



**AUSTRALIAN CAPITAL TERRITORY**

**SUBMISSION TO THE  
COMMONWEALTH GRANTS COMMISSION'S  
COMMISSION POSITION PAPER 2008/14:**

*Location – Wage Costs*

**February 2009**



## **Introduction**

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past four years. As part of this process the ACT has provided a number of submissions in response to the Staff and Commission Discussion Papers, incorporating subsequent multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position as to the validity of the conceptual case behind a number of assessments and the proposed assessment methodologies.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this light, a lack of objection does not imply support where such support has not been previously stated.

## **Interstate Wages**

### **Assessing and updating interstate wages**

The proposal to use SET data as a broad indicator, updated annually using Labour Price Index is supported.

### **The influence of Australian Government wage levels on ACT wage levels**

Evidence was provided as part of the ACT State Visit which demonstrated that the Commonwealth Government is a significant competitor for suitably qualified employees in the ACT. As such, this submission does not seek to restate the conceptual case. However, we do have concerns that the impact of the Commonwealth Government on ACT private sector wages is less than on ACT Government wages and as such the proposed assessment under-assesses the ACT's relative disadvantage.

Attempts to numerate this disadvantage are difficult given that roles in the Australian Public Service are not directly comparable to those in the private sector.

The potential for the ABS to collect government wages data by level of government in the 2009 survey (as detailed in the notes to the December Location Working Party meeting) presents an ideal resolution to this issue and should be pursued.

## **Intrastate Wages**

### **Wage costs**

Given that the Census data is ambiguous as to the relationship between remoteness and wage costs across all services the Commission's view not to assess regional wages is supported.

### **Staffing levels**

The ACT has concerns regarding the conceptual link between Service Delivery Scale (SDS) and differences in regional staffing levels. We note that whilst a positive relationship between remoteness and wages (for comparable employees) constitutes a valid conceptual case for the

location effects on wage costs, a similar positive relationship between staffing levels and remoteness likely reflects a combination of SDS and different levels of service provision (LOSP). Given the potential for different LOSP across regions, determining the extent of SDS effects cannot be undertaken with a simple examination of staffing levels, as has been suggested in the *Commission Position Paper: Location – Wage Costs*. The ACT suggests that more rigorous testing needs to be applied before a clear case for SDS can be made.

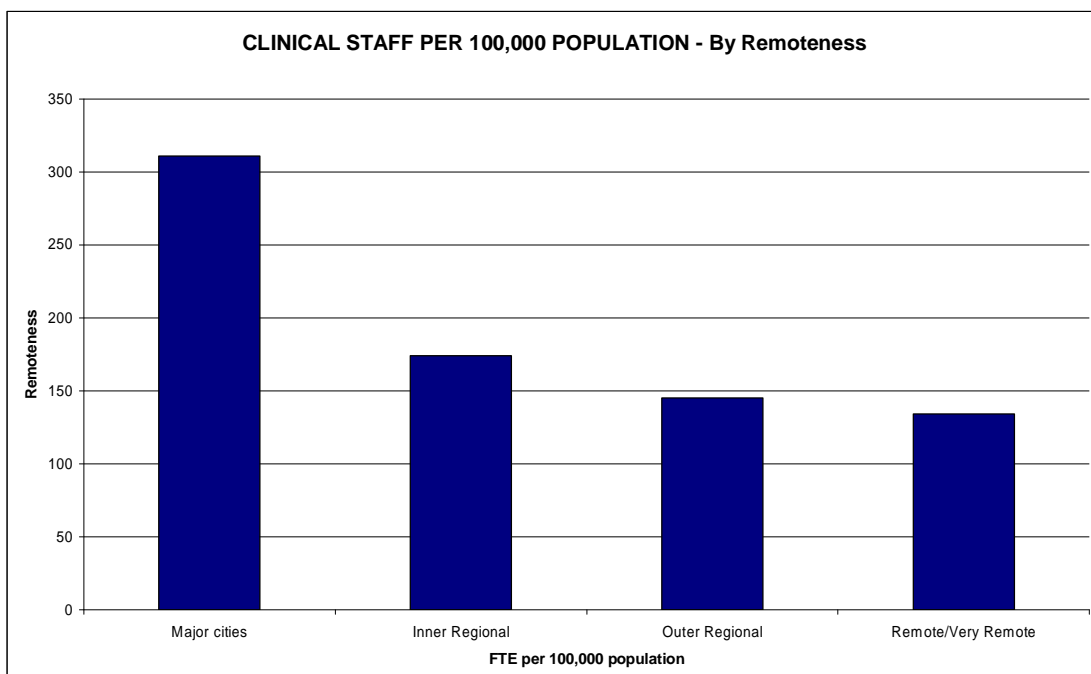
A key concern is that higher regional staffing levels may be partly due to differing LOSP which are already picked up in the population characteristics of the broad indicators, cost, and/or use weights.

To demonstrate the pitfalls in simply equating differences in regional staffing profiles with the existence of SDS, a counter example on health is provided below. As demonstrated, solely examining staffing level data, outside of the context of the LOSP considerations, is likely to skew the analysis.

*Illustrative Counter Example: Service Delivery Scale and remote health services*

Using data taken from the AIHW Medical Labour Force Survey (see table below) it can be seen that the level of clinical staff per 100,000 population falls in less accessible areas. Given the data is based on the level of ‘clinical staff’ head office administrative effects should not account for the large difference between major cities and inner regional. Even if ‘major cities’ is excluded a downward slope is still apparent.

Does the downward slope of the regional staffing curve mean that health services experience scale advantages from being in more remote areas? It is unlikely. Analysis of the underlying data shows that a higher LOSP is available in more accessible areas through the higher number of specialists. The data is simply showing that access to specialist health services is restricted or allocated in a way which best provides the services in the most efficient manner – that being through locating specialist services in central locations and transporting any remote patients in for treatment.



SOURCE: AIHW Medical Labour Force Surveys, 2005.

In a converse way some remote communities may receive a higher LOSP due to administrative arrangements, state policies, or other non-policy factors such as lower levels of Socio-Economic Status (SES), unemployment etc. It is not clear how the Commission intends to remove these impacts from the slope of the regional staffing profiles in order to identify any underlying SDS disabilities.

#### *Assessing different LOSP across regions*

Differences in the LOSP across different geographical regions do not invalidate the need to undertake an assessment based on regional staffing profiles. However, the ACT requests that more rigorous testing be undertaken to determine whether factors already captured by the broad indicator or cost and/or use weights explain and account for the different LOSP across geographical regions. And hence whether assessing these disabilities again under the guise of SDS would constitute double counting.

#### *Example of Potential Double Counting in Education – Alternate conceptual case*

The position paper makes the conceptual case that for Schools Education a positive relationship between staffing levels (per 1,000 government school students) and remoteness constitute a SDS disability. The ACT believes that additional considerations are warranted in areas such as Socio-Economic Status (SES) which if assessed in the education assessment may also be correlated with geographical remoteness, and hence driving a portion of the higher staffing levels in more remote areas.

Furthermore, Government policy such as the ‘closing the gap’ program or other efforts to bring remote literacy and numeracy rates up to capital city standards impact on regional staffing levels for reasons outside of SDS. As such, the ACT believes it is critical to ensure that the conceptual basis for linking regional staffing disparities with SDS is robust and, in particular, that the SDS disability does not double count other existing disabilities.