

**Western Australian Government Submission**

**Productivity Commission**

**Geographic Labour Mobility Draft Report**

**February 2014**

## **WESTERN AUSTRALIAN GOVERNMENT SUBMISSION GEOGRAPHIC LABOUR MOBILITY DRAFT REPORT**

The Western Australian Government welcomes the opportunity to make a submission to the Productivity Commission's draft report in relation to Geographic Labour Mobility.

Ensuring the availability of a skilled workforce is of strategic importance for Western Australia in fulfilling its economic and social potential. Western Australia's economy is dynamic, and the degree to which the State's workforce moved between jobs during its resource expansion period was a key factor assisting the State's strong economic growth and structural adjustment.

However, it is also recognised that there are costs associated with such mobility. These include the effects that high rates of staff turnover have on businesses, the relocation costs faced by individuals/households, and a reduction in the benefits that longer job tenure can have for workers and businesses. During the peak period of the State's recent resources expansion, intense competition for skilled labour resulted in a degree of 'crowding out' of skilled labour in the State's non-resource industries.

Achieving a flexible and mobile workforce is challenging, in part due to issues associated with the attraction and retention of labour, particularly in regional and remote areas of the State.

Unique factors impact on regional geographic labour mobility in Western Australia, including the State's large land mass and significant distances between some centres, the many resource sector sites operating in remote locations across the State, and diverse climatic conditions. These factors provide unique challenges for service provision in regional areas of the State.

However, labour mobility strategies addressing these challenges cannot be a 'one size fits all' approach, and within this context, strategies need to address a diverse range of industry sectors, professions/trade groupings, and regions.

This submission has been compiled by the Department of Training and Workforce Development on behalf of the Western Australian Government and focuses on the main draft recommendations and specific sections of the Draft Report which are of interest to Western Australia.

## **Section 3 Why is geographic labour mobility important?**

### **Impacts on communities (page 61 of the Draft Report)**

The Western Australian experience is consistent with the Commission's finding that geographic labour mobility can impact significantly on communities. Local services in regional areas are often not resourced to accommodate the needs of new or temporary residents, including migrants, and service delivery in regional areas can be adversely affected by frequent staff turnover.

For example, during Government consultations in Port Hedland, Karratha and Broome in 2011, stakeholders in all three towns reported the challenge faced by their local governments in meeting the needs of the community through existing resources, including the specific needs of people from culturally and linguistically diverse (CaLD) backgrounds.

### **Box 3.4 (page 62 of the Draft Report)**

Fly-in, fly-out (FIFO)/drive-in, drive out (DIDO) models of service have been and are used by WA Health as a means to address workforce shortages and mal-distribution and provide clinical services to people living in rural and remote areas. Examples of models include:

- Hub and spoke model where WA Country Health Service (WACHS) employed clinicians provide FIFO/DIDO services to surrounding communities from the main regional or district centre;
- Traditional FIFO model: This model has been used where recruitment has failed and significant workforce shortage exists;
- leave relief of an essential service such as midwifery services;
- DIDO/FIFO Locally or Regionally Contracted Services; and
- Metropolitan State-wide FIFO/DIDO services: provided by metropolitan organisations as part of their service commitments.

Telehealth has been shown to offer significant socio-economic benefit to patients and families, health-care providers and the health-care system.

In 2008, WA Health implemented the Statewide Telehealth Service to deliver health services between communities separated by distance. Telehealth has proven to be a means to provide care closer to home and to increase access to services. It is a key driver in health system reform.

## **Section 4 Labour demand in a changing economy**

### **Some parts of the labour market are experiencing acute shortages (pages 87-88 of the Draft Report)**

The Commission's findings confirm Western Australia's concerns about the difficulty in attracting and retaining a wide range of occupations to regional and remote areas of the State.

Regional workforce development plans have consistently identified a shortage of child care workers, while the Department of Education has cited issues in attracting and retaining teachers and properly qualified early childhood educators. In addition, the introduction of the National Quality Framework for education and care and its requirement that child care services with more than 24 children employ a qualified teacher from 2014 will exacerbate the previously reported shortage of teachers in remote areas (Box 4.6).

## **Section 5 Residential mobility (pages 93-112 of the Draft Report)**

The following information may be of interest to the Commission in the preparation of its Final Report.

Recent surveys undertaken by WA Health as part of the reconfiguration of metropolitan health services indicates that working closer to home was a significant motivator for (i) selecting a preferred work location; and (ii) leaving a current job. The survey aimed to determine Perth metropolitan-based employee intentions as WA Health commissions a new tertiary hospital in WA (Fiona Stanley Hospital [FSH]) and significantly reconfigures several other sites throughout 2014/2015. The survey was completed by 11,973 employees – 37% of the total for the Perth metropolitan health services – in July 2013.

The survey provided the following findings:

- Regardless of whether a staff member intends to change location, preferences for work location are widely driven by proximity to home;
- Employees intending to change location are likely to be attracted by the availability of up-to-date technology and equipment, or easy access by public transport (features associated with FSH). Employees not intending to change location showed a higher desire for ample parking. Staff intending to change sites are also influenced by opportunities for professional development and career progression, as well as salary and other benefits;
- Among non-clinical staff, job satisfaction is also of primary importance in determining their intention to stay or leave their current job, as well as access to flexible work arrangements, pay and benefits, and future job security;
- Some potential exists to offset possible staff shortages due to (i) part time and sessional staff indicating some scope for increased capacity, based on a larger proportion looking to increase their hours, than decrease hours; and (ii) of those considering retirement, at least two-thirds would consider continuing in their employment if they could find a suitable role; and
- In general, clinical staff have wider mobility intentions than non-clinical staff, including 41% of Doctors who plan to be at a different location within WA Health. Doctors are especially influenced by opportunities for personal development and career progression.

## **Section 8    Impediments and enablers of geographic labour mobility**

### **Locational factors (page 151 of the Draft Report)**

The Western Australian Government supports the finding that the availability of social and physical infrastructure can impact on people's decisions to move (and to stay) in different locations, including the availability of affordable housing.

### **Family and community (page 154 of the Draft Report)**

The experience of Western Australian Government agencies supports the observation that proximity to family and friends can be an important consideration in deciding to move, and to where. For example, the appeal of the Wheatbelt town of Katanning in Western Australia to migrant workers where there is an existing culturally diverse population reinforces this view.

### **Economic and social infrastructure (page 156 of the Draft Report)**

The Western Australian experience supports the finding that the quality and availability of a wide range of facilities and services are factors in geographic labour mobility. It is critical that planning for geographical labour mobility be accompanied by planning with local services to ensure that the social and economic infrastructure is in place to support increases in population, cultural diversity and mobile workforces.

### **Adjustment costs (page 160 of the Draft Report)**

The Draft Report notes the psychological costs associated with adjusting to new surroundings. This can be exacerbated for migrants, particularly those from countries whose systems and cultures differ significantly from Australia. Support structures, such as migrant services and cultural and religious groups, as well as a community that is welcoming of diversity, can be important factors in easing this transition. Employers of people on subclass visa 457 can also play a role in supporting settlement and integration.

## **Section 10    Government Strategies**

### **Regional development policies (page 201 of the Draft Report)**

The Western Australian Government acknowledges the benefits offered by the income tax zone rebate and supports restoring the value of the rebates to meet the original policy intent. The rebates were last increased in January 1993 and there is concern that they no longer adequately compensate the high costs of living in regional and remote areas.

To restore the rebates to their original value, the Zone A rebate would need to be raised to \$6,975 (compared to the current amount of \$338) and the Zone B would need to be raised to \$3,488 (compared to the current amount of \$57)<sup>1</sup>.

## **Section 12 Broader policy settings**

### **The housing market (page 224 of the Draft Report)**

While the Western Australian Government recognises the relative inefficiency of transfer duty, it is one of the limited sources of revenue available to Western Australia to help fund essential services and infrastructure, including in relation to health, education, transport, law and order, and other key areas. In this regard, transfer duty is expected to raise \$1,799 million in 2013-14.<sup>2</sup>

States face significant constitutional constraints on the taxes that they can charge, which makes it difficult to replace relatively inefficient State taxes, such as transfer duty, with more efficient, broader-based taxes.

Unlike the Australian Capital Territory (ACT), access to local government rates as a source of revenue is not readily available to the Western Australian Government. In this regard, the ACT is uniquely placed to implement extensive land-based tax reforms.

Nonetheless, Western Australia has previously suggested that some of the States' more inefficient taxes could be replaced with a State surcharge on the Commonwealth Government's personal income tax base. However, the Commonwealth Government has to date refused to support such a proposal.

### **Provision of government services (pages 235-236 of the Draft Report)**

On page 236, the Draft Report states:

*In 2012, an independent review panel commissioned by the Australian Government examined the [Horizontal Fiscal Equalisation (HFE)] system, including its effects on efficient migration. It concluded that HFE creates 'perverse theoretical incentives in some instances, but there is little evidence that they have any effect in the real world' (Australian Government 2012, p. 140).*

However, the Western Australian Government considers that this issue should not be dismissed as a concern.

The GST Distribution Review's conclusion related mainly to whether HFE influences States to alter their taxes, or acts as a disincentive to tax reform. The full paragraph from the GST Distribution Review's report is:<sup>3</sup>

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<sup>1</sup> This uses ABS total male full time ordinary weekly earnings for May 2013 (Catalogue 6302.0) which is consistent with the basis of the calculation in 1945 when the rebate was first introduced.

<sup>2</sup> Estimate from the 2013-14 Government Mid-Year Financial Projections Statement.

<sup>3</sup> GST Distribution Review – Final Report, October 2012, page 140.

*The current system creates perverse theoretical incentives in some instances, but there is little evidence that they have any effect in the real world. In particular, there is no evidence that HFE acts as a material disincentive to State tax reform.*

In addition, the Western Australian Government does not consider the GST Distribution Review Panel to be an authoritative source on whether HFE influences labour mobility as:

- it did not have the capacity to undertake significant analytical work, nor did it engage consultants to provide it with that capacity; and
- it did not attempt to undertake significant analytical work on this issue.

Economies are often not in equilibrium (Australia is a prime example). In this circumstance, subsidising resource-poor regions may counteract the incentive for labour to move to resource-rich regions. Consequently, HFE may reduce the nation's productive capacity.<sup>4</sup>

These concerns have also been noted by academics such as Scott (1950), Musgrave (1961), and Boadway and Flatters (1982).<sup>5</sup> A number of other academics, including Ergas, Wiltshire, Petchey and Salt, have also raised concerns about the impact of HFE on labour mobility.<sup>6</sup> For example, Ergas (2011) noted that:<sup>7</sup>

*Western Australia's challenge, for example, is to attract labour. One way to do so is by using royalties to improve services, increasing Western Australia's relative attractiveness as a place to live. Yet large chunks of those royalties are redistributed away, undermining that adjustment.*

Although there may be no definitive quantification of the impact of HFE on labour mobility, there are a range of views that the impact is very real.

The Western Australian Government would welcome further research into this issue by the Productivity Commission.

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<sup>4</sup> [GST Distribution Review – WA Submission, October 2011](#), page 38.

<sup>5</sup> Scott A, 1950. *A Note on Grants in Federal Countries*. *Economica*, New Series, Vol. 17, No. 68, pp. 416-422.

Musgrave R, 1961. *Approaches to a Fiscal Theory of Political Federalism*. In: 'Public Finances: Needs, Sources and Utilization'; N.B.E.R., Princeton, and reproduced in *The Economics of Federalism*, 1980, edited by Grewal B, Brennan G and Mathews R, Australian National University Press, Canberra.

Boadway R and Flatters F, 1982. *Efficiency and Equalization Payments in a Federal System of Government: a Synthesis and Extension of Recent Results*. *Canadian Journal of Economics*, Vol. XV, No. 4, pp. 613-33.

<sup>6</sup> See [GST Distribution Review – WA Submission, October 2011](#), pages iii-iv for relevant quotes.

Henry Ergas, Professor of Infrastructure Economics at SMART Infrastructure Facility, University of Wollongong; Senior Economic Advisor at Deloitte Access Economics.

Kenneth Wiltshire, Professor of Public Administration, University of Queensland; ex-Commonwealth Grants Commissioner.

Jeff Petchey, Head of Research, School of Economics and Finance, Curtin University; Commonwealth Grants Commissioner.

Bernard Salt, KPMG Partner and head of KPMG's Property and Demographic Advisory Group; Adjunct Professor at Curtin Business School, Curtin University.

<sup>7</sup> Henry Ergas, *The Australian*, 27 May 2011.

### **Job services system (page 231 of the Draft Report)**

A range of reports have identified shortfalls with the current job services system in meeting the needs of people from CaLD backgrounds. Given that a significant proportion of the State's labour supply is and will be coming from overseas countries it is important that these services effectively meet the needs of a culturally diverse client base.

### **Local government funding (page 244 of the Draft Report)**

The draft report states "In Western Australia ... the state agreements negotiated with mining companies often include significantly reduced [local government] rates" (page 244). This is no longer the case for new State Agreements. In 2012, the Western Australian Government introduced a policy to apply Gross Rental Valuation for local government rating of land affected by mining, petroleum and resource interests. This policy applies to all new mining, petroleum and resource interests. Projects operating under existing State Agreements that include a rates concession or exemption may apply the policy as part of their Agreement Variation processes.

### **Draft Finding 10.1 (page 191 of the Draft Report)**

The effectiveness of targeted strategies to attract workers such as 'international migrants' is acknowledged. It is suggested, however, that these strategies take into account the necessary supports required by specific groups to ease settlement and, in turn, to maximise their productivity.

There is also a need to ensure that a person accepted into Australia on the basis of their qualifications and skills is employed in a relevant occupation. The Western Australian Government emphasises the ongoing reality that many migrants, on arrival, find their qualifications and skills are either not recognised by regulating authorities or by employers. This suggests the need to:

- improve pre-migration qualification recognition processes;
- monitor migrants post-arrival to ensure employment is gained in the occupations on which their application was based; and
- improve employer attitudes towards qualifications and skills gained overseas.

### **Draft Finding 11.2 (page 215 of the Draft Report)**

Whilst it is acknowledged that inconsistencies in occupational licensing between States and Territories can be a barrier to labour mobility, other factors identified in the Draft Report are more significant and therefore should be given precedence in the final recommendations.

It should be noted that the Council of Australian Governments' Communiqué dated 13 December 2013 advised that the proposed national occupational licensing reform will not be pursued by States. Alternative options for minimising licensing impediments such as enhanced mutual recognition will be developed to continue to allow for mobility across jurisdictions.



### **Draft Recommendation 12.2 (page 228 of the Draft Report)**

The leading practices referred to in this recommendation emphasise the need for strategic land use plans. *Directions 2031 and Beyond* is the Western Australian Government's key strategic plan for the future growth of the Perth and Peel metropolitan region and has particular relevance to employment matters.

Furthermore, the Western Australian Government is just embarking on a second reform program to further improve the Western Australian planning system, where the primary focus is on statutory decision making processes and land use planning and supply.

### **Draft Recommendation 12.6 (page 245 of the Draft Report)**

For major resource projects in Western Australia, consultation with relevant local councils is generally undertaken by State Government agencies and/or companies, usually early in the development process. However, this will not always ensure smooth planning by local government for population changes. In the early stages of a project, the timing and size of expected labour demand are not known, and estimates can change markedly as project plans develop. Information about labour demand can be commercially sensitive, and companies are reluctant to share this until it is necessary. Local councils themselves sometimes lack the skills to evaluate and manage the effects of major projects on the local population. Further analysis of how local councils prepare for population change may deliver better outcomes than an emphasis on early consultation.

### **General observations and other suggestions relating to the Draft Report**

Western Australia is predicted to experience ongoing and considerable population growth based around strong economic development outcomes. This presents challenges and opportunities.

The State's previous submission in September 2013 indicated that there appears to be few studies on regional labour markets of the scope and level of detail necessary to optimise the match between population and economic activity. Five of the eight recommendations made in the State's previous submission touch on this need for further and more targeted research to support economic development (particularly regional economic development). Based on this we suggest the Commission's report may benefit from a stronger statement on the need for research to support the movement of workers to areas of economic development, particularly development in remote areas.

Recommendation 7 of the State's previous submission addressed the need to improve labour mobility and employment outcomes for Aboriginal people. The Western Australian Government recommends that as the Commission's draft report only briefly touches on this issue that further attention is required to improve labour mobility for Aboriginal people.

Finally, more extensive coverage of job mobile occupations and employment arrangements could be provided in the Commission's report. In particular, the report could include more extensive consideration of the potential benefits related to teleworking and other forms of non place-based working arrangements for both individuals and businesses, and the specific challenges related to the provision of these opportunities in regional communities.

**Attachment 1 – List of Western Australian State Government agencies that contributed to this submission**

Department of Education  
Department of Health  
Department of Local Government and Communities  
Department of Planning  
Department of Regional Development  
Department of State Development  
Department of Training and Workforce Development  
Department of Treasury