

Sustaining Australia's project pipeline

BY SCOTT BARKLAMB, AMMA EXECUTIVE DIRECTOR, INDUSTRY

Workplace policy specialist Scott Barklamb has joined resource industry employer group AMMA as its Executive Director, Industry. In this editorial, he explores the debate around Australia's international competitiveness and how workplace relations reform is critical to restoring productivity growth.

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The resilience of Australia's resource industry is again on full display as employers put the challenges of the past 12 months behind them and power through the new year with strong prospects.

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The industry is by far the fastest-growing source of new jobs in the country, with an additional 40,000 Australians gaining employment in resources during 2012, bringing the total direct workforce up to about 270,000. Similarly, more than \$650 billion worth of new resource projects are either underway in Australia, or are slated for our shores within the next five years.

There remains an historic opportunity for Australia to benefit from the heightened activity in the resources sector. Yet, these benefits will not be realised unless urgent public policy challenges are addressed by our political leaders.



Given 2013 is a federal election year, we will soon see if any of the nation's policy-makers can step up and outline an action plan to address the triple threat to our international competitiveness – unsustainable wage escalation, a combative and uncertain labour environment, and declining productivity.

The latter has become a highly debated issue, with a number of CEOs and board members of Australian resource companies expressing concerns about declining productivity levels and disadvantages when competing for both buyers and global investment capital.

Our nation's ability to deliver confidence and stability to global investors and purchasers is crucial

to ensuring that more than 300 uncommitted projects remain in Australia and are not lost to what threaten to be cheaper, less risky overseas markets.

A number of authoritative international reports have backed these concerns. Rankings released at the beginning of 2013 showed Australia's global competitiveness has plummeted from ninth to 15th. The research by Switzerland's IMD business school commends Australia's legal environment and corporate governance, but highlights that the loss of our top 10 status was due to the poor performance of our workplace relations framework, the Fair Work Act.

Similar findings were made by the World Economic Forum (WEF) in November last year. WEF's Global Competitiveness Report singled out restrictive labour regulation from 16 factors as the most problematic for Australia. Many respondents said that restrictive labour regulations were a problem for their business; only half as many cited tax rates as problematic, despite Australia being one of the highest-taxed countries in the world.

To highlight just how far behind other competitive factors our labour regulation really is, the WEF ranked Australia eighth in the development of financial markets and 11th in terms of higher education and training – but a dismal 42nd in labour market efficiency. Comparatively, Canada's workplace relations system ranked fourth in the world.

It is clear that the Fair Work Act is dragging the heels of the Australian economy. While a strong resources sector means we are doing well enough during hard times in global markets, there is no doubt that our nation could be competing even more strongly internationally.

Australia's Fair Work legislation was intended to increase the productivity, flexibility and fairness of workplaces. In reality, it is the single largest labour market barrier to sustaining Australia's pipeline of new resources projects.

The key impacts of our workplace

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framework on the competitiveness of Australia's resource industry can be generalised into three categories: delays in getting projects underway, unsustainable wage costs, and record high levels of strike activity.

Firstly, the Fair Work Act reduces the number of agreement-making options available to resource sector employers for new projects, and mandates that a new project must have a union-approved labour agreement in place before it commences. This has enhanced the capacity for unions to hold major projects to ransom with one in five major projects at serious risk of not being delivered on time and on budget due to ongoing union stalling tactics.

This heightened union power, when coupled with an inability to achieve meaningful labour flexibility under the Act and a national skills shortage, has led to unsustainable wage claims. Our construction wages are the highest in the world and labour accounts for 35 to 50 per cent of project construction costs. Australia's cost structure for major projects is much higher than our global competitors.

Thirdly, the Fair Work Act increases the capacity for unions to take protected industrial action, including on matters that have little to do with employment, and instead systematically infringe upon managerial decision-making. Union claims have extended to cover clauses restricting the use of contractors and labour hire workers, jeopardising management's capacity to effectively and productively organise work.

But with the election looming, there is some hope for reform. The

opportunity for the resources industry to drive Australia's productivity growth, competitiveness and innovation for decades is far from lost.

Australians deserve an economy that maximises the opportunities arising from our industry's once-in-a-lifetime levels of investment and growth. We are only just entering the period where all the resources investment capital over the last decade should start to pay off with great benefits, both in terms of economic output and employment growth.

With genuine reform to our workplace relations framework – even starting with minor steps in order to begin to swing the pendulum closer to a balancing point – we could see a rise in our ability to compete internationally, and a ranking back amongst the world's top 10.

Australia's resources sector employers have their part to play in keeping the pressure on. We need to start with legislative fixes to reduce industrial conflict, get our labour costs back under control and demonstrably improve Australia's productivity and international competitiveness.

It's time that all stakeholders engage in a mature and considered exchange of views about the policy reforms necessary to create more productive, competitive and job-generating Australian workplaces.

Only with a more solid workplace relations policy framework can the resources industry bring \$650 billion worth of projects to fruition and be Australia's ticket out of the current productivity slump. 