

MEDIA RELEASE

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Unsustainable resource wages threaten jobs and growth, Senate told

FIXING the current flawed process for setting employment conditions on new resource sector projects is critical to securing ongoing investment and growth, says the industry's national employer group AMMA in its analysis of the government's proposed Fair Work changes.

In its [detailed submission](#) to the Senate Committee reviewing the *Fair Work Amendment Bill 2014*, AMMA argues that a more realistic process for new projects (or 'greenfields') agreement-making is vital if Australia is to secure the \$208 billion in uncommitted resources investment¹.

"We welcome the government's acknowledgement that handing unions' the keys to new projects has led to excessive wages and conditions being extorted from the resource industry over the past five years," says AMMA executive director Scott Barklamb.

"In 2013, a cook working for six months on offshore resources project construction was earning \$355,000; 47% or \$105k more than the same role in 2007. Barge welders now command \$2180 per day, or about \$396,000 for working six months (see wages chart [here](#)).

"Such inflated wages are a direct result of the former government giving unions a virtual monopoly on new project agreement-making, effectively allowing them to set their own employment conditions which the industry has had little option but to accept.

"Our country simply cannot viably compete for future mega-resources projects when our workplace relations system imposes such uncommercial and unsustainable obligations."

Analysis from McKinsey² shows Australia's construction labour costs are 20-30% higher than in the United States, while building a comparable LNG project in Canada costs 20-30% less. Key Labor figures Martin Ferguson and Paul Howes have recently joined industry in warning that Australia must take this competitive threat seriously.

"The amendment bill is a positive step towards a more realistic process for new project agreements. However, AMMA is concerned about the requirement to not only better the award safety net, but to meet even higher 'prevailing industry standards' before new project arrangements are approved," Mr Barklamb says.

"While perhaps intended to stop the 'leap-frogging' of wages from one construction contract to the next, employers fear the government's proposed test may inadvertently lock-in the currently inflated and unsustainable wage levels as the benchmark for all future projects.

"If our nation is to compete with not only emerging resource suppliers but also comparable economies such as the US and Canada, we must allow market realities to inform the employment conditions from project to project."

For new projects, AMMA's submission recommends removing the proposed 'prevailing industry standards test' in favour of maintaining the three existing tests (the National Employment Standards safety net, the Better Off Overall Test and the public interest test).

"The three existing tests are more than adequate to protect employees without any unintended consequences. We look forward to working further with the government and all those interested in getting this critically important policy area right," Mr Barklamb says.

¹ <http://bree.slicedlabs.com.au/sites/default/files/files/publications/rempp/rempp-2013-10.pdf>

² http://www.mckinsey.com/global_locations/pacific/australia/en/latest_thinking/extending_the_lng_boom

Media Contact: AMMA media manager, Tom Reid on 0419 153 407