
GEOGRAPHIC LABOUR MOBILITY

VCOSS submission to the Productivity Commission's Issues Paper

September 2013



About VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

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Foreword

VCOSS welcomes the opportunity to contribute to the Productivity Commission (the Commission) study on geographic labour mobility. VCOSS has a particular interest in this issue in relation to people who are unemployed, underemployed, receive low-wages, experience insecure employment or are disengaged from or marginally attached to the labour force. We are interested in this study as it may identify the aspects of geographic labour mobility that might improve economic and social outcomes for people experiencing disadvantage. We also believe it would be advantageous to be able to distinguish proposals or interventions that may result in poor outcomes for people experiencing disadvantage, so they may be avoided or removed.

Introduction

Access to secure and meaningful work is an important aspect of individual and community well-being. Paid employment does not merely generate income; it can also confer social status and identity, command respect, and provide life satisfaction to employees. Unpaid work can also confer these benefits, and the Commission may wish to consider whether its definition of 'labour' should include voluntary work or informal employment.

Geographic labour mobility might be considered the spatial aspect of employment, which emphasises that employment relationships do not only involve matching employers skills requirements with those available in the population, but that this match needs to occur in a particular location. Expanding the number of locations in which a person might find and have work represents an increase in labour mobility – whether or not the person chooses to change employment or not. Under this conception, increased geographic labour mobility might be achieved by either ensuring someone can move in order to access additional employment opportunities, or by improving access to employment where they already live - for instance, by increasing local job opportunities, improving public transport or improving access to telecommuting.

The flipside of this conception is that restrictions in the choice of job or home location will curtail geographic labour mobility. Note that this might be the result of being forced to move, such as through a loss of employment or eviction from housing. In circumstances such as this, the Commission should be careful not to equate 'movement' with 'mobility' – as in some situations movement is effectively involuntary, and may actually result in less capacity to access employment. For instance, the Commission notes that unemployed

people are more likely to move,¹ but this does not necessarily mean they are any more likely to have improved access to employment as a result.

The central point is that 'movement' may be positive or negative, so simply generating more movement should not be a goal of public policy, just as it would not be a goal simply to make people change jobs more often. Changing residence and jobs are not without cost, either economically, socially or psychologically, and it is important to ensure that increased mobility is associated with a positive net benefit to both individuals and communities. Data that merely records 'movement' may not accurately reflect changes in labour mobility – especially if these moves are involuntary. Similarly, proposals that seek to coerce people to move may not actually enhance labour mobility.

Another consideration is that improvement in geographic mobility can redress spatial mismatches in labour supply and demand, but is unlikely to address cyclical or structural problems in the labour market. For instance, if there is insufficient demand for low-skilled labour in aggregate, then improvements in mobility for low-skilled workers are unlikely to produce more employment. Similarly, if there is a 'skills-shortage' nationally in a particular field, then enhanced mobility will not create more skilled workers – at best, it might spread them more thinly.

This submission will discuss some of the factors that may cause people to 'stay' or 'go' – for better or for worse. In particular, we consider:

- Employment availability
- Housing costs and tenure
- Amenity and access to services
- Transport and employment access
- Social and familial factors

Employment availability

A key driver of any decision to relocate will be the relative availability of jobs in different regions. Some care needs to be taken in examining jobs data – as often other proxies are used for employment availability which may not be good indicators of employment for particular individuals. For instance, often the local unemployment rate is used as a proxy for job availability, however, this does not actually mean that the employment is located in that area, nor necessarily indicate what level of skills or experience might be required to be employed in that location.

¹ Issues paper, p.9, Box 4

From the perspective of people with low skill levels, the important consideration is whether there are low-skilled vacancies in another area that they are likely to be able to fill given their skills and work history. Even in areas where there is a demand for labour, relocating people who are unemployed with low skills may have little benefit for their employment outcomes if the demand is for specialist skills or training.

Another concern of VCOSS is the phenomenon of 'stranded workers' – workers whose particular skills are no longer required by the labour market. Workers might be stranded both by geographic or structural change, for instance those in manufacturing industries, and in areas with low population growth and significant population ageing, including some smaller regional communities.

VCOSS is particularly aware of competing structural changes in residential location and employment availability. Two phenomena come to mind:

- the growing spatial mismatch between residential location and employment growth in metropolitan areas; and
- the phenomenon of 'declining towns'.

The recent *State of Australian Cities* report chronicles the first issue. It finds that "an increasing number of people are living further away from the centres of major cities while higher-skill, higher-paying jobs are becoming concentrated in central areas."² This means new urban communities on the urban fringe have less access to metropolitan employment opportunities within a reasonable commuting time. At the same time, they find that "on the fringes of cities there is an outer belt of home renters. This outer belt of renters appears to be little studied."³ We fear that current patterns of metropolitan development and employment change are creating a group of low-income outer suburban renters with little access to employment.

A second issue is the differing impacts of economic and population change on rural and regional communities. As the Commission has noted, regional population growth is uneven, with some regional cities and coastal regions experiencing high rates of population growth, and others experiencing low growth or even decline. While geographic labour mobility can assist people to relocate from areas with declining opportunities to those experiencing higher labour demand, the effect on those left behind also needs to be considered. The shrinking population or consumption base of these communities can develop into a 'downwards spiral' with the withdrawal of both commercial and public services from the area – further exacerbating the loss of

² Department of Infrastructure and Transport, *State of Australian Cities 2013*, p.84

³ Ibid, p.270

employment opportunities. The appropriate government response to this situation should be considered.

Housing costs and tenure

We believe a primary reason for many of the spatial mismatches between labour demand and supply relates to the costs of housing. As the Australians for Affordable Housing coalition has recently pointed out, areas with large numbers of low-skilled jobs often also have relatively expensive rental costs.⁴ Similarly, the housing cost gradient in cities has grown significantly in recent decades, with housing located close to the 'job-rich' inner city becoming relatively (and absolutely) more expensive over time.⁵ The inability of people with low incomes to be able to afford housing near employment opportunities has worrying implications for geographic labour mobility and the effective operation of the labour market. In particular, it can 'lock-in' unemployment – with unemployed people unable to relocate from rural or regional areas or the urban fringe to areas with better employment opportunities.

The cost of relocation is itself a factor: it is difficult for low-income households with few savings to cover the large 'lumpy' costs of relocation. However, the ongoing cost of higher housing is likely the stronger deterrent. While existing programs such as the Department of Education, Employment and Workplace Relations' 'Move 2 Work' program are able to assist with relocation expenses, they do not maintain lower housing costs over time.⁶ In addition, the program requires a person to have already obtained ongoing work or an apprenticeship – there is no assistance available to move to enhance job search.

The Commission has been asked to consider the effectiveness of market signals, such as wages, in enhancing geographic labour mobility. VCOSS would encourage the Commission to also examine the importance of market signals in the housing market, particularly rents, as we believe these are often strong counteracting incentives. Put simply, if extra earnings are cut by additional housing costs, then the incentives to relocate are significantly diminished. This factor and others discussed in this submission indicate that the wage-price signal may be relatively weak.

Another element in considering market signals, such as wage prices, is also not only the level of remuneration, but the level of security in work. Where available work is precarious – because it is casual, seasonal, only available for short periods of time, or subject to high demand fluctuations, there is not enough certainty for people to be able to commit to

⁴ Australians for Affordable Housing, *Opening Doors to Employment: Is housing affordability hindering jobseekers?*, 2013

⁵ Department of Infrastructure and Transport, *State of Australian Cities 2013*, p.89

⁶ Department of Education, Employment and Workplace Relations, *Move 2 Work Job Seeker Fact Sheet* <http://foi.deewr.gov.au/node/32657>, accessed 3 September 2013

higher levels of housing costs – as the high cost of relocating and length of standard rental tenure means there may be little benefit in moving.

The Commission has also noted the impact of housing tenure as a potential factor in labour mobility. The Australian Housing and Urban Research Institute has recently reported that private rental households have the highest rates of mobility. However, this mobility is associated with the insecurity of private rental tenure, with nearly 40 per cent of private rental households moving three or more times in the past five years. AHURI describes this as “a very high, and potentially destabilising, rate of mobility.”⁷ Nearly a third of moves were described as ‘forced’ – due to eviction, affordability, health, relationship or job loss, while only a relatively small minority – 12.7 per cent – were associated with employment reasons. Again, this confirms our caution for the Commission to not conflate ‘movement’ with ‘mobility’.

Similarly, the association has often been made between public housing tenure and reduced mobility. While no doubt this correlation exists, at times it has been interpreted as causal – that public housing tenure is by its nature an impediment to mobility. While no doubt there is room for improvement in public (and community) housing policies to enable greater labour mobility, we would consider that immobility relates more to the nature of the tenant profile – primarily consisting of low-income, low-skilled tenants, often experiencing other forms of disadvantage – as well as the protection social housing offers from ‘forced’ moves and housing insecurity.

Finally, VCOSS notes that housing markets themselves are highly distorted and subject to a variety of regulatory controls – through planning and building regulation, and differences in taxation treatment based on tenure. Particular taxation policies that favour housing investors include negative gearing and capital gains tax concessions, while stamp duties on residential property transfers may increase re-location costs. The treatment of welfare transfers also significantly distorts incentives for housing tenure – such as the excision of the value of owner-occupied housing from means-tested benefits. Finally, the design of public assistance for housing affordability – including direct subsidies to public and community housing, First Homeowner Grants, and Commonwealth Rent Assistance, will have effects on housing affordability and consequent labour mobility.

VCOSS believes that more effective expenditure on housing affordability (including tax expenditures, subsidies and means-testing) may yield greater geographic labour mobility.

⁷ Stone, W, Burke, T, Hulse, K and Ralston, L, *Long-term private rental in a changing Australian private rental sector*, AHURI Final Report No.209, Melbourne: Australian Housing and Urban Research Institute, 2013, p.20

Amenity and access to services

Another aspect of the decision about where to live and work is the amenity provided by different locations. This is not only about environmental and 'lifestyle' considerations – such as 'country living' or 'urban chic', but includes the basic provision of social services. If an area is likely to have poorer access to services – such as healthcare, educational institutions, and community services, then this will make it harder for people to move there.

Just as importantly, the converse is also true. Areas with poor social infrastructure may be less able to support their residents to pursue broader opportunities elsewhere. For instance, if access to education is limited by under-resourced local schools or distant tertiary education facilities, then local residents will have less chance to gain transferable skills that allow them to be more mobile. Thus, 'service equity' is an important element of geographic labour mobility.

VCOSS is particularly concerned about the effects of concentrated social disadvantage – including its geographic labour mobility effects. The phenomenon of communities experiencing entrenched disadvantage includes a confluence of the above factors – low-cost housing combined with poor social services effectively 'locking-in' people to a disadvantaged location with large barriers to employment or relocation.

A similar problem may be at work in urban growth areas – where low-cost housing is available, but the social infrastructure in these communities often lags by a substantial period. In these areas, rapid development has created 'instant communities' that lack employment and social services, as well as the capacity to form social connections. This affects social cohesion and community capability.

Transport and employment access

Geographic labour mobility can be increased by expanding the geographic area of employment opportunities available from a person's current residential location, not only by requiring them to relocate their residence. Indeed, in many ways, this form of mobility is preferable, as it has fewer transaction costs, improves employment outcomes and labour market efficiency, and maintains existing social and community benefits.

An obvious way to achieve this is to improve transport connections, such as through faster and more frequent public transport. Additional road capacity is also an option, although we note that road improvements do little to improve labour mobility of those who cannot drive, or cannot afford to, and the private costs are likely larger than for public transport access.

An interesting case study is the Regional Fast Rail projects conducted in Victoria in the early- to mid- 2000s. These passenger rail improvements substantially improved travel times

from regional cities to Melbourne; while at the same time, rail capacity was increased and prices reduced. The result was better access to employment in both Melbourne and regional centres, including from the smaller communities in-between. This has had a substantial effect on regional towns and cities, reversing population decline, reviving economic conditions and changing settlement patterns.

The flipside, however, of long-distance commuting – whether by public or private transport – is the possible creation of 'bedroom suburbs', where the vast majority of residents are 'away' through the day, reducing local social interaction and connections. People who engage in long-distance commuting also experience significant time costs as a result – time which may have been spent more usefully engaging in family or social activities.

Other means of expanding geographic labour mobility without residential relocation include variations of 'telecommuting' or 'home-based work', which allow people to work at home or locally, even when their employer is more distant. A related development is also 'outsourcing' and 'sub-contracting' – where lower cost elements of a business might be purchased by another supplier in a distant physical location. The impact of changes in technology is uncertain, although it is clear that significant advances in technology already have made remote work more achievable in some instances. On the other hand, there are a range of occupations and industries where the capacity for remote work is limited – wait-staff or cleaners clearly are not able to telecommute.

VCOSS also notes that a number of policy areas impact on these factors, including the priorities of transport and communications spending: for instance, whether public or private transport is prioritised or whether internet investments are likely to provide low-cost access for disadvantaged groups. Taxation policy may also impact upon transport access, for instance, whether taxation policies favour employer-provided vehicles over public transport alternatives.

Social and familial factors

The decision to move house or change jobs incorporates a range of decisions, well beyond economic considerations alone. Many of these will be social and family factors, including issues such as:

- the strength of personal relationships;
- the capacity for finding work for both members of a couple;
- the well-being and needs of children, particularly regarding continuity in education and care;
- the loss of social connections and extended family support, and the capability to

form new connections; and

- people's caring responsibilities, for instance, of elderly relatives or people with disabilities.

Public policy may struggle to influence all of these; however the availability of social entitlements also is an important consideration. For instance, the introduction of DisabilityCare Australia may allow people with disabilities more capacity to move than previously, as entitlements are portable under this individualised funding model and are not attached to an organisation in a particular location. Government may need to consider the transferability of other forms of social care, such as child care and aged care, and their capacity to act as impediments or enablers to labour mobility.