

28 July 2021

Senate Committee Inquiry into Job Security

Opening Statement

Australian Resources and Energy Group, AMMA
Tom Reid – Head of Policy and Public Affairs

Australian Resources and Energy Group AMMA welcomes the opportunity to provide evidence before the Senate Committee Inquiry into Job Security.

AMMA represents the majority of employers across Australia's mining, oil and gas, and allied service sectors. According to the ABS, direct employment in the industry is at its highest ever recorded level at 278,800 workers. Factoring in servicing sectors and other flow-on employment, the industry today supports more than 1 million total jobs in Australia, in addition to accounting for more than 10% of national GDP and paying \$40 billion in annual taxes and royalty revenues.

The resources industry has also displayed great resilience throughout the COVID-19 pandemic, adding 37,800 directly employed people to its workforce since the start of 2020, and reaching a record high \$291 billion in export earnings in 2019-20.

In relation to job security, AMMA wishes to make three key points.

Firstly, the most important factor in ensuring job security in the resources and energy industry is for the nation to secure a constant in-flow of investment into new major resources and energy projects. The role of major project investment in securing job opportunities in Australia was clearly evident during the last "boom" cycle of 2002-2012. In just 10 years, direct employment in the industry grew from 83,000 to 270,000 – a massive 325%.

This doesn't include the tens of thousands of construction and engineering jobs and associated service sectors involved in the building of new major projects. Taking this into consideration, in 2012 the Reserve Bank of Australia estimated almost 10% of all employment in Australia was driven by the resources industry.

In the years since we have seen far more subdued levels of project investment. As a result, direct employment in the sector fell to a low point of about 215,000 people at times during 2015-2017.

In the current environment, securing new major project investment is the most significant opportunity for Australia in its post-pandemic recovery. According to the Federal Department of Industry, resources investment is on the brink of entering "a new growth cycle", with 335 prospective major projects worth \$334 billion in the investment pipeline.

AMMA has analysed prospective projects either 'committed' or considered 'likely' to proceed, finding 98 projects, worth an estimated \$84b, could create a forecasted 24,400 new direct operating jobs over the next six years, and exceed 100,000 jobs factoring in construction jobs and flow-on effects.

To secure this new cycle of investment opportunity Australia must present the most globally competitive regulatory framework possible. In this regard the most important policy this Committee could recommend, in terms of promoting job opportunities and job security in our industry, is the proposed reforms to Greenfields Agreement Making contained within the *Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2020*, but which failed to pass through Parliament at the start of this year.

This minor amendment sought to amend the greenfields agreements provisions at ss.186-187 of the Fair Work Act to facilitate agreements that can cover the full length of the construction phase for new 'major projects'. Rather than being restricted to the current four-year maximum duration, the amendments would have allowed greenfields agreement terms of up to eight years for 'major projects' that met the \$500 million capital expenditure threshold.

The purpose of these amendments is to provide additional industrial relations certainty to major projects in the infrastructure, and resources and energy industries, where construction works often exceed four years.

Most importantly, the amendments do not change any other aspects of greenfield agreements making under the FW Act. If the changes are passed into law, greenfields agreements would still need to be reached with a union or multiple unions and approved via the current criteria by the FWC. AMMA has long advocated for this reform to provide certainty around cost and timing of world-class major resources projects. It is sensible, long overdue and critical to securing the next wave of investment.

The second key point AMMA wishes to make in relation to job security, is that the industry is currently experiencing critical skills shortages the likes of which it has not seen before. Such shortages are being reported across all occupational categories – engineering and other technical roles, trade technicians and labourers, operators and service sector roles including facilities management.

These shortages are being driven by a complex range of factors including challenges with attracting people into the industry, failures of the industry to promote tertiary and vocational education options to school-leavers over recent years, labour mobility issues with state border shutdowns and travel bans, and the flow-on effects of minimal skilled migrants working in the sector at present.

AMMA is preparing to release a detailed report in relation to the extent of these skills shortages and will submit this report to the Committee in August for consideration into its final recommendations. The key outtake, however, is that any individual who is qualified or willing to become qualified, is prepared to move where work is available and meets general health and safety requirements, will be able to secure a job in our sector in this current environment.

Finally, AMMA wishes to make some comments in relation to labour hire, independent contracting and casual employment in the resources and energy industry.

The resources industry is incredibly diverse and involves numerous employment and contracting arrangements. Labour hire, independent contracting and casual employment represent small but important functions within this mix. These arrangements are especially useful for engaging skilled workers for short-term work in the more cyclical, project-based areas of the industry.

For example, labour hire providers are often relied upon to supply contingent skilled employees to supplement permanent workforces at mine sites or gas and oil rigs during times of strong commodity prices and thus heightened demand. It is efficient and effective for a project operator to contract-out the provision of job-ready employees who can provide required capacity during the short-term.

In the contracting supply chain, highly skilled employees often take well-paid fixed-term or casual contracts where their capabilities are in greatest demand and command the highest hourly rates. This includes short-term shutdown and maintenance contracts, fixed-term engineering contracts and experienced specialist consultants who prefer to be on 'casual employment' basis with several leading high-paying employers, who engage their specialist skills when and as required.

In some of the lower skilled areas of the resources sector supply chain (such as camp management), labour hire, fixed term or casual employment is used in similar ways to other sectors – to cater for fluctuating client demand. A good example is a hospitality provider to remote mine sites whereby the demand for chefs, cleaners and waitstaff is entirely dependent on how many people the client has on-site, which itself is dependent on commodity prices and a range of other commercial factors.

Most importantly, ABS data does not support any notion the industry is becoming "casualised". Since 2014, casual employment in the industry has fluctuated anywhere from 10.7% of total employment to 18.5%. As of May 2021, the level of casual employment in the industry is at 10.3%, down from 17% in the year prior.

This can be attributed to the aforementioned workforce growth in the sector over the past two years, almost entirely in permanent positions, alongside a reduction in casual employees in the industry from 44,400 in 2020 to 27,000 in 2021.

Ultimately, non-permanent forms of work including fixed term and casual labour hire and independent contracting offers choice to both employers and employees. This is particularly relevant for the resources and energy industry where the workforce is highly mobile, moving between projects and operating sites at various stages throughout the life of the operation.

However, it is not a dominant feature of the industry – which at 10.3% now has a casual employment portion well under half of the all-industries average of 25%.