

Submission to the Productivity Commission Report on Geographic Labour Mobility

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Firstly, we would like to say that the Commission has done a thorough job in looking at geographic labour mobility. The report is extensive, and covers the main issues in what is an important issue for urban and regional Australia.

As a group, much of our recent work has been with communities in the Murray Darling Basin, and talking to people in these communities to better understand why some communities can adapt to external shocks and why some communities can't. This has given us some insights into how people in regional and rural communities react to external shocks, and the comments in this paper reflect some of the insights gained in talking to people in these communities.

The comments we make in this submission are also informed by other work that each of us is doing on happiness, subjective wellbeing and social capital in different communities, both regional and urban.

The main point that we considered it was important to make is that in the analysis and the early stages in the report (in particular, the conceptual framework in Chapter 2), there seemed to be an assumption that mobility was an economic decision. This was despite the finding in later chapters, which concords with our research, that the main reason given for moving long distances (so not just a move across suburbs to a bigger house) is Relationship/Family/Social (Figure 5.8).

Similarly, while it is mentioned a few times, the fact that any geographic move is a household decision, which needs to take into account the partners work, the children's school, caring for parents/grandparents, the links of friends, etc, is under-played in the conceptual framework and the modelling. While it is mentioned throughout the report, it is mainly absent from the conceptual framework and the econometric modelling.

Some of our research has used surveys in communities, and we have asked a series of questions that then inform a choice model designed by instinct and reason. These questions ask what people would do if certain things happened in the community. One of the things we find is that the presence of health services and education services is key – if people lose their job, they will tend to stay; but if the school or hospital closes, they will move. So it is the social ties and services provided that keep people in a community.

This is an important point that has not had the prominence in the conceptual framework and econometric modelling in the report, despite having a whole chapter of the report (Chapter 8) dedicated to these factors. The econometric modelling seemed to have no factors associated with social capital or service provision, raising serious questions about the results from a gravity model that ignores, or attempts to use proxies for, the main drivers of migration. If the main drivers are not available for a model, then we would argue that the value of the model is so reduced as to make it useless for this report. For our choice model, recognising the importance of these factors for migration, we collected the required data rather than use inferior data as proxies.

Because of this focus on the economic reasons for moving, the recommendations place far too much emphasis on financial incentives/disincentives when, as outlined above, this is but one small part of the mobility decision. The theoretical framework harks back to the 1970s and 1980s when it was assumed (but not tested) that location decisions were based on economic parameters - or could be proxied by economic parameters. Regional development theory and practice (and indeed broader economic research in theory and practice) have come a long way since then and it is unfortunate that these advances have not been incorporated into the framework used and evidence presented.

In the final report, we would argue that less reliance should be placed on a conceptual framework that downplays the social variables that affect migration (social capital, the effect of friends and family, services provided in the area like schools and hospitals) and that the social variables, which are the main drivers of migration, should be given more prominence earlier on. The framework should also incorporate these social factors as the predominant drivers of geographic mobility, and this framework will then inform the recommendations.

The econometric modelling that then informs the recommendations should also either incorporate these social factors implicitly (SEIFA is not a proxy for these social factors - it is a general measure of disadvantage which can be used to identify disadvantaged communities, but isn't really appropriate in an explanatory analysis unless it is being used to control for general disadvantage. Much more targeted indicators need to be used in an explanatory analysis.) These social factors could be collected using a survey of a particular region, and the econometric modelling then done incorporating these data.