Presentation to the Mining Skills Australia Summit 2013

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"The People Puzzle: Addressing the resource industry's skill challenges."

INTRO

SLIDE 2: ABOUT AMMA

Good morning ladies and gentlemen and thank you for the opportunity to present to you today.

I'd like to begin by telling you a bit about AMMA and how we fit into the mining skills picture.

AMMA, or the Australian Mines and Metals Association, is the national resource industry employer group and has been serving the mining, oil, gas, related construction and allied sectors since 1918.

Our members directly and indirectly employ more than half a million working Australians in mining, hydrocarbons, maritime, exploration, energy, transport, construction, smelting and refining, as well as suppliers to these industries.

Since commencing representation of resource employers 95 years ago, AMMA has been an active policy stakeholder and service provider to resource employers on all workforce-related matters.

One of my roles as AMMA's Director of Group Services is to oversee a number of workforce development initiatives that we are putting in place alongside government, direct employers and other industry bodies.

And our deliberate, strategic focus on workforce development is driven by the evolving skills and labour challenges of our members and an overarching need for our industry to facilitate a more advanced, mobile, transitional and skilled workforce to match Australia's shifting economic needs.

Over the course of this conference, you'll hear a lot about skills shortages, what they are, where they are and how we're going to fill them.

I'll try not to bore you with too many statistics, but I am very excited to be speaking on this topic because today AMMA is releasing the first of a biannual resource labour market index, detailing the true representation of labour shortages for major Australian mining, energy and infrastructure projects.

I'm sure I'd be preaching to the converted when I say this, but if anyone had any doubts about the scale of workforces these major projects require – even in just the next 12 months - I can tell you this analysis will convince you otherwise.

I'll cover some of the key figures from this index a little later.

EMPLOYMENT GROWTH

SLIDE 3: EMPLOYMENT GROWTH GRAPH

First, let's briefly look at why we're all here today.

Yes, we know the resource industry has undergone significant growth – or some prefer the term 'boom'.

But if we take a moment to examine the figures, the true extent of this growth is extraordinary and has surpassed the Australian Government's own predictions, which is why in a lot of respects we're now playing catch-up in skilled labour.

In mid-2010, the federal government's National Resources Sector Employment Taskforce – or NRSET - predicted employment in mining would grow from 185,000 jobs to 250,000 in 2015 - a growth rate of 65,000 jobs over five years, or an average of 13,000 jobs a year.

As you can from this graph based on ABS data, employment in mining – and this comprises mining, oil and gas - has significantly increased over the past 10 years.

The level of growth predicted by NRSET was actually reached in two years instead of five, with an average annual growth of 32,500 jobs, instead of 13,000.

This makes mining the fastest growing industry in Australia in terms of employment growth, sitting at around 25 per cent a year.

Although we can see that trend dropping slightly to the first months of the year due in part to some project deferrals and investor concerns around costs and productivity, all the data points to the resource labour market remaining tight, especially in key skilled occupations.

It follows that if employment growth has nearly tripled that predicted by NRSET, the estimation of the extent of the skills shortage could also far exceed estimates.

Back in 2010, NRSET predicted there would be a shortfall of 1,700 mining engineers and 35,800 tradespeople by 2015.

At the current rate of growth, we could see a shortage of mining engineers as high as 5,000 and of tradespeople as high as 100,000 by that stage.

PROJECT INVESTMENT - BREE

SLIDE 4: PROJECT INVESTMENT GRAPH

Major project analysis figures provided by the Federal Bureau of Resource and Energy Economics to April this year show that while there has been a decline in the number of resource projects during the past 12 months, total investment remains at record levels with more than $620 billion worth of advanced and less advanced projects.

As of April, there were 73 resource projects at an advanced stage of development, meaning either committed or under construction, representing a combined capital expenditure of $268 billion.

There are also another 287 less advanced projects, either publicly announced or undergoing feasibility in the pipeline with a capital expenditure of over $352 billion.

So there's undoubtedly enormous potential for Australia's policy makers and industry to deliver an even greater wealth of employment opportunities to Australians.

For all of us here today, this is an enormous incentive to adequately address our skills challenges.

AMMA-PITCREW LABOUR MARKET INDEX

SLIDE 5: AMMA-PITCREW LABOUR MARKET INDEX

As I touched on earlier, the official government labour forecasts are being outstripped so quickly by this unprecedented growth that they are often outdated by the time they hit the market.

For this reason, AMMA has been fortunate to establish a strong collaborative relationship with a private labour market and economic forecasting firm, Pit Crew Management Consulting.

AMMA and Pit Crew have developed, and launched today, the AMMA-Pit Crew Labour Market Index, which will be released as a biannual unique report of labour availability in the resource industry.

Pit Crew uses innovative labour market modelling techniques to accurately forecast the true extend of skills and labour demand driven by major Australian resource and infrastructure projects.

Very importantly, it recognises that private resources projects will be competing for labour, particularly skilled tradespeople, with the major public infrastructure projects that are being built off the back of our resources boom.

SLIDE 6: PITCREW MAP OF PROJECTS

In this latest analysis released today, Pit Crew modelled over 422 resources, energy and infrastructure projects within the Australian market. These have a total capital value of $728.8 billion.

That's $100 billion more than the federal bureau's analysis of major resources and energy projects. This is because Pit Crew models a range of infrastructure projects which also draw upon the construction labour pool and impact labour supply to the resource industry. These projects include roads, power stations, port facilities, hospitals and public rail infrastructure.

Of these projects approximately 259 are approved with a value of $446.4 billion.

In the pipeline are over 163 projects with a value of $282.4 billion.

But, I hear you thinking, what about the skills shortages? Where are they, how big are they and how long have we got to prepare?

SLIDE 7: DASHBOARD OF LABOUR AVAILABILITY/DEMAND

Nationally, the AMMA-PitCrew modelling shows that expansion of existing projects and new projects will create an onsite construction labour demand of 98,869 workers over the next 12 months.

And if we look at labour supply nationally, this can be met locally with a moderate shortage of labour.

However, as many of you here may have experienced, domestic labour mobility is still a significant challenge within our industry, and when drilling down to a state by state basis the picture is a little different.

Encouragingly, South Australia, New South Wales and Tasmania should be able to meet the demand for local labour over the next twelve months.

The analysis indicates some labour availability in these states, measured as a percentage based on the difference between forecasted demand and forecasted supply – in this case between 10-20% above demand.

However, it's worth noting that these states are all edging towards the next stage of labour availability which indicates local labour is only just meeting demand and there is really no room for growth.

As you've probably anticipated, labour market pressure is greater in the three big resource states – Western Australia, Queensland and the Northern Territory.

WA and Qld are forecast to experience moderate shortages of local labour availability - up to 20% below demand.

However it's the Northern Territory that will be the standout, forecasted to reach the higher-end of an acute shortage.

Although it is coming off a fairly low base employment numbers compared to other states, this acute shortage means the Northern Territory labour availability could be just half that required for its major resource and infrastructure projects.

So if we consider that the other states are only just meeting labour demand or are already experiencing moderate shortages, how do we meet the acute shortages in the Northern Territory, and where will the shortages be?

SLIDE 8: KEY SKILLS SHORTAGE OCCUPATIONS

On the screen now is a breakdown of the key trade and operations skills shortages and as you can see there is and will continue to be demand in trade occupations across the board from welders, to boilermakers, to crane operators and electricians.

On the operations side, we'll continue to see key shortages among the experiences production managers and operators and of course, engineering technicians.

So, considering the key characteristics of the resource labour market:

- We know that major projects are still creating strong demand for construction labour and operations resources.

- We know that construction labour shortages are anticipated for skilled trades.

- We know construction and engineering labour demand is expected to peak in 2014/15.

- We know that once the construction phases of major projects are completed, the labour market will progress to an operations focus.

- This operations workforce will require a higher average level of skills. This brings another level of challenges, with the future availability and level of experience being impacted by an aging population.

The ability to meet this demand will be a direct function of:

- The mobility of local labour, particularly from the southern states to Qld, WA and NT.
- Use of overseas highly skilled labour where immediate gaps occur.
- Investment in skills development.

WORKFORCE PLANNING

SLIDE 9: FIVE TIPS FOR WORKFORCE PLANNING

With these sorts of numbers confronting the industry, it is widely accepted that effective workforce planning is no longer a luxury, but a necessary part of doing business.

In the past, resource organisations have put a lot of strategic planning and rigour into capital investment decisions, but the same rigour isn't always carried through with analysing and forecasting labour costs and requirements.

By focusing on a continual workforce planning cycle, creating an ongoing, detailed set of data, and viewing the workforce in segments, organisations will be in a much better position to develop a long-term workforce strategy.

On screen I've pinched the top 5 tips for effective workforce planning provided to us by the adeptly-named Workforce Planning Australia.

As you can see, the five steps are to:

- Work toward long-term outcomes, planning ahead for three-to-five years;
- Involve the executive, business and finance team in workforce planning;
- Make the planning focussed on strong data, rather than assumptions on employee behaviour;
- Segment the workforce into meaningful groups to focus on the core operations of the company; and
- Develop a strategy that takes into account employee retention, not just recruiting.

SKILLS CONNECT

This brings me to the next part of my presentation where we explore the training, labour mobility and workforce development initiatives that AMMA has underway across the country, much of which is supported by Commonwealth funding.

SLIDE 10: INDUSTRY TRAINING DATA

Before I get into some of the details here though, I'd like to make a very important point about training, apprenticeships in Australia's resource industry.

There has been some criticism from elements of the labour movement, particularly the more militant unions that Australia's resource employers do not spend enough time and resources into training people to either enter employment in our sector; or further progress in their careers.

Just last week the primary construction and mining union, the CFMEU, publicly claimed "mining is one of the least responsible industries for employing apprentices and trainees".

I'd like to set the record straight that this could not be any further from reality.

The mining sector in fact spends more on training per employee than most industry sectors and significantly more than the national average, with the overwhelming majority of training being privately funded by employers.

Recent work by the National Centre for Vocational Education Research (NCVER) shows that the mining sector spends around 5.5 per cent of payroll on training, well above government benchmarks.

In financial year 2012, the training spend by the mining industry totalled $1.15 billion.

The growth trend for the number of apprentices and trainees in training for the mining sector has almost quadrupled from 2003 to 2011.

There are currently more than 11,000 apprentices and trainees being trained in the mining sector, representing around 5 per cent of the total mining workforce.

Of those apprentices, 13% were Indigenous Australians and 20% were mature-aged Australians. These figures indicate the commitment by resource employers to engage local communities and up-skill or re-skill the existing workforce.

So again I'd like to reiterate that AMMA members, the delegates in this room and all resource employers are part of a large industry that is strongly committed to training and creating employment opportunities for Australian people.

SLIDE 11: AMMA SKILLS CONNECT

While the T&D activities within our sector are strong, like many things there is always much room for improvement. In this environment, with severe skills shortages and labour mobility issues in mining; but downturns in other sectors like residential construction and manufacturing, there has for a few years been a need for more innovative solutions to transition displaced workers from other industries into our own.

One of the key findings that came from the National Resource Sector Workforce Strategy was that the resource industry needed to "Increase its number of trade professionals".

SLIDE 12: NRSET RECOMMENDATION 2

It listed a range of strategies to do just that, including:

- Increase the number of apprentices we employ and establish alternative apprenticeship programs ie. More training of young and/or inexperienced Australian workers;
- Up-skill those workers already in resources and related-construction occupations;
- Work with industry, education and training providers to improve recognition of prior learning, existing competency and where to use training to fill in the gaps; and
- Work with unemployed tradespeople and technicians to gauge interest in working in the resource industry.

All of these steps point to the need for greater collaboration between resource industry bodies such as AMMA and construction industry bodies to implement initiatives that support a greater base of transferable skills among Australian tradespeople.

It was through this recommendation that AMMA was able to secure Commonwealth funding to launch our newest industry-wide workforce development initiative, AMMA Skills Connect.

As its name suggests, AMMA Skills Connect is about building skilled workforces.

The premise is that AMMA has brought together the peak industry bodies for each key trade skill area, along with other service providers, to create a single point of contact when employers seek to address their workforce development needs.

SLIDE 13: SKILLS CONNECT PARTNERS

Our construction industry partners for AMMA Skills Connect are listed on-screen and include:

- XLT Institute of Welding, Engineering and Technology
- The National Electrical and Communications Association
- Health & Safety Association - IFAP
- International Accreditation body Vetasses; and
- The Civil Contractors Federation.

Each of these bodies is at the forefront of skills development and training in their respective fields and in most cases is the national accrediting body.

So this initiative not only provides mining employers with solutions for immediate and time critical skill development needs but also facilitates ongoing development of all construction industry workforces to meet future requirements.

SLIDE 14: CURRENT SKILLS CONNECT PROGRAMS

Some of our current activities occurring under the AMMA Skills Connect banner, but which also draw on the resources of AMMA's registered training organisation, include:

1. For the last six months we have been handling the delivery of Verification of Competencies (VOC) for some of our member companies, especially important as VOC's become the common method to ensure skill specific tasks can be conducted to the degree required on site.

2. A number of successful pilot programs are underway within our members operations, designed to deliver practical solutions to meet their labour sourcing needs.

    One example of this is the AMMA Skills Connect partnership with XLT Trainers and the Consolidated Contracting Company, in which we developed a specific scholarship program to train Australians with little or no experience to work on pipeline construction in the LNG sector.

    The scholarship provided participants with financial support, mentoring and leadership development and I'm proud to say, the first graduates, armed with internationally recognised qualifications in metals and engineering were offered positions with the company as trade assistants and will go on to further their skills and become experienced welders on projects including pipeline construction in Queensland, for the Australian Pacific LNG projects.

3. AMMA Skills Connect in collaboration with YWCA (Young Women's Christian Association) Queensland and Origin Energy is a partner of the Count Me In Phase 2 project. This is a venture designed to open corridors in training and employment for women in Queensland's Surat Basin and Western Downs region covering the areas of Tara, Dalby, Chinchilla, Miles, Roma and Kogan.

The Count Me In Phase 2 project aims to connect more than 80 local women from the Surat Basin and Western Downs region with training and employment opportunities, whilst assisting the local business community to better understand the benefits of diversity and flexibility in the workplace.

4. We are also currently planning a jobs expo and workshop event for the general public for later this year in Perth. The event is geared towards bringing both the industry and jobseekers in WA together to educate jobseekers about how to gain employment in the Mining, Construction and Resources Industries.

   Working closely with the local Job Services Agencies (JSAs) in Perth as well as the AMMA Skills Connect consortium, we will provide information and tools to assist participants in preparing for long and rewarding mining, oil and gas careers.

5. Here in New South Wales, AMMA Skills Connect is planning an employment roadshow through the Hunter Valley, New England and Illawarra to educate jobseekers on gaining and maintaining employment in the Mining, Resources and Construction industries.

   We hope to secure a wide range of different organisations to tap into AMMA's membership and educate jobseekers on what the industry is looking for and how they can get a foot in the door.

6. Finally, through Skills Connect AMMA is facilitating a retrenched worker program in Victoria to assist those workers with transferrable skills from related industries such as manufacturing to connect with employers in the Mining, Resources and Construction Industries.

We often hear both government and industry talk about the need to work in partnership to conquer our challenges and these project hopefully demonstrate to you how AMMA Skills Connect will practically assist in meeting the labour requirements of industry, utilise the training expertise in this country and successfully up-skill ready and able Australians to participate in all construction related roles.

If this is any indicator of the difference AMMA Skills Connect can make to our industry on a national scale, then I'd say we are on the right track to make some real progress in meeting our workforce needs.

Ladies and gentlemen, this initiative was developed to fast-track a highly mobile, skilled workforce of tradespeople who will be the backbone of our state and national economy for many, many years.

I encourage any and all of you who are interested in learning more about Skills Connect and the possibility of working with AMMA's alliance in this regard, to please approach me during networking opportunities.

AWRA

SLIDE 15: AWRA LOGO AND VISION STATEMENT

While AMMA Skills Connect is probably our most relevant initiative for a this two-day event dedicated to skills development in the mining sector, I'd also like to briefly outline two additional initiatives that AMMA has underway to get more people into our industry.

The first is the Australian Women in Resources Alliance, which was launched in late 2011 again with the backing of the Australian Government and again born from the recommendations in the National Resource Sector Workforce Strategy: this time the recommendation to increase the level of attraction and retention of women in the resources sector.

AWRA's objective is to increase the participation of women in the resource industry workforce from the current 15.2% to 25% by 2020.

This is something that employers in our industry take very seriously and this not only translates to great benefits for their individual organisations, but also for wider positive impacts on our industry's performance and competitiveness.

AWRA has come a long way in just 18 months since its official launch, and has proven to be a dynamic and evolving initiative, driven by the thirst for innovative solutions from the people in this room.

We have united existing organisations, networking groups and programs nationally, in a coordinated initiative to attract, retain and develop women in our workforce and assist the resource industry to realise the benefits of female participation.

On top of the information toolkits for employers and the research data we are compiling for the AWRA initiative, there are two key programs being actively rolled out this year:

SLIDE 16: KEY AWRA INITIATIVES

(E-MENTORING PROGRAM)

The first is the AWRA E-Mentoring Program, which is connecting women in the early stages of their careers with experienced mentors, both male and female, across the country using a cutting-edge web-based platform.

Using E-Mentoring, AWRA is offers a niche solution for women who have found it difficult to access mentoring opportunities due to transient work arrangements, remote locations or non-traditional working hours.

(RECOGNISED PROGRAM)

Our next exciting initiative is the AWRA Recognised Program. The AWRA Recognised Program is all about providing guidance and feedback on participating organisations' diversity strategies and benchmarking against international best practice.

Once assessed, employers will be able to proudly display an AWRA stamp - Bronze – Silver – Gold – or Platinum – reflecting their achievements and commitment to industry best-practice workforce policies and performance in gender diversity and women's workforce participation.
We aim to grow this AWRA's initiatives and programs into a key point of difference for our industry in the search for leading talent; male and female.

Mining Oil and Gas Jobs

SLIDE 17: AMMA MOAGJ

The largest, most established and perhaps best known of AMMA's workforce development initiatives is the online jobseeker information portal, Miningoilandgasjobs.com.

Almost two years on from its launch during the peak of our labour demand, this online careers centre remains the first of AMMA's initiatives designed to address the growing demand for information from Australian's wishing to transit into roles in the resource industry.

MiningOilandGasJobs.com is Australia's biggest source of information about employment, career planning, migration, and training and development in the resource sector.

Again, the roots of this initiative can be drawn back to the National Resource Sector Workforce Strategy that came from the government's taskforce in 2010.

In the wake of the results and recommendations, AMMA undertook extensive consultation with our members, the Australian Government and key industry stakeholders in the development process.

SLIDE 18: CAREERS AND INDUSTRY GUIDE

The Mining Oil and Gas Jobs website supports AMMA's goal of encouraging workers to plan long-term careers in the industry by including a Careers and Industry Guide to help in the planning process.

A screen shot of the guide is on-screen. Developed especially for the resource and allied industries, this online resource provides jobseekers with invaluable information about employment and career planning.

The site contains industry information on mining, oil and gas, energy and alternative energy. Importantly, it also provides comprehensive information about living and working in Australia, valuable career resources, and training and development.

CONCLUSION

SLIDE 19: QUESTIONS?

Ladies and gentlemen, it's time to bring my presentation to a close.

I could talk to you on this topic all day because skills development really is one of the greatest challenges and opportunities facing our industry and one which is a priority of AMMA's as the national resource industry's employer association.

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And when we consider this in a global context, among global competition, we absolutely need to meet this challenge through a collaborative effort.

For Australian workers and companies to benefit from the unprecedented level of investment in our natural resources, we must consider how our country's labour forces can be evolved, how we can grow and develop the pool of workers from which we source labour, and how we can transition skilled workers geographically and between industries when necessary.

-ENDS-