



**Submission to the Productivity
Commission Inquiry into**

GEOGRAPHIC LABOUR MOBILITY

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Introduction

The Australian Local Government Association (ALGA) welcomes the opportunity to make a submission to the Productivity Commission's draft report assessing geographic labour mobility within Australia. ALGA is particularly pleased that Commission has specifically recommended that state governments should ensure that local governments have the capacity and capability to manage the effects of population change and acknowledged the need for state governments to review the restrictions imposed on local governments capacity to raise own source revenue.

ALGA has made numerous submissions over the years on the critical role played by local government in building sustainable, inclusive and resilient communities. This submission reinforces many of the arguments previously made, whilst also providing an overarching commentary on several of the draft report findings and recommendations from a local government perspective.

ALGA acknowledges that the impacts of Fly-In and Fly-Out (FIFO) and Drive-In and Drive-Out (DIDO) work practices on local government vary across Australia and are largely dependent on several factors including the scale, time frames involved, geographic location and if the Council in question are a net supplier or host location.

ALGA is the national voice of local government in Australia, representing the interests of each of its state and territory local government association members. This submission should be read in conjunction with any separate submissions received from state and territory local government associations, as well as from individual councils.

Commissions Approach to Geographic Labour Mobility

The ALGA would firstly like to acknowledge the comprehensive nature of the draft report and the willingness shown by the Commission in receiving local government input into the study. The draft report has documented the wide range of issues and concerns that arise when seeking to address the challenges of geographic labour mobility.

ALGA agrees with the Productivity Commission's opinion that geographic labour mobility has costs and benefits for people, communities, employers and governments. More important

however is the Commission's acknowledgement that geographic labour mobility is only one element of a flexible labour market and that it is a highly dynamic and complex process.

Whilst there may be a number of policy levers that Governments can use to reduce or remove certain impediments to facilitate more efficient labour mobility, ALGA agrees with the Commission that the main factors affecting location decisions are personal. However, it questions the proposition that any attempts by government to act in contradiction to them are unlikely to be effective. Whilst there are no simple levers to affect geographic labour mobility, it is factually wrong to argue that many policies aiming to influence where people live and work in regional and remote Australia have had limited effectiveness. Local governments maintain a strong commitment to well designed, integrated and long term regional development policies and programs.

ALGA would support the Commission's call for further investigations into geographic mobility, such as the gaps in understanding of temporary or service populations. Local government would also welcome recommendations that sought to examine the true impact that national policies, such as taxation and income tax zone rebates may have in encouraging preferred employment mobility or diverting much needed taxation revenue from locations that would benefit from such investment.

Impacts on local governments

ALGA agrees with the Commission's finding that geographic labour mobility can have important impacts on all levels of government, particularly local government. As highlighted in previous local government Productivity Commission submissions, local governments face real capacity constraints in relation to the broad range of areas in which they have regulatory and service delivery responsibilities.

It is pleasing that the Commission has formally acknowledged that local governments' income is affected by changes in their population levels. Changes in population can affect financial assistance grants as well as local governments' own revenue base. In addition, demand for the community services provided by local governments may change as workers relocate. When

geographic labour movements are temporary, local governments may face challenges when demand for local services increases but is not matched by an increase in income.

Given the role played by local governments in managing population change and delivering much needed social and physical infrastructure and services, councils well appreciate that there are a range of underlying forces - both structural, technological, demographic and social/cultural - that affect where people choose to live and work. The local governments sector would also agree that the impacts that changes to labour demand and supply generates will vary depending on geography. Local governments have long maintained the need to appreciate that policies have spatial implications and that adopting a one size fits all approach in economic policy may not recognise this reality.

Councils in Australia are increasingly playing an active role in facilitating local economic development. They do this through long term strategic and infrastructure planning, as well as through their role in managing sustainable development through development assessment, building and health regulatory controls. Cities and towns that are well planned and managed are not only more likely to attract people to live, work or visit, but also retain the population and jobs that currently exist. The provision of quality local and regional infrastructure and urban planning are important mechanisms by which communities can facilitate economic and employment activity.

Unfortunately many local governments face capacity constraints in relation to the broad range of areas in which they have regulatory and service provision responsibilities. As the Commission correctly points out, some of these constraints are specifically limiting councils' ability to sustainably manage population mobility. For instance, Councils financial capacity to respond to these challenges may be impeded by State government imposed rate capping (as is the case in NSW and the Northern Territory) and both the quantum and distribution methodology of Commonwealth financial assistance grants.

Further, increases in council rates revenue are likely to lag population influx, creating a discontinuity between community expectations of service provision and councils' financial capability. In areas undergoing rapid population growth, local governments have long argued

that funding systems from other levels of government should have the flexibility to respond to these anomalies. Another capacity constraint experienced by councils, and noted in the draft report, is the deficiency of professional and technical expertise, particularly in some remote regional and rural areas.

ALGA agrees with a number of the Commission observations including:

- that local governments should have the capacity and capability to manage the effects of population change in their areas, and should be consulted early as part of state government planning and approval processes. This is a position that local government across the country have been arguing for an extended period of time;
- where local governments have a large number of temporary residents (called ‘service populations’) that are not captured in the Census statistics, local governments have argued that they are receiving insufficient funding; and
- long-distance commuting can have complex impacts on both source communities (where these workers come from) and host communities (where they commute to). Long-distance commuting might reduce participation in social activities in source communities and erode cohesion and amenity in host communities.

Critical Importance of Economic and Social Infrastructure

The quality and availability of a wide range of local based economic and social infrastructure, whether facilities or services, strongly influences a person’s decision about how and where to move for lifestyle, employment or education. This is particularly the case with families with school aged children.

The Commission in its draft report does not seem to have sufficiently recognised the valuable contribution delivered through the provision of local and regional infrastructure. The draft Report only makes reference to the importance of State funded infrastructure such as education facilities, health services, communications services and major transport infrastructure. Local governments would argue that the quality of the local built environment and the look and feel of place is equally important, as is the supporting infrastructure such as foot and bike paths, playgrounds, recreational facilities, public buildings, libraries, parks and gardens, and lighting.

ALGA agrees that a wide range of environmental, lifestyle and demographic factors can influence where people choose to live and work, often reflecting personal preferences and circumstances. Without the variety and quality of local infrastructure, however, people will not move to or stay in locations that are poorly serviced. The provision of infrastructure is therefore a key trigger in facilitating geographic labour mobility, especially for regional and rural localities.

Regional Development

ALGA is pleased that the Commission appears to appreciate the role regional policy can play in fostering a flexible labour market and contributing to broader national economic efficiency by enabling labour to move to its best use across different regions of Australia.

The draft report is correct in suggesting that the investment in regional development in Australia has not been fully effective in delivering its objectives for two main reasons. First, the funding allocation mechanism does not focus on regions where government assistance can generate the best returns, as measured by increases in productivity and growth. Second, the responsibility for regional development has largely been transferred to communities and local organisations, without allowing them appropriate funding flexibility. ALGA through its commissioned State of the Regions reports, would agree with such findings and also reinforce that many local organisations, including local governments, have limited capacity to direct funds to projects that will sustain long-term sustainable growth to their immediate communities.

ALGA therefore would welcome any proposed recommendation or finding that would argue that improvements in regional policy design and implementation, and better project evaluation would be beneficial and should be adopted in the Australian Government's review of Regional Development Australia and rollout of regional funding programs.

Role played by local government in encouraging economic development and employment

Given that geographic labour mobility has been an important mechanism for adjusting to the demographic, structural and technological forces impacting Australia's economy, local government has consistently welcomed Commonwealth and state governments commitments to implementing appropriate regional development policies and programs designed to ensure that

councils have the capacity and capability to manage the effects of population change in a effective and sustainable manner.

All of Australia's councils contribute significantly to the economic and social growth of their regions by focusing their efforts in three key strategic areas. These areas are:

1. creating and maintaining the investment environment – ensuring the availability of appropriate physical and social infrastructure, striving to deliver a quality public domain; ensuring sufficient housing provision and lobbying on behalf of local and regional communities for sufficient community services such as schools, hospitals, police and emergency services;
2. facilitating new local investment – actively promoting business development through strategic planning, working with business associations/main street organisations, running economic facilitation services; and
3. attracting external investment through the creation of new business and capital – working with regional bodies and developers to attract and create new businesses.

In broad terms, actions geared to creating and maintaining the investment environment in regional communities are considered to be of prime importance by local councils. If these actions are successfully implemented, investment and employment growth will be generated.

It is worth remembering that for Australia's numerous rural, regional and remote communities, local government is often the only institutional presence and one of the key drivers of economic activity.

Given the significant role played by local governments in fostering regional development, ALGA has maintained a key interest in this policy area for many years. ALGA was a member of several regional development ministerial councils (including the former Regional Development Council and Standing Council for Regional Australia) and contributes to policy debate through its annual Regional Cooperation and Development Forum. As previously stated, it has also commissioned the State of the Regions annual report, which has sought to specifically

examine important national issues from a regional perspective based on quality econometric modelling and analysis.

ALGA wishes to reinforce its long-held position that any future regional development program or Federal or State policy initiatives designed to assist regional communities and foster sustainable geographic labour mobility must recognise the leadership and implementation role played by local governments. This is particularly the case when Commonwealth regional initiatives are designed to specifically focus on the delivery of local and regional community infrastructure in order to stimulate local development activity.

Creating and Maintaining the Regional Investment Environment

Creating and maintaining the investment environment is a prerequisite for sustainable economic growth. All sectors have responsibility for advancing economic growth, including the local government sector. However, the Australian Government (and state and territory governments for that matter) must recognise the limitations, including resource constraints, faced by many local governments and the need to work in partnership with councils to ensure local and regional economic opportunities are maximised.

Infrastructure, both hard and soft, underpins economic activity and is fundamental to an efficient and effective national economy. In this context, ‘hard’ infrastructure includes items as roads, water, sewerage, energy/utilities, and telecommunication networks. ‘Soft’ infrastructure accounts for items such as education, up skilling, health, community and recreation services and facilities.

Many ‘soft infrastructure’ services are increasingly being delivered by local and regional governments, and it is anticipated that the demand will increase with greater levels of geographic mobility. Local governments need to be supported to facilitate and coordinate delivery of such infrastructure, as well as to ensure that their own ‘hard’ and ‘soft’ infrastructure is maintained and developed to reflect best practice standards.

Local governments have a long history of participating in regional-based programs, and are active participants in regional-based organisations and committees. Over the past twenty years,

councils have played important roles in local economic development initiatives, tourism development, main street retail programs and a variety of regional economic development organisations, including the Regional Development Australia committees established by the previous Government.

Given the economic and social impacts that continue to be felt through this period of ongoing global economic restructuring (as seen most recently in the state of the Australian car and food processing manufacturing industries) ALGA believes it is important that future government funding support mechanisms are wherever possible, designed to complement existing regional institutional arrangements and that every effort should be made to formally engage with the appropriate local government authority.

Conclusion

Local government is a key player in local and regional communities and is uniquely placed to deliver measures designed to facilitate desired and sustainable geographic labour mobility and meet the day to day needs of changing populations. Unfortunately many non - metropolitan local governments do not have sufficient capacity financially to be able to meet the costs involved in dealing with labour mobility, especially those communities that are impacted by a substantial FIFO workforce, seasonal workers, or through government migration policies that attract population growth without considering the true extent of direct and indirect social, economic and environmental impacts.

Local government must be consulted on policies and programs that propose to take a regional approach or will lead to a shift in geographic labour mobility. Programs designed to assist regional communities should enhance their resilience and produce ongoing benefits. Short-term programs/incentives must be able to be built upon to deliver longer term gains in order that regional, urban and metropolitan Australia is best equipped to cope with the future challenges of a diverse economy and labour force.

Australian Government intervention and/or funding must be responsive to the needs of local and regional communities, as also seen through the eyes of local councils who represent them.

Application criteria and guidelines should be clear and simple for local governments to respond to.

Local government has been a long supporter of programs such as the Roads to Recovery and the Regional and Local Community Infrastructure Program. However, there is need for both programs to be made permanent, in order to continue to enable local government to meet the needs of Australians who live in regional communities or communities that are experiencing rapid population change.

Similarly, funding must be made available to assist regional Australia to transition into new industries through ongoing skills and educational training. There are serious social and economic consequences of not using labour capacity already in the regions and relying solely on flying in workers or employing non Nationals on 487 visas or the equivalent.

Local governments have been long time supporters of the need for a national quality telecommunications system in order to boost productivity, build social cohesion, and address many of the ongoing regional vs. metro issues and challenges that arise from dealing with geographic labour mobility. The use of technology has the potential to minimise disruption associated with people and families needing to move to work and disrupting critical social networks.

Finally, Local Government continues to support the need for Australian Government leadership, to develop a national sustainable population strategy that provides some long term strategic vision of how population in Australia will be managed and how all of the necessary supporting infrastructure will be provide in a sustainable manner. Without this long term overarching framework, local government will continue to struggle to implement solutions at the grassroots level, that would help stimulate local and regional economies and enhance sustainable and efficient geographic labour mobility.

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