henderson–Massey registering 13 per cent lower income levels than the Auckland average (figure 3).

Figure 3: Annual household incomes: low prosperity areas vs. Auckland average

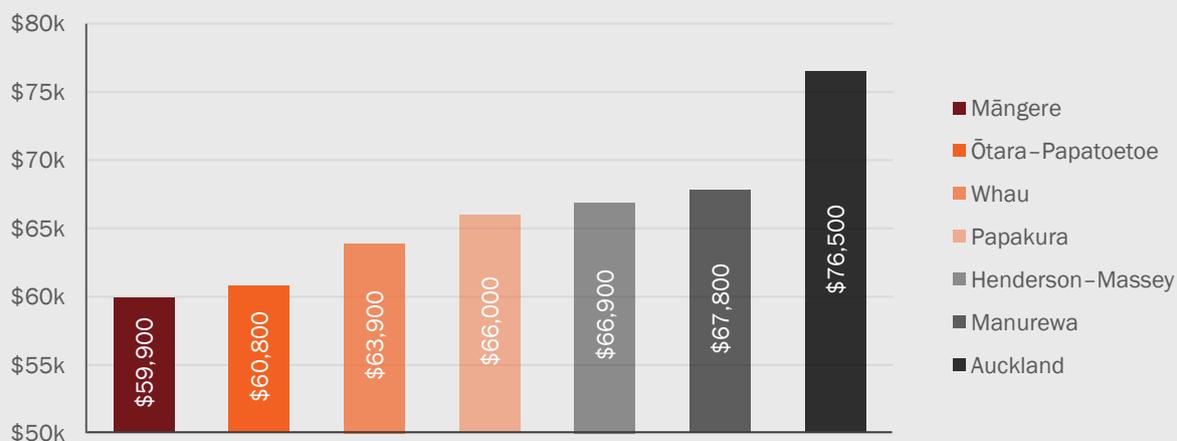


Figure 3 source: Infometrics

- With the exception of Maungakiekie–Tāmaki, these areas are supported through the Southern Initiative (TSI). Maungakiekie–Tāmaki has support through the Tāmaki Regeneration Company. All of these areas also have lower than average levels of access to the internet at home, which can impact on school performance, skill acquisition and the ability to find employment.
- While Whau and Henderson–Massey do not perform well in terms of household prosperity, they perform better in labour force and skills issues. However, a lack of quality local employment opportunities combined with skills issues has an impact on prosperity. While transport improvements underway may well make it easier to access employment opportunities, the underlying skills base of the area is something that could be addressed to enable residents to take advantage of employment opportunities that arise.

Central and northern Auckland – highly skilled, strong connectivity and plentiful employment

- Central and northern Auckland local board areas perform well across many of the domains. Being within easy access of the CBD, these areas are close to skilled employment (figure 4) and educational opportunities. The workforce in these areas are generally highly skilled. Kaipātiki, within this group, has a low score for Economic Quality. Kaipātiki has a lack of highly skilled jobs in knowledge-intensive industries and a relatively high proportion of employment in declining industries. The area however, is sufficiently close and well connected to employment zones in the CBD and Upper Harbour areas, providing good access to well-paid employment.

Figure 4: Percentage of highly skilled jobs: high prosperity areas vs. Auckland average

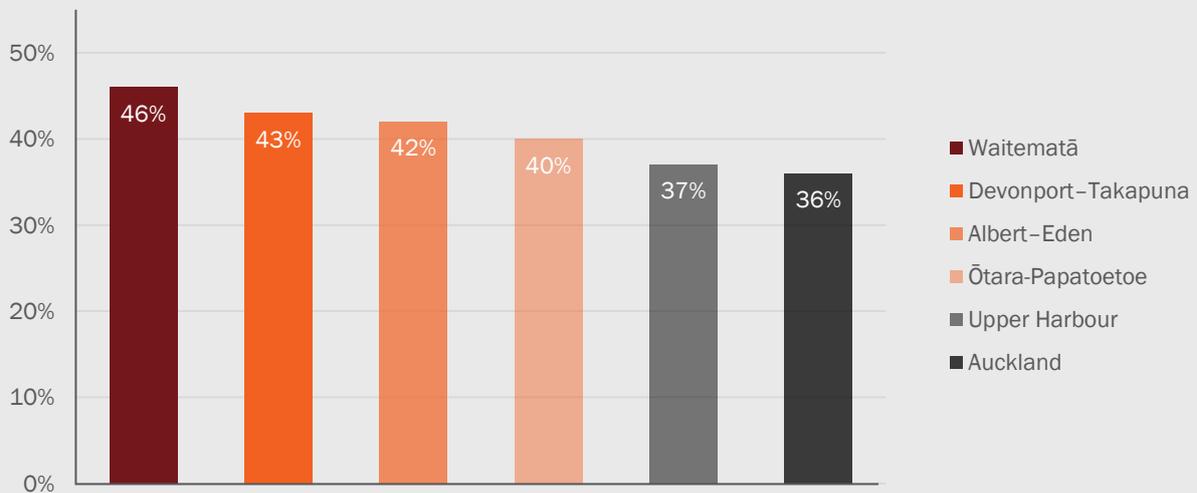


Figure 4 source: Infometrics

The islands and ranges

- Testament to Auckland's spatial and economic diversity there are rural-dominated local boards and Waiheke and Great Barrier Islands. These outlying local board areas are somewhat different in that lifestyle choices have driven the decision to be away from the central city to enjoy Auckland's more rural or remote beach communities. Invariably, this is a choice made while working or in retirement and there are impacts on skills acquisition for young people in those areas that are more distant from tertiary education provision. Indeed, the same boards that have longest commute times to tertiary education also have lower than average levels of enrolment in tertiary within a year of leaving school. Even relatively affluent areas like Hibiscus and Bays, Rodney and Franklin have low tertiary enrolment rates.

Growing prosperity – what next?

The analysis emerging from *The Auckland Prosperity Index* has identified a number of key prosperity challenges across the region. Specifically, there is a clear spatial disparity with southern Auckland and areas of western Auckland lagging significantly behind central and northern Auckland in terms of their household prosperity and constraints to growing this prosperity – that is, skill levels and access to high quality employment. Some of these challenges are well known and vehicles such as The Southern Initiative have been established to overcome these. However, there are insights emerging which require both a local and regional focus.

Where local solutions are required, ATEED will work with local boards to understand specific issues relating to their areas and continue to support the development of solutions. Dependent on the nature of the challenge, innovative and multi-board solutions may be required.

As part of our strategy refresh process, ATEED has redefined its purpose to **‘support the creation of more high-value jobs for Aucklanders’**, and from an economic perspective our priority is to **‘create more high-value jobs, businesses and investment’**. In delivering against these, and to address issues identified by *The Auckland Prosperity Index*, there are a range of areas in which ATEED and partners can focus for the future:

- Advancing opportunities to create more high-value employment outcomes, particularly in Auckland’s south and west where multiple prosperity challenges are present.
- Maximising the economic regeneration benefits that could be realised from the investments in housing and transport infrastructure currently underway.
- Ensuring an adequate supply of employment and commercial space across the city to support future employment growth.
- Embracing innovation and technology as a long-term driver of productivity and prosperity, and ensuring that the workers and businesses are prepared for disruptive change.
- Supporting existing businesses to grow through encouraging workforce development, investing in research and development, embracing trade opportunities and building management capabilities.

In addition, consideration needs to be given to three cross-cutting themes that are relevant to achieving lasting prosperity for Auckland:

1. Māori economic growth – unlocking opportunities to support the growth and diversification of the Māori economy and Māori businesses.
2. Enhanced spatial focus – addressing regional disparities by supporting area-based initiatives, such as those being advanced by *The Southern Initiative*.
3. Sustainable development – promoting opportunities that generate economic growth outcomes which can be sustained in the long term and benefit both current and future generations.

In taking both a regional and local approach, using a strong evidence base and leveraging investment in infrastructure, there is an opportunity to address the issues of future prosperity.

GET IN TOUCH

ATEED and Infometrics welcome comment and feedback on the Economic Insights Series.

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