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Workplace focus key to Australia's productivity challenge

THE AUSTRALIAN MINES AND METALS ASSOCIATION (AMMA) IS ACTIVELY EXPLORING HOW OUR NATION'S MEGA-RESOURCES PROJECTS COULD PULL AUSTRALIA FROM ITS PRODUCTIVITY SLUMP, BUT WITH GREATER CHALLENGES EMERGING IN THIS AREA, THIS CAN ONLY OCCUR THROUGH A MULTI-FACETED APPROACH TO LABOUR EFFICIENCY.

In its recently published discussion paper, *Resource Industry Productivity: Analysis and Policy Options* AMMA details how Australia's resource industry is embarking on a multi-faceted approach to boosting labour productivity, involving both legislative and non-legislative measures.

Lead author on the paper, Luke Achterstraat notes productivity in the resource industry has been in decline since 2000-01 and is now 45 per cent off its peak, evident in ABS data.

Although this situation is not unique to Australia, AMMA's Brisbane-based policy advisor believes that on a global scale, our nation can no longer rely on its 'lucky' reputation.

"The surge in commodity prices, an investment boom and resource depletion have all been cited for initiating a steady but inevitable decline in multifactor productivity, which takes into account the effects of both labour and capital," says Achterstraat.

"In particular, capital productivity is unlikely to pick up in the short-term given the sheer volume of investment already in the pipeline and the lag effect between investment and output.

"This means the key to enhancing productivity in the mining sector lies largely in raising labour productivity."

Achterstraat says productivity growth is the most important determinant of long-running improvements in economic prosperity. Reversing the downward trend in Australia hinges on the ability to assess the impacts of global investment competition and improve both legislative and non-legislative productivity initiatives.

"The industry is now a 'high-cost, low-productivity' place to invest and do business," he said.

"Employers face competition from emerging resource nations and, combined with escalating costs, there is serious concern for

the \$383 billion of investment currently under consideration across the industry.

"Globally significant projects worth billions of dollars and thousands of jobs will continue to go offshore under these uncompetitive conditions."

An examination of the World Economic Forum's (WEF) reported trends in the global economy further illustrates this decline in our competitiveness.

In 2010-11, soon after the commencement of the Fair Work Act, only 13.1 per cent of respondents nominated restrictive labour regulation as the most problematic factor to doing business in Australia. That rose to 16.6 per cent in 2011-12 and 20.3 per cent in the WEF's most recent 2012-13 report.

Australia's strategic location in Asia is often cited as a key driver of the resource industry's competitiveness; however there are fast emerging competitors in this region.

Mongolia was the world's fastest growing economy in 2011, driven by foreign investment and rapid developments in its rich coal, copper and gold mining sectors.

"While Australia will never be able to compete against many of our Asian neighbours on wage costs, it is concerning to see our industry at a distinct cost disadvantage compared to an economy of comparable living standards such as the US," said Achterstraat.

"Recent project scale-backs indicate that cost escalations are impacting jobs and investment. We can no longer rely on high commodity prices to underwrite our revenues, jobs and national income."

To underpin an increase in resource industry labour productivity, Achterstraat says the case for workplace relations reform is undeniable.

He notes AMMA's key priority areas for workplace relations reform works to address these issues and, if adopted by the next Federal Government, Australia's resource industry would be positioned to become internationally competitive, productive and sustainable.

These key reform areas include removing unions' ability to hold-up new resources projects through what is called 'greenfield' agreement making. The national resource industry employer group also backs the Federal Coalition's policy to wind-back the 'out of control' rights unions currently have to enter and disrupt Australian workplaces.

While maintaining that Australia's workplace relations laws need urgent reform, Achterstraat explains AMMA is also focused on non-legislative initiatives to complement the changes.

The productivity discussion paper sets out six proposals in the areas of investment, work practices, leadership, technology, productive bargaining and skills development to boost productivity and collaboration in the resource industry.

"AMMA members report that driving productivity gains within their respective organisations is very much on their agenda as a corporate priority," says Achterstraat.

"For example, the creation of a Productivity Investment Index, developed from a survey of resource enterprises, would collate industry best practice to support the business case for employer investment in employee engagement, process improvements and technological adaption.

"Additionally, a grassroots style research project into remote Fly-In, Fly-Out (FIFO) work sites could identify innovative work practices and practical ways to increase productivity at the coal face.

"We also believe there is scope to reignite the creativity and commitment of employers and employees to address productivity gains in workplace bargaining efforts.

"Ultimately, a multi-faceted approach is required to ensure our industry delivers on its great promise. A genuine discussion around both the workplace relations and non-workplace relations measures is required to restore resource industry productivity."

AMMA (Australian Mines and Metal Association)

AMMA has been Australia's largest resource industry employer group for 95 years. Its members include companies involved in every sub-sector of Australia's mining, oil, gas and servicing industries.



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