

ACTU Preliminary Submission

Productivity Commission Inquiry into Geographic Labour Mobility



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SECURE JOBS
BETTER FUTURE

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Introduction

This brief preliminary submission identifies some issues of interest to unions and working people in relation to geographic labour mobility. The Australian Council of Trade Unions (ACTU) intends to provide a more in-depth response to the Commission's draft report, scheduled to be released in December 2013.

Australian unions recognise that public policy should facilitate, or at least not inhibit, geographic labour mobility. It is in workers' interests that we have a well-functioning labour market that is able to match people to jobs in which their wages and productivity will be highest. Barriers to labour mobility can create costs. However, high levels of labour mobility can also create social costs. Community life can suffer, both in areas in which workers leave *en masse* to work elsewhere, and in booming regions in which infrastructure is stretched by a rapid influx of workers.

This makes the issue of geographic labour mobility unsuited to didactic policy recommendations. The goal should neither be to maximise mobility, nor to inhibit it. The task facing the Commission is, or should be, to carefully assess the costs and benefits of individual policies that inhibit or promote mobility, including existing policies. This submission briefly canvasses a number of issues that we believe the Commission should take into account as part of this review. Our submission in response to the draft report will canvass these and other issues in greater depth. Our affiliate unions may also make their own submissions.

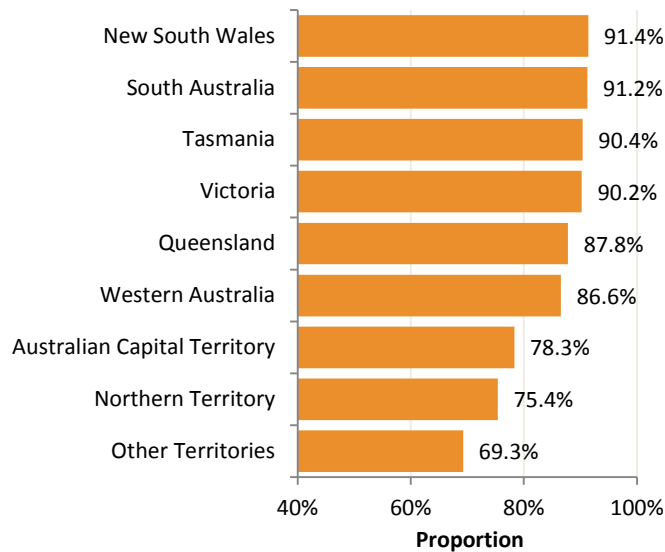
The extent of geographical labour mobility

The Issues Paper lists a range of data sources regarding geographical labour mobility at page 6. It is expected that the draft report will draw upon these sources and we will comment on the findings. We present some information here as background to our own preliminary observations.

The Census shows that 89.5% of people resided in the same state in 2011 as they had in 2006.¹ This ratio was smaller in WA and the Territories. The highest proportions were recorded in NSW and SA, where 91.4% and 91.2%, respectively, of the population in 2011 was also resident in the same state in 2006.

¹ The Census statistics referred to in this section exclude those whose place of residence 5 years ago is listed as 'not stated' or 'not applicable'.

Figure 1: Proportion of population that was in the same state/territory five years ago



Source: ACTU calculations based on ABS Census 2011

Although WA has the largest proportion of the population that was not resident in the state five years ago, it has not received a large amount of interstate migration. Around 4.1% of Western Australians in 2011 were resident in another state in 2006 – this ratio is around the middle of the pack for Australian states. Movement to Western Australia has largely come through overseas migration – 9.3% of Western Australian residents were living overseas in 2006.

Figure 2: Proportion of population that was interstate five years ago

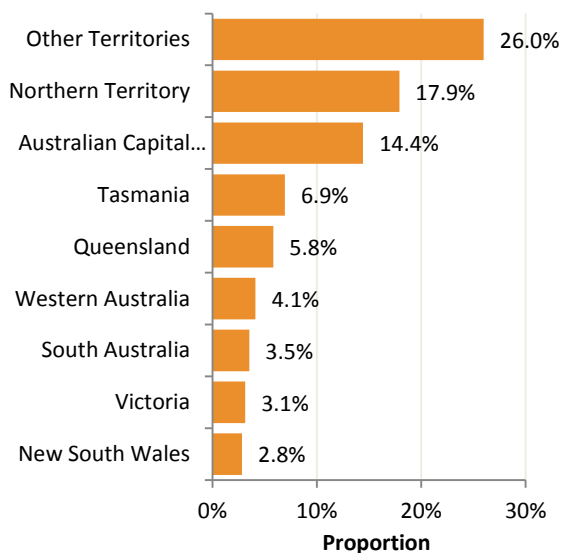
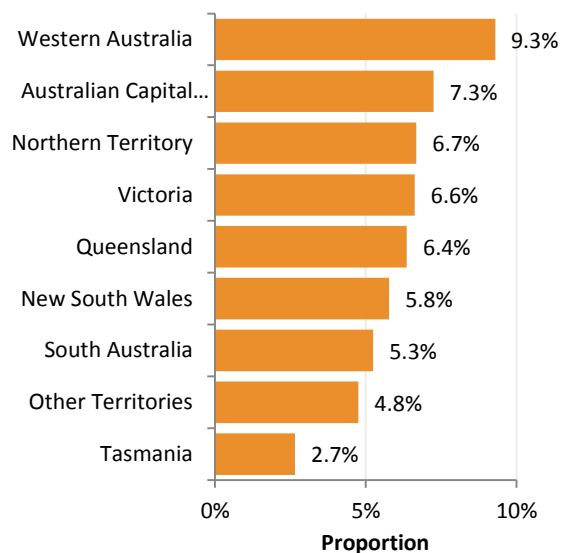


Figure 3: Proportion of population that was overseas five years ago



Source: ACTU calculations based on ABS Census 2011

These figures are not specific to employed persons and the Census does not include information about the reason for moving. The figures therefore do not pertain exclusively to labour mobility, but rather to the geographic mobility of all persons. It is nevertheless evident that the mining states, Queensland, WA, and the NT, have had a higher share of inward migration (ie. a smaller share of the population in 2011 was

resident in the state in 2006 than in other states), suggesting that (interstate and international) migration has played a role in meeting the needs of the resources industry in recent years.

The Census data at the more fine-grained, SA4 level shows a significant variation across regions in the proportion of the population that remained in place over the five years. Rural, regional, and outer-suburban SA4 regions in Tasmania, Victoria and NSW dominate the list of areas in which a high proportion of residents in 2011 were residents of the same region in 2006.

Table 1: 20 SA4 regions with the largest proportion of 2011 residents that were residents in 2006

State	SA4	Proportion currently in SA4 that was in SA4 5 years ago
Tas	West and North West	88.2%
Vic	Warrnambool and South West	87.6%
NSW	Illawarra	87.2%
Tas	Launceston and North East	87.0%
NSW	Sydney - Sutherland	86.1%
Tas	Hobart	86.1%
Vic	North West	86.0%
NSW	Far West and Orana	86.0%
NSW	Sydney - South West	85.8%
Vic	Melbourne - Outer East	85.5%
NSW	Sydney - Outer South West	85.4%
NSW	Newcastle and Lake Macquarie	85.4%
Vic	Shepparton	85.2%
NSW	Riverina	85.2%
Vic	Latrobe - Gippsland	85.0%
NSW	Central Coast	85.0%
NSW	Sydney - Outer West and Blue Mountains	85.0%
Vic	Geelong	84.8%
NSW	Central West	84.7%
NSW	New England and North West	84.4%

Source: ACTU calculations based on ABS Census 2011

The other end of the spectrum features more inner city areas – WA and Queensland feature more prominently in this list of SA4 regions. In inner-city Brisbane, only 56% of residents in 2011 were residents of the same region in 2006.

Table 2: SA4 regions with the smallest proportion of 2011 residents that were residents in 2006

State	SA4	Proportion currently in SA4 that was in SA4 5 years ago
Qld	Brisbane Inner City	56.0%
NSW	Sydney - City and Inner South	57.6%
Qld	Migratory - Offshore - Shipping (Qld)	58.5%
Vic	Melbourne - Inner	62.9%
Vic	Migratory - Offshore - Shipping (Vic.)	63.3%
WA	Perth - Inner	64.3%
NT	Darwin	68.1%
WA	Western Australia - Outback	68.2%
Qld	Brisbane - West	68.2%
NSW	Sydney - Inner West	69.3%
NSW	Sydney - Eastern Suburbs	69.7%
	Other Territories	69.7%
Qld	Moreton Bay - South	69.9%
NSW	Migratory - Offshore - Shipping (NSW)	69.9%
Qld	Brisbane - South	70.0%
Qld	Brisbane - North	70.9%
WA	Mandurah	70.9%
NSW	Sydney - Ryde	71.8%
NSW	Sydney - Parramatta	74.0%
WA	Perth - South East	74.5%

Source: ACTU calculations based on ABS Census 2011

The pattern suggested by the figures above is that the population is somewhat 'sticky' in regional and rural Tasmania, NSW and Victoria. The population of inner Sydney and Melbourne, as well as much of WA and Queensland, appears to be much more fluid, in the sense that a larger proportion of the population in 2011 was not resident in the same SA4 in 2006. Of course, this is partly related to the larger proportion of the inner-city population that consists of short-stay overseas students and other temporary residents.

As the main resource state, WA's demand for labour has grown faster than the demand in other states over the past decade. This demand has been met in part by increasing labour force participation – WA's participation rate was around 2.5 percentage points higher than the rest of the country's before the boom began – this gap grew to around 4.5 points in 2012 and has fallen back to around 3.5 points in mid-2013, as shown in Figure 4. WA's labour needs have also been met through a higher than average population growth rate. Figure 5 shows WA's share of the labour force, the black line, compared to what its labour force share would have been if its participation rate had remained unchanged from July 2004 (the orange line). This shows that during the first four years or so of the boom, the net growth in WA's labour force share was due to rising participation rather than population growth, but since that time population growth has driven the rise in WA's labour force share. This is perhaps to be expected – the first effect of the mining boom was to stimulate additional labour supply from WA residents, with inward migration following after that.

Figure 4: WA's participation rate minus the rest of Australia's participation rate

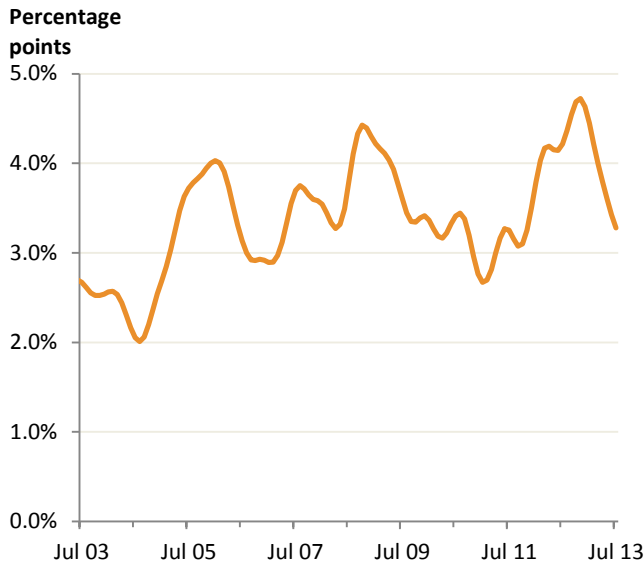
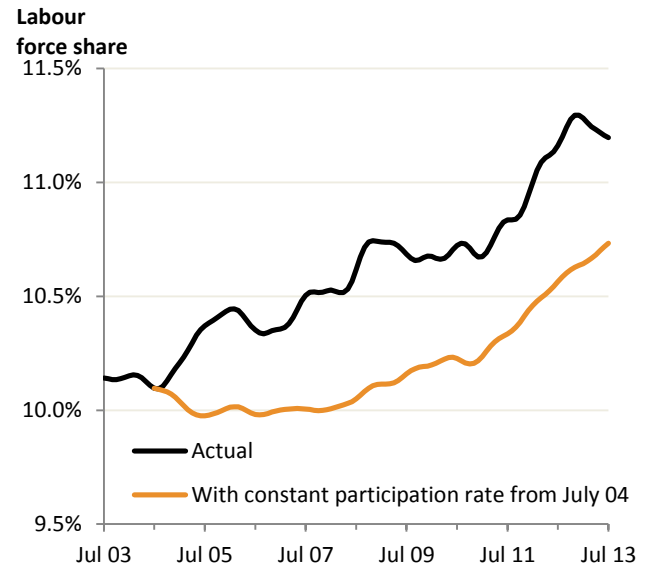


Figure 5: WA's share of the labour force under two different participation rates



Source: ACTU calculations based on ABS 6202, trend.²

It is important to note that labour force conditions across the country improved over the past decade – reductions in unemployment and increases in the employment-to-population ratio were not just confined to the areas or states in which the resources sector was most active. In fact, the improvement in conditions was most notable in those areas that had the highest pre-boom unemployment rates. Another way of putting this is that as the national unemployment rate fell, so did the standard deviation of regional unemployment rates, as can be seen in Figure 7. Gruen, Li and Wong of the Commonwealth Treasury examined this relationship over a longer time period, using different data, and showed that “lower unemployment rates [are] associated with lower levels of dispersion in unemployment rates”.³

² The ‘rest of Australia’s participation rate’ is the national labour force, minus WA’s labour force, as a proportion of the national civilian population aged 15+, minus WA’s civilian population. The ‘labour force share’ is WA’s labour force as a proportion of the national total.

³ Gruen, Li and Wong 2012, ‘Unemployment Disparity across Regions’, *Economic Roundup*, Issue 2, Commonwealth Treasury, Canberra. Available from: http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2012/Economic%20Roundup%20Issue%202/Downloads/04_Unemployment_disparity_region.ashx [Accessed 19 August 2013].

Figure 6: Distribution of unemployment rates across small regions

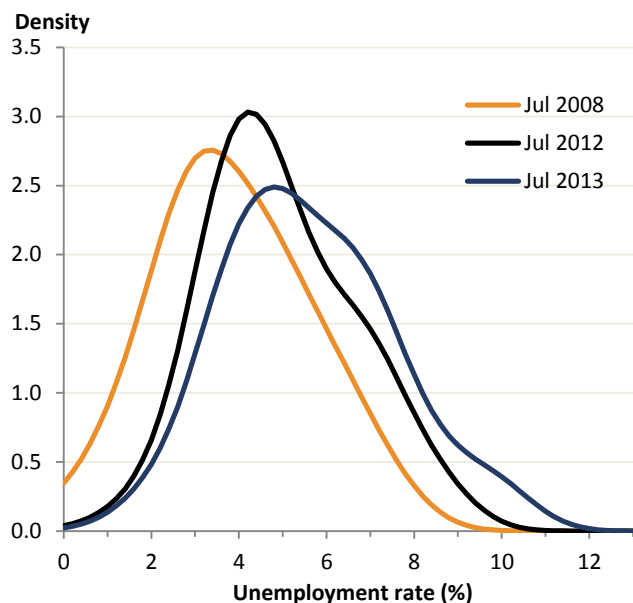
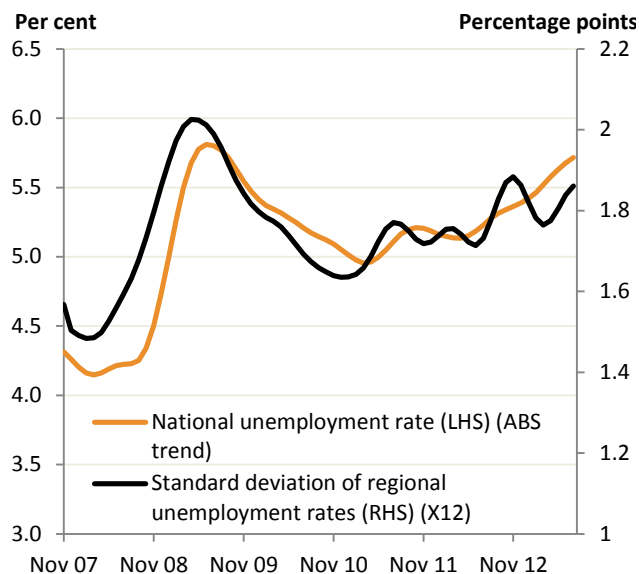


Figure 7: National unemployment rate and dispersion of regional rates



Source: ACTU calculations based on ABS 6291.0.55.001, not seasonally adjusted. Chart shows the number of labour force regions (out of a total of 65) that fit into unemployment rate ranges of 0.2 percentage points. Smoothed using a Gaussian filter. Standard deviation seasonally adjusted using X12-ARIMA.

This is an important fact for the Commission to take into account in this review. It is not the case that strong economic conditions over the past decade have caused employment to rise only in particular regions. Unemployment rates have come down in the most disadvantaged regions, such that the standard deviation of regional unemployment rates has risen and fallen with the national unemployment rate. The scale of the labour immobility problem that the nation faces should be kept in perspective.

The role of relative wage adjustments

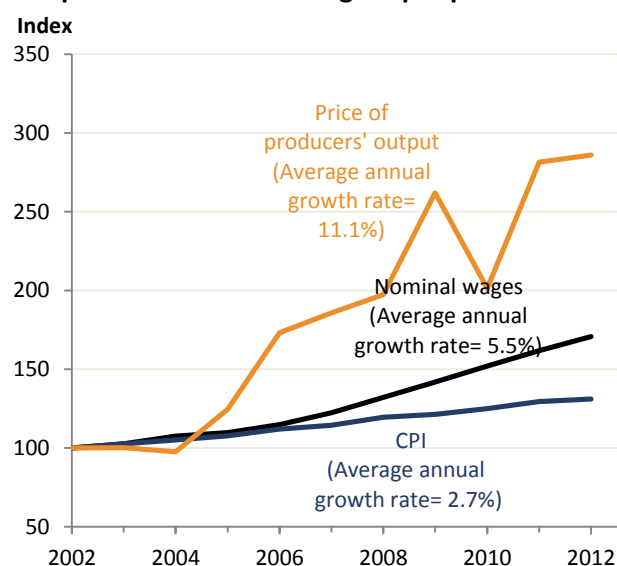
In a largely decentralised wage bargaining system, of the sort that Australia has had for at least two decades, relative wage adjustments should play a central role in encouraging the reallocation of workers across industries, occupations, and geographical locations. When the demand for labour rises in one region (such as in northern Western Australia during the terms of trade boom), an increase in the wage offered in that region serves as a signal to induce additional labour supply to the region – either in the form of increased labour force participation among existing residents, or in the form of migration from elsewhere.

Where this mechanism has operated over the past decade or so, some employers and their representatives have complained that an unsustainable ‘wages breakout’ was in progress or in prospect. This is untrue, and represents a disavowal of the very market process that acts to equilibrate the supply of labour with an increased demand for workers’ services.

In fact, in the mining industry, although nominal wages have increased reasonably rapidly over the past decade, they have not increased nearly as rapidly as the prices mining industry producers receive for their output. Therefore, while mining workers have received solid increases in their real consumer wage

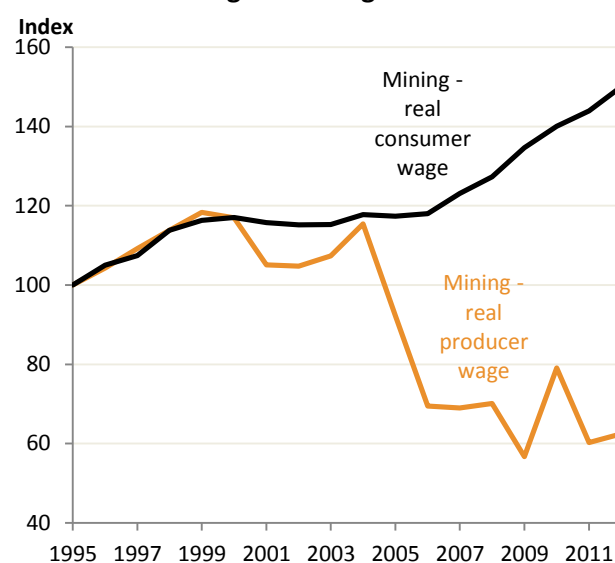
(average wages deflated by the CPI), mining employers have seen large falls in the real producer wage (average wages deflated by mining output prices).

Figure 8: Nominal full-time mining wages compared to CPI and mining output price inflation



Source: ACTU calculations. CPI from ABS 6401, nominal average earnings (AWOTE) from ABS 6302, output prices calculated using ABS 5204.

Figure 9: Change in the average real producer and real consumer wage in mining



It would appear that there has been scope for mining industry employers to increase nominal wages in the sector even higher in order to attract sufficient labour to work in the industry. Where there is a positive labour demand shock, as in the resources boom, rising relative wages are a positive feature of the industrial relations system, not a drawback of that system. Employers can usually meet their needs by attracting more labour to their industry and/or region through increasing wages. Other policy measures should only come into play where employers face serious shortages of appropriately skilled labour even at higher wage rates.

Geographic labour mobility and the resources sector

The resources sector is a prominent example of where the debate around geographic labour mobility has taken centre stage. This is linked of course to the fact that the work of the resources sector is generally tied to particular locations, often (but by no means exclusively) in remote parts of the country with little or no existing local population base. The capacity of the sector to meet its skill and workforce needs is in large part therefore dependent on being able to attract and retain workers from outside the immediate local area i.e. a geographically mobile workforce. This could involve workers either relocating permanently or semi-permanently from their current residence (in Australia or overseas) to work in the resources sector or through other arrangements such as fly-in, fly-out (FIFO) and drive-in, drive-out (DIDO) arrangements where the workers continue living in their current location.

Unfortunately, much of the debate in recent years about geographic labour mobility and the resources sector has been underpinned by a narrative that suggests Australians are not willing to relocate to work in the resources sector. This, the argument goes, has meant the sector has had no option than to go down the path of using 457 visa workers from overseas to address skill shortages in the sector, or greater reliance on FIFO and DIDO (issues relating to FIFO are dealt with further below).

In our submission, a far more balanced and nuanced assessment is required of the issues related to geographic labour mobility in the resources sector. Even if it is the case that many Australians are unwilling to relocate to and stay in remote resource sector locations – and in our experience this is often the perception and not the reality – much greater attention needs to be placed on the role that employers have played in shaping these decisions and whether they can do more to encourage and create as wide a pool of workers as possible for work in the resources sector.

For instance, while personal factors such as family and lifestyle choices are undoubtedly crucial in influencing decisions of where to work and live, the wages, conditions and other working arrangements that are on offer in the sector are also critical. We refer here to issues such as long hours, undesirable shift work and rostering arrangements (four weeks on, one week off rosters are now common in parts of the sector⁴), and the lack of quality part-time work opportunities and other family-friendly working arrangements that are often cited as factors limiting greater female workforce participation.⁵

These are not intractable issues. They can be addressed. We saw for example the emergence of so-called ‘mummy rosters’ during the height of the resources boom in order to attract more females into the workforce. However, as long as they remain unaddressed, and employers continue to push for extended work rosters and minimal rest, these features of the sector effectively exclude workers who wish to maintain a family or community life and require reasonable working hours, especially those with caring responsibilities. This makes the prospect of workers relocating to work in the sector more unlikely.

Decisions to relocate of course are also influenced by access to and availability of local services and amenities. This requires a consideration of the social and community infrastructure needed to support workers in the resources sector and their families, such as housing, child care, hospitals, schools and recreational facilities. These are matters for employers and governments to address if geographic labour mobility is to become more attractive and viable for workers and their families.

⁴ Even 4 on/1 off rosters have only been reduced to this level due to union campaigns in the past to develop more sensible and sustainable work rosters. For example, the original rosters in places such as the Argyle Diamond mine were 13 on/1 off.

⁵ Resourcing the Future: National Resources Sector Employment Taskforce Report, July 2010, p. 75; see also Australian Workforce and Productivity Agency 2012 report on resources sector skill needs, p. 66.

Greater priority must also been given to employment of workers who already live locally alongside resource sector operations. Even in more remote locations, there is often a potential pool of local workers that remains untapped, including local indigenous workers. Some companies have made progress in this area but there is still more to be done. Even where local workers are engaged, they are often being relegated to unskilled positions without the opportunity to train and develop their skills.

Therefore, in our submission, rather than focusing solely on the perceived unwillingness of workers to relocate, the onus must be on employers to cast the net as wide as possible in their recruitment efforts, both in the local geographic area and where necessary by encouraging geographic labour mobility and relocation to meet their skill needs. However, the experience of our affiliated unions in the sector is that many companies have not invested sufficiently in providing local employment and training opportunities, particularly for entry-level jobs. Instead, the preference often is to go down the path of using the 457 visa scheme to hire temporary overseas workers. At the same time, unions continue to report they have unemployed members ready and available but unable to find work.

This experience has been confirmed by a number of reports into the sector. In 2010, the final report of the National Resources Sector Taskforce⁶ found that ready access to temporary migration, along with the capacity to offer high wages and 'poach', has allowed resources companies to meet their skill needs with little thought to investment in skills development. More recently, a Senate Committee investigating the use of Enterprise Migration Agreements released a final report which found further evidence some companies in the resources sector are turning away qualified Australian workers and hiring overseas workers.⁷

These issues have been exacerbated by the lack of any requirement until now on employers wanting to use the 457 visa program to first provide evidence of genuine attempts to recruit Australian workers; In that respect, we welcome the recent passage of legislation to introduce labour market testing under the 457 visa program⁸. If implemented effectively, this will require employers to demonstrate there is no suitable qualified and skilled Australian worker able to do the work before they can use 457 visa workers. This recognises that overseas workers should only ever be a supplement to the Australian workforce, not a substitute as the discussion paper suggests.⁹ For labour market testing to be effective in practice, it must in our view also require prospective employers of overseas workers to have advertised positions at genuine market rates, to offer meaningful relocation assistance where appropriate, and to provide details of particular efforts made to employ those disadvantaged or under-represented in the labour market.

⁶ Resourcing the Future: National Resources Sector Employment Taskforce Report, July 2010.

⁷ The Senate Education, Employment and Workplace Relations Legislation Committee, Protecting Local Jobs (Regulating Enterprise Migration Agreements) Bill 2012 [Provisions], March 2013.

⁸ Migration Amendment (Temporary Sponsored Visas) Act 2013.

⁹ See p. 18.

Another welcome development is the establishment of the online Resources Sector Jobs Board ¹⁰ that allows workers to indicate their willingness and availability to work on resource sector projects, including their willingness to relocate. Again, if it works as intended, this is one initiative which can help match available workers with available jobs and promote and facilitate geographic labour mobility. The Jobs Board should be an integral part of labour market testing under the 457 visa program so that employers are required to use it before seeking to access temporary overseas workers.

The role of FIFO

In some respects, FIFO has been viewed as one way to get around the perceived unwillingness of Australians to relocate to remote or inhospitable locations for work, by enabling them to remain in their usual (preferred) place of residence. This arrangement obviously does have attractions for some, but it has also created its own set of problems in terms of the impact on workers and their families. Unions have made submissions and representations over a number of years pointing to the problems that are caused by FIFO, in terms of the impact on workers and their families. ¹¹

In response to the question posed in the discussion paper, FIFO does impose particular challenges for communities and specific regions. These were drawn out most recently by a House of Representatives Inquiry into FIFO ¹². Some of the Inquiry's key observations and findings of relevance to this study into geographic labour mobility include:

- The inquiry repeatedly heard the mantra of choice (i.e. workers are choosing FIFO) but the fact is that the FIFO work practice is eroding the liveability of regional communities to such an extent that it is increasingly removing the choice to live in regional communities. The Committee also heard disturbing reports that even existing residential workers were being forced onto FIFO contracts.
- Some companies appear oblivious to the damage it is causing to the lives of regional people, FIFO/DIDO workers and their families.
- Policy makers must develop a policy mix that ensures the FIFO/DIDO work practice does not become the dominant practice, as it could lead to a hollowing out of established regional towns, particularly those inland.

¹⁰ <http://www.jobsearch.gov.au/resourcesectorjobs/>

¹¹ see for example the CFMEU and AMWU submissions (submissions numbers 133 and 32) to the House of Representatives Select Committee on Regional Australia: Inquiry into 'Fly-in, Fly-Out' and 'Drive-in, Drive Out Work Practices', http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ra/fifodido/subs.htm

¹² House of Representatives Standing Committee on Regional Australia, Inquiry into 'Fly-in, Fly-Out' and 'Drive-in, Drive Out Work Practices', "Cancer of the Bush or Salvation of our Cities", 13 February 2013.

- Corporate employment choices have become the regional Australia policy of many governments and this is simply unacceptable.
- Long-term resource communities such as Kalgoorlie, Broken Hill and Mt Isa want to remain communities, not just work camps.
- The negative impacts of FIFO are heightened for non-traditional resource communities such as Roma and Narrabri, and new workforce source communities such as Mackay that are experiencing a rapid change in town identity and diminishing local amenity.
- The evidence to the inquiry pointed to numerous adverse impacts of FIFO on existing communities:
 - A lack of investment by resources companies in host communities
 - FIFO has created a far more transient feel to existing towns making it less desirable to both existing and new residents, and greater concerns about community safety
 - a growing 'us versus them' divide
 - declining community engagement, less volunteering, inability to fill sporting teams etc
 - the lack of housing availability and affordability in resource communities – local residents being forced to move out, apprentices having to leave town.
- FIFO is symptomatic of an ongoing failure by the bureaucracy and government to plan for the needs of the regions.

These findings confirm the experience of our affiliated unions and their members. The effects of FIFO/DIDO rosters on regional towns and cities are rarely positive in aggregate. The 'hollowing out' of regional towns and cities, and the creation of a service mentality, removes any sense of community which is or would be attractive to the residents plus those subject to FIFO. While there may be significant employment possibilities, these are sometimes not so positive in reality. In Gladstone, for example, local rents have increased so much that many workers in lower paid parts of the service industries are now having to find accommodation in Mt Morgan, 130 km away.

In response to these findings, the report gave a clear message about the importance of building and maintaining vibrant, regional communities with employment and training opportunities for local people. In our view, this would continue the proud history of development of Australian towns and cities, such as Ballarat and Bendigo in Victoria and Mt Isa in Queensland, which often grew up around a particular resource. While the report found there are some circumstances where FIFO/DIDO is warranted, it concluded that every effort should be made to make FIFO/DIDO the exception, not the rule. For permanent workforces and ongoing mining operations, FIFO should only be used in very limited circumstances.

The final report of the Committee identified a number of recommendations and areas for action which we commend to this study, including:

- The establishment and operation of 'community benefit agreements' which could including local hiring targets, limiting FIFO/DIDO to the construction phase only (where possible) and agreed outcomes for FIFO camp locations, layouts and facilities.
- The creation of regional training hubs in resource communities allowing local workers to gain qualifications without having to leave their home town;
- The National Housing Supply Council to urgently develop and implement a strategy to address housing affordability in regions affected by resources projects
- The federal Government, in conjunction with state and territory governments, to review the funding for communities with a FIFO/DIDO presence so that funding is contingent on both resident and non-resident populations.
- The Federal Government develop a best practice guide for employers of large FIFO/DIDO workforces to assist the development of their own family support programs, like those used by the Department of Defence, and commission comprehensive studies into the health effects of FIFO/DIDO workers and the impact of longer-term FIFO/DIDO on family relationships and children.
- Mandatory bus-in/bus-out policies as a solution to fatigue-related road traffic accidents at the end of roster cycles in areas such as the Bowen Basin.

The thrust of the report was consistent with the union position articulated in the 2012 ACTU Congress policy that supports the development of major regional communities as attractive places for workers to work and live, and where workers are connected to the community in which they are employed. This provides a more sustainable approach to securing labour for major resources sector projects and operations than an over-reliance on FIFO and overseas workers. To this end, unions also advocate the following:

- A defined minimum level of community facilities that enable living in mining town to be a reasonable choice for resource sector workers and their families, to be determined on a tripartite basis
- A feasibility study to be commissioned into establishing a major city in the Pilbara region of WA.
- A share of the MRRT to be used to fund infrastructure needs in regions affected by resource sector operations.

Geographic labour mobility and the unemployed

The question of geographic labour mobility is often raised in the context of the unemployed and whether a greater propensity to relocate could help to better match the skill needs of industry with the needs of those looking for work. There is an obvious natural attraction to the basic proposition being put i.e. that on the one hand there are people in some parts of Australia who have lost their jobs and can't find work, and on the other there are employers saying they can't find enough workers, so what we need to do is bring them together. Unfortunately it is not always that simple, particularly when there are questions of relocation involved. In this submission, we outline some of the policy principles and policy considerations that should be taken into account in addressing this issue.

The starting point in our view is that this should be about voluntary relocation, and not anything that relies on some form of compulsion on people to uproot themselves. On that basis, the ACTU is willing to consider and support any proposals that give unemployed people the opportunity and incentive to relocate voluntarily to regions with genuine skill shortages. Public online jobs boards like the new Resources Sector Jobs Board are a much-needed mechanism to help that matching process between workers willing to relocate and employers with vacancies to fill.

To do this properly, it is important to get the right relocation incentives and support structures needed to encourage people to relocate in the first place. This should include measures such as travel assistance, and assistance with finding affordable housing and child care – remembering that the unemployed may be young, single people in some cases, but they can also be mothers and fathers with families to support. We note there have already been examples of government programs that have sought to encourage relocation but with mixed success and take-up. Moving your life and your house is a major event in any circumstances, and not one which is done lightly. The decision is not easily or readily reversible (moving from a deep and liquid housing market to a shallow one risks 'lock-in'). Many people are understandably reluctant to take this step, and this needs to be recognised.

These start-up incentives need to be backed by the availability of ongoing mentoring and support services to help with adjustment difficulties that might arise for people living in a new regional area. For example, for some people who relocate it may be the first time they have lived away from home. Of course, decent wages and working conditions for employees and their families who take up these opportunities are another key factor in ensuring the sustainability of any relocation schemes

A fundamental part of any relocation schemes must be the provision of appropriate training and employment opportunities for those who wish to relocate. There may be cases where an unemployed person is an exact match for an existing job as they are, but in the main a real commitment is required from employers to ongoing training and skills development. Individuals who are matched with available jobs should have their skills assessed, have access to Recognition of Prior Learning (RPL) where appropriate, and

have a structured training plan established in consultation with their new employer. Where required, this should include access to language, literacy and numeracy training, and the opportunity to work towards a nationally recognised qualification in their new field of employment.

The exact measures will depend on the individual circumstances. For example, highly-skilled qualified people who have lost their previous jobs for economic reasons may require some gap training so they can apply their existing skills to the new workplace and/or industry. Longer-term unemployed persons with low levels of skills and qualifications they may require more extensive support with access to language, literacy and numeracy training. Whatever the case, the focus should be on sustainable responses which provide not just a quick fix for an individual employer, but provide the unemployed with a job, as well as a career path and a set of nationally recognised, broader, transferable skills for their future long-term employment.

In discussions about labour mobility, it is important also to not lose sight of the opportunities for regional business and industry to make more and better use of the workers and potential workers who are already living in these regional areas. Even in regional areas where there are reported skill shortages, unemployment, and youth unemployment in particular, is alarmingly high in many cases.

Underemployment is also an issue. Policy measures, therefore, should be directed at providing employment and training opportunities for those people who already live in these regional areas, particularly those disadvantaged or under-represented at present, including women, indigenous people, older workers, recently retrenched workers, and school leavers.

In this respect, it is important to assess whether reported skill shortages are in fact a genuine shortage of the skill required or if they are better characterised as simply employer recruitment problems related to inadequate wages and conditions being offered. Before employers can go down the path of seeking to use temporary overseas labour, it is vital that rigorous labour market testing be required to ensure that employers have exhausted the search for Australian workers, whether in the local region or via relocation from other parts of the country. Use of public online jobs boards, such as the new Resources Sector Jobs Board, should be part of this.

The idea of the work becoming portable, rather than the worker, is another potential way of addressing the issue. However, the limitations of this approach, particularly for workers in low-skill areas should be recognised. We note that the federal Employment Minister Bill Shorten launched a report last year addressing the potential for bringing more work to Western Sydney and this is an example worthy of further consideration. Going back to the resources sector, the potential for more preproduction to be done offsite (but not offshore) where skills are located should also be encouraged, rather than workers having to relocate.

Geographic labour mobility and provision of public services

Another dimension to geographic labour mobility is the need for provision of public services in rural and remote locations.

To take the example of education, there are always difficult-to-staff work locations and/or curriculum areas. These may be in rural and remote locations, but this can also be an issue in lower socio-economic areas in metropolitan and provincial cities as well as in curriculum areas (typically Science, Technology, Engineering, Mathematics, Languages such as Aboriginal and Asian) and for students with disabilities or with special learning needs.

Unions support the use of a whole range of incentives to fill the demand in these areas: scholarships, internships and cadetships, tax rebate schemes, employer–provided housing, as well as better provision of employee training. As noted above, rural and remote communities need development of greater human and social as well as physical and financial capital in order to supply their labour needs. FI-FO and DI-DO schemes at best work only as band aid measures to supply the needs of or for public services.

It is vital long-standing state-wide teacher transfer schemes are maintained. These schemes work to ensure early childhood, school and TAFE communities can get the teachers they need rather than depend on the individual school's capability to source their labour needs. 'School autonomy' reforms and similar 'market reform' mechanisms in the VET sector can operate to exacerbate supply and demand problems especially in classic cases of market failure (which school education can be). Casualisation of the teaching workforce exacerbates these supply and demand problems. Communities can even lose their public provider of education and training altogether, with TAFE course cuts and campus closures increasingly becoming a feature of the VET sector under current market-driven policies of contestability for public funding.

Teachers are generally quite a mobile workforce but this mobility describes movement from lower socio-economic to higher socio-economic locations, and younger workers more than older workers. Movement is often associated with reasons other than better pay, such as kids' schooling, being closer to aging parents, and greater job security.

Stamp duty and land tax

One factor that may inhibit labour mobility is stamp duty on residential property. These duties can significantly increase the costs associated with moving. Modelling commissioned by the Commonwealth Treasury for the Australia's Future Tax System Review found that such stamp duties have a high economic cost, with a marginal excess burden of 34 cents per dollar of revenue.¹³ Leigh (2009) found that a 10% increase in stamp duty reduces the total number of housing transactions by 4 to 5% if sustained over a

¹³ KPMG EconTech 2010, 'CGE Analysis of the Current Australian Tax System: Final Report', Report to the Department of the Treasury, March.

three year period.¹⁴ The AFTS Review found that stamp duties also reduce the construction of new housing stock.

In contrast, a broad-based land tax is highly efficient. It does not discourage transactions, and has minimal efficiency costs. As a result, AFTS found that “stamp duties are a highly inefficient tax on land, while land tax could provide an alternative and more stable source of revenue for the States”. A tax mix switch of this sort could have the added benefit of improving the equity of the tax system as well as its efficiency and the stability of revenue.

Replacing stamp duty with a broad-based, progressive land tax would not be an easy proposition. It would require a long transition period following an extensive period of consultation and public debate.

Nevertheless, the ACTU believes this is worthy of consideration as an option as part of this review. The conveyancing stamp duty regime as it stands serves to actively discourage labour mobility and to reduce the supply of housing. The ACT Government’s movement towards a land tax rather than stamp duties (albeit in a jurisdiction without Local Government Rates) does provide some indication that a switch of this nature could be feasible.

Rental Housing Markets

The ability to access affordable and available rental housing is a critical factor in the encouraging geographic labour mobility. High occupancy rates and rents discourage or prevent the relocation of workers (particularly low income workers). The Commission should consider what policy steps could be taken to encourage a deep, liquid rental market, particularly in our major cities.

Portable entitlements

Industrial entitlements, such as long service leave, are generally tied to a particular employment relationship. Some employees may be inclined to stay with their employer longer than they otherwise would in order to become eligible to take their accrued leave or access other contingent entitlements. While contingent entitlements are an important component of retention strategies for companies, a system of portable entitlements vested in the employee could reduce this ‘lock in’ effect by removing the disadvantage suffered by a worker who changes jobs, where other factors would encourage an employee to relocate for employment¹⁵. We note that the construction and contract cleaning industries, which have a high structural job mobility, have statutory portable long-service leave schemes.

Self-Education

¹⁴ Leigh, A. 2009, ‘How do Stamp Duties Affect the Housing Market?’, Available from: <http://andrewleigh.org/pdf/StampDuty.pdf>.

¹⁵ See *The case for a national portable long service leave scheme in Australia* (McKell Institute, 2013)

Current taxation arrangements (which provide limited tax deductions for defined self-education expenses related to a tax-payers current job) effectively privilege those already in a career over those seeking to acquire skills to change careers. Geographic mobility may require a worker to change industries or careers, or acquire different skills. Measures to support employees who seek to acquire new skills and qualifications are likely to increase labour mobility.

Social insurance

Australia's low, flat-rate unemployment benefit serves as a disincentive to risk-taking among employees. If people change careers or regions, and then become unemployed at some future time, the low level of the unemployment benefits means that anyone forced to rely on it will be in income poverty automatically. This can discourage people from changing careers and moving, instead staying in jobs that may be lower paying and lower risk. A more adequate Newstart Allowance, perhaps supplemented by a form of contributory social insurance, could reduce the downside risk associated with changes in career and/or location, and thereby encourage people to move.

Conclusion

This submission briefly canvasses some issues that the ACTU believes are relevant to the Commission's inquiry. We will respond in more detail to the draft report, due in mid-December.



level 6 365 queen street
melbourne victoria 3000
t 03 9664 7333
f 03 9600 0050
w actu.org.au

ACTU D No. 87/2013

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