

Business  
Council of  
Australia



submission

# Submission to the Productivity Commission regarding the Geographic Labour Mobility Issues Paper

SEPTEMBER 2013

*Working to achieve  
economic, social  
and environmental  
goals that will benefit  
Australians now and  
into the future*

The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

## About this submission

The BCA is pleased to make a submission to the Productivity Commission's (PC) study on geographic labour mobility. In response to the issues paper, we strongly support removing or reducing the costs to employers, workers and their families of relocating people to where the new jobs are.

The benefits of reducing barriers to geographic workforce mobility include:

- employees being less restricted in taking up jobs that they value
- employers being more able to attract the staff they need at a reasonable cost
- reducing regional labour imbalances, as people are more able to move to areas where employment is growing and leave places where employment is low or falling
- improving the capacity of our economy to adapt to changing competitive pressures and a more global economy.

While the study's terms of reference emphasise impediments to labour mobility within Australia, we think that the study should also consider the benefits of reducing barriers to migration from overseas where insufficient local workers are available to meet demand.

## Key points

Australia's economy undergoes continuous structural adjustment as it adapts to changes in technology and competitiveness relative to the rest of the world. Our future employment and income growth depends on the ability of people to transition into jobs in areas of high growth. Amongst other things, our future employment and income growth will require people to have the right skills as well as the ability to move quickly to where the new jobs are. Reducing barriers to workforce mobility will help Australian businesses find people in places where the jobs are and with the skills employers need.

Many Australians relocate or commute long distances for employment reasons, including using fly-in/fly-out arrangements. These arrangements should be encouraged as they are likely to continue to help meet our employment needs.

It should also be recognised that mobile local workers are not always sufficient to meet the demand for additional workers. Net migration also continues to help meet Australia's ongoing demand for labour.

The BCA recognises that a decision to relocate depends on a person's assessment as to whether the benefits of moving outweigh the non-financial and financial costs of relocating. We see it as important to minimise relocation costs, so that it is as easy as possible for people to make the decision to move when it is in their interests to do so.

Technological changes in some cases will reduce the need for people to be in a specific location to do a particular job. Greater use of mobile electronic devices makes it easier for people to work anywhere at any time, for example. While this increased flexibility needs to be balanced against the pressure on people to be at work at any time, these innovations open up workplaces to employing people located in different regions and countries. Greater use of these innovations will help businesses to adapt quickly to changing consumer demands and maintain a competitive edge.

Following discussions with BCA member companies, we recommend the following government actions to reduce barriers to geographic labour mobility:

- Recognise occupational and trade licences regardless of the Australian jurisdiction in which they are obtained.

- ▶ Remove restrictions in enterprise agreements to casual and labour hire employment.
- ▶ Remove the new labour market testing reporting requirements for temporary employer-sponsored (skilled subclass 457) visas as they increase employment costs without improving local employment outcomes.
- ▶ Support fly-in/fly-out tax and other arrangements, such as developing efficient transport links.
- ▶ Implement a common school starting age and national curriculum by progressing work under the 2012 National Education Agreement.
- ▶ Remove or lower stamp duties – transactional taxes on property transfer (house sale) – in favour of less distortionary tax bases.
- ▶ Remove impediments to the timely release and use of land for housing to improve the operation of regional housing markets.

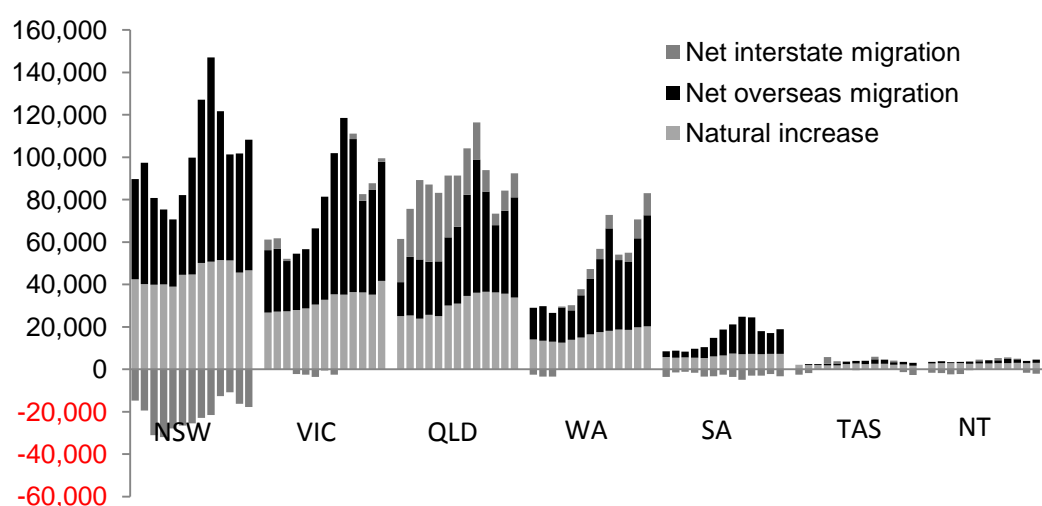
### How often do Australians move?

Over the last 12 years, the southern Australian states, in particular New South Wales and South Australia have experienced falls in annual net interstate migration. Over the same period, Queensland and Western Australia have benefited from interstate migration (Figure 1). These population shifts reflect the mining boom in Queensland and Western Australia, and the strong increase in the demand for workers in these states compared with the southern Australian states.

Official population statistics do not fully reflect the actual mobility of the workforce. Where there are good transport links, many workers do not permanently relocate but commute long distances or fly-in and fly-out of their work locations. Continued strong annual growth in passenger movements at the Perth, Darwin and Brisbane airports since 2009 indicates the importance of these arrangements (BITRE, 2013).

An analysis of Census and Household, Income and Labour Dynamics in Australia (HILDA) data found that people less than 30 years old are much more likely to move than older people and renters are more likely to move than home owners (Mitchell, 2008).

**Figure 1: Annual population changes by state and territory, 2000–12, by type of change**



Source: ABS, 2013a

It is also clear from Figure 1 that overseas migration continues to make an important contribution to meeting our changing workforce needs. Most of Australia's permanent migrants enter under the skilled stream, and temporary migrants include international students, working holiday-makers and other temporary workers (OECD, 2013).

Even with this movement of people, shortages persist in certain skilled occupations and trades such as fabrication steel tradespersons and welders (AWPA, 2012). With the recent slowdown in economic growth, particularly in investment in the resources sector, the number of occupations in shortage has fallen, but vacancies in regional areas of Australia continue to be more difficult to fill than those in metropolitan areas (DEEWR, 2012).

### **Regulatory barriers**

Moving the right people as quickly as possible to where the new jobs are requires providing a range of mobility options to help meet the differing needs of workers and employers. Regional increases in employment are not always long-term, so the more we are able to meet continuous changes in labour demand, the better Australian businesses are able to maintain or improve their competitiveness. Existing regulatory impediments to maintaining a wide range of options to better match workers with the available jobs include:

- additional occupational licence fees and delays in obtaining formal recognition for certain skilled workers that are licensed in other Australian jurisdictions
- restrictions in some enterprise agreements on employing casual and labour hire staff
- unnecessary new administrative costs on employers sponsoring temporary overseas skilled workers.

### **Occupational licensing barriers**

Occupational licensing differences between Australian states and territories discourage people from relocating for employment reasons because of the cost of additional licence fees, and the delays in obtaining formal recognition in another jurisdiction. Any national licensing scheme must license only those skills and competencies that reduce identified risks, remove all ineffective and duplicative regulatory functions across the country, and nationally recognise licences regardless of the jurisdiction in which they are obtained.

The Standing Committee on Federal Financial Relations is to decide on the nature of occupational and trade licensing reforms late in 2013. To inform this decision, state and territory governments are currently consulting within their jurisdictions on the reform options.

### *Recommendation*

- Recognise occupational and trade licences regardless of the Australian jurisdiction in which they are obtained.

### **Workplace regulation barriers**

In some cases, enterprise agreements are made that limit the ability of companies to meet short-term fluctuations in market demand by employing specialist workers for short periods of time.

To meet continuous changes in labour demand for specialised skills, it may be cost-effective for employers to hire people for a limited time rather than on an ongoing basis. People who possess these skills may prefer to move to another project to keep their skills up to date when the job can no longer use their expertise. The BCA found in its recent project costs study that the small size of Australia's market for mega-projects makes it difficult to train for certain skills, such as project managers and engineers. Such workers need to be mobile between projects and employers to maintain their skills and retain their marketability. These workers have skills that are easily transferable to many employers in Australia and overseas, so such employment restrictions would limit rather than help their job prospects.

Restricting the use of casual and labour hire employment delays employers from finding the people with the right skills for particular jobs, reducing the businesses' ability to compete. This limits the ability of businesses to grow and increase employment, reducing future employment opportunities for Australians. It is arguable that these restrictions are needed to protect vulnerable Australians given the effectiveness of Australia's tax and transfer system. In 2011–12, Australian households in

the lowest income quintile received almost three quarters of their income in government pensions and benefits (ABS 2013b).

*Recommendation*

- Remove restrictions in enterprise agreements on casual and labour hire employment.

**Migration barriers**

As shown in Figure 1, interstate migration and relocating domestic workers within Australia is often complemented by overseas migration to meet specific skill gaps. The workforce is becoming more globally mobile, and we need both Australian and overseas people to fill the available jobs. For this reason, it is desirable to maintain migration settings that enable businesses to fill temporary skill gaps and keep Australia a desirable place to live and work. This will also encourage highly-skilled Australians that work overseas to return home.

As shown in Exhibit 1, the costs of relocating overseas workers to Australia are considerable, so the level of employer financial support tends to be higher for international than domestic relocation. The level of employer support is also greater when worker relocation is initiated by the company rather than the individual.

With the high costs of relocating overseas workers to Australia, regulatory costs such as the new labour market testing reporting requirements for temporary employer-sponsored (skilled subclass 457) visas should be removed. These requirements increase employment costs without improving local employment outcomes. Indeed, by potentially inhibiting the expansion of growing businesses, overall Australian employment opportunities will be reduced.

The Commonwealth Government should complement improved labour mobility by maintaining the flexibility of Australia's temporary skilled migration program to enable businesses to fill temporary skill gaps in growing sectors of the economy.

*Recommendation*

- Remove the new labour market testing reporting requirements for temporary employer-sponsored (skilled subclass 457) visas as they increase employment costs without improving local employment outcomes.

### **Exhibit 1: An increasingly global labour market**

“As a global multinational, part of Microsoft’s attraction to new and existing employees is the opportunity it provides to move from one part of the world to another. Microsoft offers employees the experience of working overseas without disconnecting from their profession. It does this by advertising all jobs internally so around three-quarters of vacant positions are filled by existing staff (globally or locally), and the remainder from local talent outside of Microsoft. There are very few international recruits that are not already Microsoft employees or who do not already have Australian permanent residency.

The benefits to Microsoft are that globally experienced staff bring greater cultural understanding and empathy, and this helps the company get things done ‘better and faster’. Particularly for more senior staff, Microsoft values diversity to obtain the necessary balance of experience, gender, styles and thinking in a team. Experience of global markets is particularly desirable.

Microsoft helps employees relocate where this is required to meet an identified Microsoft skill need. This will include the costs of physically moving, finding schools, and appropriate accommodation costs. Where staff wish to relocate for personal rather than professional reasons (such as to follow a partner), Microsoft will try to match their skills with available vacancies in the new location.

It is not often commercially viable to relocate new external staff because of the lack of local market knowledge and Microsoft experience. For these reasons, it is unlikely a new employee would be recruited and relocated, unless they were substantially better than all other applicants, including existing and local staff.”

Source: Microsoft Australia

### **Non-financial barriers**

BCA member companies advise that the greatest barriers to relocating are often family-related, so a mix of financial and other support may be provided by employers to encourage people to relocate for business reasons.

These barriers include the costs of disrupting children’s social networks and changing schools, and the difficulties of caring for ageing parents. These costs are compounded by the reality that many new jobs are in areas where infrastructure for children’s schooling and housing choice is relatively limited.

For some families, fly-in/fly-out arrangements are the best way of balancing their family and work commitments. Existing tax arrangements help reduce the cost of transporting and housing fly-in/fly-out workers.

As shown in Exhibit 2, BCA member companies employ a range of strategies to help reduce the costs to employees of moving for work reasons.

Other company strategies include:

- employing a proportion of their workforce that is willing and able to quickly settle in new work locations
- attracting staff that are enthusiastic about working in different parts of Australia and overseas.

**Exhibit 2: Lowering the family costs of relocating for work reasons**

“While fly-in/fly-out is the norm for our industry, it has become less economic to fly people and is not sustainable in the longer term. And people get tired of it. So we encourage people to temporarily relocate.

We find that the main barriers to relocating staff within Australia are:

- parents being reluctant to take children out of schools and away from their social networks
- the financial impact of the other partner giving up their job
- concerns about long term career impact of the move
- the financial and non-financial costs of moving house, especially to a place that is not only more expensive, but where there is less housing choice.

Our company responds to these barriers by:

- Emphasising to moving families the benefits of relocation, and how social media can be used to keep children in touch with friends.
- Competitively tendering and contracting out all the physical moving issues, including finding schools, to local experts. Unless these supports are provided, employee productivity suffers.
- Providing tiered relocation allowances to help offset the financial cost of relocating.
- Providing all people the 'right to return' within 1–2 years.
- Internally promoting the new location, and having senior people who are local to help people settle into the new location.”

Source: BCA member company, business services sector

*Recommendation*

- Support fly-in/fly-out tax and other arrangements, such as developing efficient transport links.
- Implement a common school starting age and national curriculum by progressing work under the 2012 National Education Agreement.

**Financial barriers**

While family and other commitments are a major barrier to relocation for employment reasons, housing costs are a substantial barrier to relocation, particularly for home owners or purchasers. Australia’s relatively high housing costs and the high number of dual income families makes the potential loss of partner income a major disincentive to move.

Residential prices and rents vary between regions and tend to be higher in areas with strong employment growth than areas with limited employment options. These regional price differences may be considerable and further discourage relocation, particularly for home owners whose home equity may be insufficient to purchase a home in an area of strong employment growth.

Where relocation costs include the cost of selling and buying a home, moving costs include stamp duties which are on average more than 3 per cent of the home purchase price (Commonwealth of Australia, 2010). Stamp duty rates vary by state and the purchase price of the home. Replacing stamp duties with taxes that have less distortionary impacts would lower relocation costs.

While Australians are more likely to move residence than most other OECD countries, a recent OECD study found that mobility is affected by the responsiveness of housing markets, including the transactions costs associated with moving house. While these transactions costs are lower than many other OECD countries, stamp duties comprise most of these costs in Australia. US evidence

suggests that areas with less restrictive land use regulations are associated with higher levels of mobility (Caldera Sanchez & Andrews, 2011).

BCA member companies seek to reduce the impact of these financial barriers by several strategies, including providing employee allowances.

One BCA member company considers that because fly-in/fly-out arrangements are becoming more costly and many people tire of it, employer support for worker relocation is becoming a more financially attractive option.

#### *Recommendation*

- Remove or lower stamp duties – transactional taxes on property transfer (house sale) – in favour of less distortionary tax bases.
- Remove impediments to the timely release and use of land for housing to improve the operation of regional housing markets.

#### **Key recommendations**

The BCA suggests the following government actions to reduce barriers to geographic labour mobility:

- ▶ Recognise occupational and trade licences regardless of the Australian jurisdiction in which they are obtained.
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- ▶ Remove the new labour market testing reporting requirements for temporary employer-sponsored (skilled subclass 457) visas as they increase employment costs without improving local employment outcomes.
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