

Commonwealth of Australia 2014

**ISBN 978-1-74037-480-4**

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**An appropriate citation for this paper is:**

Productivity Commission 2014, *Geographic Labour Mobility*, Research Report, Canberra.

The Productivity Commission

The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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# Foreword

Geographic labour mobility is an important element of a well‑functioning labour market. By improving matches between employers and workers, geographic labour mobility can contribute to economic efficiency and community wellbeing.

Australia’s geography, demography and economy are the big forces that shape where people live and where jobs are located. These forces will continue to affect labour demand and supply in Australia into the future, reflected in near term developments such as the maturing of the resources boom and the closure of car manufacturing in Australia, as well as longer-term developments such as globalisation, population ageing, participation in work and education and technological advancements. Geographic labour mobility can help the economy adjust to these changes.

The Commission has been asked to assess geographic labour mobility within Australia and its role in a well-functioning labour market. Our study has found that geographic labour mobility is helping the economy adjust to major structural change, and has enabled wealth to be spread across the country. However, the study also highlights some signs that the labour market is not adjusting efficiently in all cases and concludes that there is room for improvement.

The study was undertaken by a team in the Commission’s Melbourne office, led by Mary Cavar. The study benefited from discussions and submissions from a variety of stakeholders in the government, non-government and business sectors. The Commission acknowledges the valuable contribution of all those who participated.

Alison McClelland

Commissioner

April 2014

# Terms of reference

I, David Bradbury, Assistant Treasurer and Minister Assisting for Deregulation, pursuant to Parts 2 and 4 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake a research study assessing geographic labour mobility within Australia and its role in a well-functioning labour market.

The principal objective of the study will be to examine patterns of mobility, impediments and enablers, and their effect on the ability to meet Australia’s continually changing workforce and employment needs.

While the different types of labour mobility are related, the primary focus of this study is to be on geographic mobility, given regional variations in the demand for workers by occupation and supply capacity, including seasonal variations.

Geographic mobility is especially valuable in an evolving and multi speed economy, helping people to adapt and connect with the job opportunities available in different regions of Australia, including outer metropolitan and non-metropolitan locations. Enabling geographic mobility can help to relieve labour shortages, increase skills utilisation and improve earnings.

People weigh up a complex range of costs and benefits when deciding where to live and work (including economic, social and environmental factors) and they can face diverse barriers (from the availability of affordable housing to information deficiencies, transport connections, difficulties in skills recognition and transaction costs). A comparative understanding of these issues and underlying causes will help different stakeholders to best support geographic mobility.

In undertaking this study, the Commission is to:

1. examine patterns and trends in geographic mobility (including by state/region, industry, occupation, skill level, form of employment and demographic characteristics), their relative contribution to regional labour supply, and the implications of structural, demographic and technological developments;
2. identify the key determinants and drivers of mobility, including the costs and benefits from the perspectives of businesses, individuals, their families and governments (indicating the composition of costs faced and potential benefits in a range of representative circumstances and regions), any differences in the determinants and drivers of mobility between groups (such as employed and unemployed people), and an assessment of the effectiveness of market signals, such as wages;
3. identify the major impediments to geographic mobility to support economic adjustment, employment and productivity outcomes;
4. assess the current strategies used by employers and governments that affect geographic mobility, and discuss possible options to enable further mobility; and
5. estimate the prospective economy-wide impacts of reducing impediments to geographic mobility.

In undertaking the study, the Commission is to consult with governments and other interested groups; and take into consideration any recent work relevant to the study (including key international findings).

The Commission is to provide both a draft and a final report, with the final report due within twelve months of receipt of the Terms of Reference. The reports will be published. To assist in future policy formulation, the Commission should also publish any modelling underpinning its analysis.

DAVID BRADBURY  
Assistant Treasurer

21 May 2013

Contents

Foreword iii

Terms of reference v

Acknowledgments xi

Abbreviations xii

Overview 1

The Commission’s approach to geographic labour mobility 3

Setting the scene 5

How does efficient job matching take place? 9

Patterns and trends in geographic labour mobility 12

Is geographic labour mobility working in Australia? 18

There is room for improvement 19

The need for better data and policy evaluation 26

Recommendations and findings 29

1 Introduction 33

1.1 What the Commission has been asked to do 33

1.2 The scope of the study 34

1.3 The Commission’s approach 34

1.4 Conduct of the study 40

2 Conceptual framework 41

2.1 How do firms decide where to locate their activities? 42

2.2 How do people decide where to live and work? 43

2.3 How does efficient job matching take place? 48

3 Why is geographic labour mobility important? 57

3.1 Economic efficiency and wellbeing 58

3.2 Impacts of geographic labour mobility 62

4 Labour demand in a changing economy 71

4.1 The Australian economy is changing 72

4.2 Recent trends in the industrial composition of labour demand 79

4.3 Industry composition and types of employment 82

4.4 The location of jobs in Australia 87

4.5 What does the future hold? 100

5 Residential mobility 103

5.1 Residential mobility in Australia 103

5.2 Who moves? 107

5.3 Where are people moving? 117

5.4 Geographic labour mobility overseas 119

6 Commuting 125

6.1 Long‑distance commuting 126

6.2 Intra- and intercity commuting 134

6.3 Telecommuting 139

7 Mobility and unemployment 147

7.1 How mobile are unemployed people? 148

7.2 Patterns of moves by unemployed people 158

7.3 Mobility in regions of high unemployment 159

7.4 Does moving improve employment outcomes? 163

7.5 Improving prospects for unemployed people 166

8 Impediments and enablers 169

8.1 Personal factors 170

8.2 Locational factors 177

8.3 Transitional factors 184

8.4 Which impediments and enablers are the most significant? 188

9 Employer strategies 191

9.1 Strategies that affect geographic labour mobility 192

9.2 Strategies to mitigate any negative effects of geographic labour mobility 210

9.3 Have these strategies been effective? 212

10 Government strategies 215

10.1 Internal migration policies 217

10.2 Structural adjustment policies 224

10.3 Regional development policies 228

10.4 Alternative and complementary policies 231

11 Is there a problem? 239

11.1 Are labour market signals working? 240

11.2 Are there any distortions? 244

11.3 Are there serious impacts on community wellbeing? 248

11.4 Summary: what have we found so far? 250

12 Broader policy settings 253

12.1 National policy issues 254

12.2 Cross‑jurisdictional policy issues 274

12.3 Managing the effects of geographic labour mobility 279

12.4 The need for better data and policy evaluation 286

A Public consultation 291

B Measuring geographic labour mobility 301

C Geographic settlement in Australia 307

C.1 Current geography of Australia’s population 307

C.2 History of geographic settlement in Australia 308

C.3 International migration programs 316

C.4 Regional development policy 322

C.5 Geographic labour mobility in Canada 324

D Econometric modelling of the decision to migrate 327

D.1 Framework for analysis 327

D.2 Model setup 328

D.3 Descriptive statistics 335

D.4 Results and discussion 340

Attachment D.1 — Supplementary data descriptions 349

Attachment D.2 — Supplementary econometric output 351

E Econometric modelling of regional migration 353

E.1 Introduction 353

E.2 Framework for analysis 353

E.3 Model setup 356

E.4 Implementing the model 360

E.5 Results and discussion 369

E.6 Key messages 377

Attachment E.1 — Detailed description of the data 379

Attachment E.2 — Supplementary econometric output 384

References 387

# Acknowledgments

This report uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute).

The Commission acknowledges the support of the Department of Employment in relation to the access and use of data from the Department’s Research and Evaluation Database. The research findings and views expressed by the Commission in relation to the data are those of the Commission and are not the findings or views of the Department of Employment.

# Abbreviations

ABS Australian Bureau of Statistics

ACTU Australian Council of Trade Unions

ADF Australian Defence Force

AMMA Australian Mines and Metals Association

ANZSCO Australian and New Zealand Standard Classification of Occupations

ANZSIC Australian and New Zealand Standard Industry Classification

APS Australian Public Service

ATO Australian Tax Office

BIBO Bus-in, bus-out

CAF Council for the Australian Federation

CFMEU Construction, Forestry, Mining and Energy Union

CGC Commonwealth Grants Commission

CGE Computable General Equilibrium

CMEPSP Commission on the Measurement of Economic Performance and Social Progress

COAG Council of Australian Governments

CPI Consumer Price Index

CRA Commonwealth Rent Assistance

CSF Census Sample File

DEEWR Department of Education, Employment and Workplace Relations

DIDO Drive-in, drive-out

DoE Department of Employment

DSS Department of Social Services

DURD Department of Urban and Regional Development

EU European Union

FBT Fringe benefits tax

FIFO Fly-in, fly-out

GCCSA Greater Capital City Statistical Area

GIS Geographic Information System

GP General Practitioner

GPRIP General Practice Rural Incentives Program

GST Goods and services tax

HFE Horizontal Fiscal Equalisation

HILDA Household, Income and Labour Dynamics in Australia

HRSCRA House of Representatives Standing Committee on Regional Australia

IC Industry Commission

IRSD Index of Relative Socio-economic Disadvantage

LAFHA Living away from home allowance

LNG Liquefied natural gas

MCA Minerals Council of Australia

NCVER National Centre for Vocational Education Research

NOLA National Occupational Licensing Authority

OECD Organisation for Economic Co-operation and Development

OH&S Occupational Health and Safety

PC Productivity Commission

SA2(s) Statistical Area(s) Level 2

SA4(s) Statistical Area(s) Level 4

SISO Ship-in, ship-out

SME Small or medium enterprise

TERM The Enormous Regional Model

TTTA Trans-Tasman Travel Arrangement

VET Vocational Education and Training