



**L**ONG BEFORE TAKING OFFICE as Australia's newest Prime Minister, then-opposition leader Tony Abbott pledged to review Fair Work legislation with the help of the Productivity Commission. Now with a new Coalition government at the helm, Australian Mines and Metals Association executive director Scott Barklamb says it's time to plan ahead.

In the lead-up to the 2013 federal election, 'productivity' fast became a buzzword freely exploited by top-spot contenders jostling for public trust in building a stronger economy. For Australia's business sector, however, boosting productivity has become a crucial agenda.

The resource industry, Barklamb says, is facing a crossroads where competition for global capital is as fierce as ever, but productivity is at its lowest level in a generation. Looking to globally recognised research from the World Economic Forum shows just how damaging the slide in productivity has been for Australia's appeal as an investment destination.

The WEF *Global Competitiveness Report 2013-14* revealed that Australia's international competitiveness has slipped to now just 21st in the world, placing the country behind New Zealand at 18<sup>th</sup>, Canada at 14<sup>th</sup> and the United Kingdom at 10<sup>th</sup>.

The staggering slide, Barklamb explains, has been attributed to government bureaucracy and taxation issues, but leading the charge is a struggle against low labour productivity and restrictive labour regulation.

"Australia's labour market efficiency

# Productivity not just a political buzzword



is now ranked 54th in the world, down a staggering 41 places from two years ago. Likewise, our productivity is ranked 113th in the world, wage flexibility 135th and labour relations 103rd," Barklamb says.

Indeed, the Australian Bureau of Statistics offers anecdotal evidence in this field, showing that productivity in the resource sector has declined since 2001 and is now 45% off its peak.

"Our resource industry is now recognised as a 'high-cost, low-productivity' place to invest and do

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business, placing Australia's \$383 billion investment pipeline at serious risk of going offshore," Barklamb says.

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

Undoing the damage of a high-cost, low-productivity reputation and renewing Australia's position as a major competitor for investment opportunity banks on bolstering the national productivity outlook. As detailed in a recent AMMA discussion paper *Resource Industry Productivity: Analysis and Policy Options*, a multi-faceted approach may be the ticket in reaching this objective.

"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."

"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."

The paper details a collaboration of both legislative and non-legislative workplace initiatives designed to trounce the labour productivity slump.

Though a recent survey of AMMA members revealed that 87.5% of participants had not achieved any productivity improvements within their workplace agreements, Barklamb says driving productivity gains is very much on the agenda as a corporate priority. With this in mind, the paper underscores six proposals for workplace-based initiatives in the areas of investment, work practices, leadership, technology, productive bargaining and skills development.

"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," says Barklamb.

"Additionally, a grassroots style research project into remote 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."

A recent study of AMMA members found that 75.6% of respondents felt their productivity levels had declined as a result of workplace relations legislation, emphasising a strong case for workplace relations reform that complements non-legislative initiatives.

"AMMA's key priority areas for reform address pressures of regulation against productivity and, if adopted by the new federal government, Australia's resource industry can become internationally



AMMA executive director of industry, Scott Barklamb.

competitive, productive and sustainable," Barklamb notes.

Restrictive legislation on bargaining in the resource industry is a leading focus for AMMA policy advocacy, with objectives including a more efficient process for bringing new resources projects to market through 'greenfield' agreement making; winding back new union rights for site entry that can debilitate operational activities; and enacting protections for employers against unlawful industrial action.

In the lead-up to the 2013 federal election, the Coalition extended its support to the resource industry, promising change in the workplace relations landscape largely reflecting some, though not all, of AMMA's key priorities. The Coalition has already recognised the crucial link between stagnating productivity and disproportionate workplace regulation. A pledge to review the Fair Work legislation at the behest of the Productivity Commission is a significant step toward achieving the reform needed to rebuild Australia's competitive strength.