

Productivity Commission Draft Report: Geographic Labour Mobility, November 2013

Jobs Australia Response

Jobs Australia supports the positions taken in the Productivity Commission's Draft Report on geographic labour mobility and we welcome the opportunity to respond to it.

One of the strengths of the report is the breadth of both its definition of geographic labour mobility and its consideration of the issues from the perspective of the whole working age population.

By considering physical relocation, telecommuting, FIFO/DIDO and the use of temporary immigration in its report, the Commission has explored the range of economic pressures and realities currently at play in the Australian economy.

Moreover, the report's focus on patterns and impacts across the *whole* working age population encompasses a broad picture of geographic labour mobility without the distortions that would occur if only a narrow segment of the working population is examined. This is particularly relevant in assessing any policy proposals about ways to encourage more job seekers to relocate for work.

Jobs Australia thinks that in assessing the role for policy makers, the report's measured and cautious position is a reasonable one. The Draft Report considers that the system is far from broken and is working reasonably well, but it does identify several factors which create undesirable brakes on labour mobility. However, as it points out, these may be easier to identify than resolve, especially when they are the consequence of broader policy settings.

The report's final chapter, *Broader policy settings*, is a salutary reminder of the complexities for policy makers of some of these unintended consequences. It gives all the more weight to the report's observation that the most successful approach for policy makers in this area will be *if governments focus on creating an economic climate conducive to growth across all regions and all industries* (p211).

Geographic labour mobility and unemployment

The Commission has already received our earlier submission focusing on the issues concerning geographic labour mobility and has noted these in the report. Consequently, our comments here are restricted to several brief points in the Draft Report which we think warrant particular emphasis.

Our specific interest lies in policies relating to geographic labour mobility - as these impact on people who are unemployed and receiving income support. We think the list of Key Points on p2 neatly summarises the main questions and note that:

- the main factors behind deciding to move are personal;
- the links between mobility, joblessness and high unemployment in some areas are not clear; and
- there are no simple policy levers that affect why and when people will move for work.

We think it is important to recognise that, looked at overall and in comparison with economies similar to ours, Australians do indeed seem to respond to market signals and move for employment when this provides them with a better job and income. The data shows that people who are unemployed also follow this pattern and their record on moving for work is reasonably strong.

The qualification to be made here is that people on income support who have been unemployed for long periods are much less likely to relocate in search of a job. At first glance the idea of someone who is on income support relocating to find work seems reasonable and achievable. However, this is not borne out by the evidence and several recent policy initiatives designed to encourage unemployed people to move for work have been trialled with disappointing results.

The experience of Jobs Australia member organisations indicates that the explanation for this is that this group of job seekers within the community generally has low skill levels and often faces a range of other barriers. A person in this situation may quite reasonably decide that moving to find a job he or she may not be able to get or keep is too risky.

In light of this, we support the Commission's comment that government policy will be more effective when it adopts a more global approach, focussing instead on strengthening the employability of the individual:

However, addressing the challenges of long-term unemployment will require a broader approach, which has economic growth and labour market flexibility as fundamental, with a range of targeted and coordinated policy responses across the spectrum of welfare, education and training, health and housing. These policy responses should be focused on the employability of the individual. (p15)

Impediments and enablers to moving for work

While the report concludes that current policy settings and market forces appear to be working reasonably well it does acknowledge that there are some impediments in the current system to successful relocation for work, citing, for example, housing costs.

The report makes the point elsewhere that while some policy-related factors do impact on geographic labour mobility (and the reasons for high housing costs are a good example), these generally result from broader policy arrangements put in place to address other objectives (such as taxation and stamp duty regimes). And, as the report points out, some of these policies are not readily amenable to change. Even if they were this alone might not change the movements of people.

Among various impediments listed in the report several are of particular relevance to people on income support. They include housing costs, education and skill levels, and the impact of personal factors.

Problems relating to housing costs and availability have been a recurrent theme in our conversations with members when discussing this issue. The report explores this issue thoroughly and it is clear that the mechanisms available to address it are limited. We support DRAFT FINDING 11.2:

Poorly designed policies, in areas such as taxation, housing, and occupational licensing, include in their negative consequences damage to efficient geographic labour mobility. Reforming these areas would lessen impediments to geographic labour mobility, and have broader benefits.

Chapter 12, *Broader policy settings*, contains a thorough review of issues relating to the impact on housing supply and affordability on labour mobility. These include the impact of stamp duties, the limited availability of affordable rental properties and the structure of the Commonwealth Rent Assistance payments.

Jobs Australia supports the report's recommendations on these issues:

DRAFT RECOMMENDATION 12.2:

State and territory governments should ensure there is a responsive housing supply through efficient planning and flexible land release. In its benchmarking study on planning, zoning and development assessments, the Commission identified a number of leading practices that can significantly improve the governance, transparency, accountability and efficiency of these processes. Where this is not already occurring, state and territory governments should implement these leading practices.

DRAFT RECOMMENDATION 12.3:

In keeping with recommendations from the Australia's Future Tax System Review, the Australian Government should review the level, indexation and eligibility for Commonwealth Rent Assistance to assist the mobility of low income workers in rental accommodation.

We have already noted that the education and skill levels of people unemployed for long periods are statistically much lower than for other segments of the working age population. These severely limit the individual's choice and chance of securing work in another location. The report makes the point very clearly (Chapter 5) that it is education and skills that enable labour mobility to happen and deliver the job seeker a job with better career and income prospects. Broad-based policies aimed at improving skill levels across the working age population will enable more job seekers to take advantage of job opportunities wherever they occur.

Finally, as the report identifies, personal factors constitute some of the main impediments to moving location for a job. In addition to the personal factors that the Commission has identified for long term unemployed job seekers, these may well include multiple barriers such as homelessness, mental illness, disability and drug and alcohol dependence. Access to services and family and community social support structures and networks is essential for their well-being and removal from them might well have deleterious impacts.

We note and support the report's DRAFT FINDING 8.1:

The main impediments to geographic labour mobility relate to personal factors, and in particular family circumstances. Attempts by government to act in contradiction to these factors are unlikely to be effective or improve community-wide wellbeing. (p165)

Evidence-based policy

The report discusses the paucity of data and evaluation in this area, and comments on the difficulty this creates in assessing the factors that impact on the decision-making of individuals (Chapter 10). Again, we support the argument that any further initiatives in

this area should be based on adequate and reliable data and evaluation, and support efforts to establish more robust systems for collecting it in future.

Mobility and unemployment

Our submission to the study explored a range of issues relating to policy initiatives designed to encourage people on income support to look for work and the Draft Report canvasses those observations thoroughly.

We think that the evidence that we and others submitted during the hearing phase of the enquiry bears out the report's view that: *A lack of a clear relationship between joblessness and mobility suggests the need to proceed with caution when pursuing policies that attempt to address joblessness by encouraging geographic labour mobility.* (p211),

The report's Chapter 7, *Mobility and unemployment*, explores the issue from various perspectives, including some of the vexed and difficult questions about movement in and out of areas of with high unemployment rates, those with high house prices and movement between urban and regional areas. It also examines patterns of long-term unemployment in Australia and the interaction of this with employment status before and after moving for work.

We strongly endorse its conclusions that:

Regardless of whether unemployed people are inclined to move to lower unemployment regions, the available evidence suggests that mobility for the sake of mobility does little to improve the prospects of an unemployed person actually finding a job. . . Unemployment, particularly of an extended duration, is a complex problem and removing impediments to geographic mobility is but one piece of the puzzle. Even where opportunities for employment are available and moving for work is financially feasible, low levels of education and skills, poor health and reliance on family networks for support may sometimes limit the capacity of long-term unemployed to take advantage of these opportunities.

Furthermore, many of the financial barriers that long-term unemployed people face relate more to taking a job than moving between labour markets to find a job. For example, the Australian Social Inclusion Board (2011) and others have drawn attention to the high effective marginal tax rates that many income support recipients face. High effective marginal tax rates provide a major financial barrier to employment. Reducing these rates would increase incentives for income support recipients to pursue employment, regardless of location. (pp141-2)

In light of the evidence and these conclusions, Jobs Australia supports the comments on the current job services system (pp231, 2), particularly the references to improving employer engagement and collaboration across the broader Australian economy. We strongly support the report's DRAFT RECOMMENDATION 12.4:

The Australian Government's review of employment services should examine barriers within the jobs services system to the geographic mobility of unemployed people. Providers should be encouraged to work directly with employers to identify new opportunities for job seekers, including opportunities outside their immediate labour market region where relevant.

Conclusion

In conclusion we appreciate the opportunity to provide the Commission with our views about an issue that has been of considerable interest to policy makers and service providers in the employment services field for some time. The approach taken in the Draft Report provides a broad canvas on which the opportunities and challenges for policy making for people on income support can be considered as part of the larger whole.