

Productivity is a key factor impacting future investment in Australia's mining, oil and gas sectors. Image courtesy of ExxonMobil

Labour productivity at the core of industry initiative

As the resources industry transitions into a new era of export and production, Australian Mines and Metals Association (AMMA) Executive Director Scott Barklamb says that lifting labour productivity is key to taking advantage of new production capacities and securing further project investment.

Comprising nearly 10 per cent of Australia's gross domestic product (GDP), the resources industry is at the cornerstone of our country's economic and community wellbeing, as it has been for many decades.

At the peak of resources investment in early 2013, Australia had 73 committed projects, with a combined value of \$268 billion, while another 113 projects, worth a further \$332 billion, were in various stages of feasibility and consideration.

This would require more than 137,000 construction personnel alone.

Now, after more than a decade of record investment, our resources industry is making headway towards long-awaited production coming on line, which will see a surge in operational capacity, exports and the accompanying national revenues.

Current forward estimates from the Bureau of Resource and Energy Economics (BREE) show that our energy and mineral exports could increase by more than 60 per cent to 2018, reaching a phenomenal \$284 billion a year.

However, productivity challenges persist across the mining, oil and gas sectors, and there remains great opportunity to bolster our output potential and deliver even greater long-term economic gains.

Balancing multi-factor productivity

The transition from the labour-intensive construction phase to a greater concentration of production is an important milestone for the resources industry, but this new economic paradigm is certainly not the so-called 'end of the mining boom'.

More than \$290 billion worth of new resource projects remain in the

investment pipeline, underscoring the prospects of prolonging our industry's phenomenal growth; however, Australia's waning global competitiveness is impacting on the ability to secure final investment decision for such projects, and our lagging productivity is just as much a factor as capital cost challenges.

Since peaking in 2000-01, multi-factor productivity in Australia has fallen at an average annual rate of 4.5 per cent, or by 34 per cent in total.

We know that capital productivity – the first part of 'multi-factor productivity' – will naturally lift as investment eases into a longer-term norm, and our nation sees some productive output from new mega-projects.

The part of the productivity story where the challenge clearly lies is labour productivity.

Labour productivity and regulation

The World Economic Forum (WEF) ranks Australia 103rd of 148 nations on labour cooperation, 135th on flexibility of wage determinations, and 113th in the world on pay and productivity.

This is simply not good enough for the world's 12th-largest economy and a nation that ranks 'top 10' in other areas. The dire results also show that there is

no avoiding the intrinsic link that exists between our workplace relations system and its influence on labour output.

In fact, from the 16 competitiveness factors outlined in the WEF's Global Competitiveness Report, restrictive labour regulation was singled out as the most significant deterrent to investing in Australia.

AMMA continues to be a leading national advocate for a fair and balanced workplace relations system, working in conjunction with the Australian Government to develop policy frameworks to augment our competitive advantage.

Industry solutions to bolster productivity

While our policy development and advocacy is well documented, AMMA has never claimed that workplace relations policy is the sole determinant of labour productivity at the enterprise level.

It takes a healthy balance of both legislative and non-legislative approaches to influence an operating environment that enables innovation, creates flexibilities, and builds internal capacities.

To this end, AMMA has identified six non-legislative solutions for resource employers to bring labour productivity back to life at the enterprise level.

Enhanced leadership and management can produce outstanding

results in boosting productivity, making it a valuable investment for employers. Good leadership is vital, as is scope to deliver results.

Other valuable investments proving successful at the enterprise level are internal productivity measurement processes, which we believe can be replicated on an industry-wide scale by way of a national productivity index.

Implementing such an index would neatly complement current industry decision-making frameworks, and encourage more businesses to look at the metrics and identify their goals and benchmarks.

Work practices could also be addressed as an important focus point for research and information, for example, on fly-in fly-out (FIFO) arrangements and roster cycles. FIFO arrangements provide vital access to key skills in remote areas, but also raise interesting questions for enhancing productivity.

Employers must always be seeking new ways to keep their FIFO workforces happy, healthy and productive.

The current trend in 'open-source innovation' also provides an opportunity to further improve our labour productivity. Specifically, an inter-industry technology forum, sponsored by experts and practitioners, will enable widespread access to innovations that drive productivity outcomes.


There are clearly lessons that we can also learn from our more productive Organisation for Economic Co-operation and Development (OECD) peers in workplace-level bargaining and engagement. In particular, Australia could see a renewed focus on getting productivity back on the table during negotiations between employers and unions.

Finally, investing in human capital through training and development opportunities that prioritise productivity and efficiency modules will instil productive cultures, mindsets, and relevant skills at a workplace level.

Already, resource employers invest \$1.1 billion annually into workforce training, of which just two per cent is subsidised by government funding. This flags a prime opportunity to turn some of the training focus toward greater labour productivity.

Aiming for a resource outlook

AMMA operates to ensure that Australia is an attractive place in which to invest, employ people and do business. Enhancing our national labour productivity is a key part of this challenge.

By continuing to develop initiatives that place productivity at the top of the agenda, the opportunities to enhance our society and living standards through prolonged industry growth will remain strong for many years to come. 



Boosting labour productivity will improve our economic outlook. Image courtesy of QGC