

A NEW HORIZON

GUIDING PRINCIPLES FOR THE **FUTURE** OF WORK



A report by Australian Resources and Energy Group AMMA



100
Years
1918 - 2018



DEDICATION

A New Horizon is dedicated to all the valued members, people and companies across AMMA's 100 year history. Particular gratitude is extended to the resources and energy executives who contributed to the various research inputs for this report, including representatives of the AMMA Board Reference Group.

ABOUT US

AMMA's vision is to assist resources and energy employers in creating a brighter future for all Australians.

A proud member-based organisation, AMMA's work in policy and advocacy drives positive outcomes for members and the broader industry.

For a century, AMMA has delivered high quality and valuable workforce services to Australia's resources and energy industry.

AMMA provides expertise, influence, leadership and support in key workforce areas including workplace relations, human resources, diversity, training, government relations and public affairs.

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A note on methodology

The positions, statements and Guiding Principles for the Future of Work set out in this report draw from a broad range of quantitative and qualitative evidence-gathering methods, including:

- Input and guidance by the AMMA Board Reference Group, comprising human resources and employee relations executives from 16 leading Australian resources and energy businesses, representative of the diverse nature of the industry.
- Survey of experiences and feedback provided by representatives of more than 80 resources and energy employers operating in Australia, conducted from September to November 2018.
- In-depth interviews with a number of thought leaders from within the Australian resources and energy industry on the themes and topics explored throughout.
- A thorough review of existing literature, publications and research from a wide range of domestic and international authorities, firms and research centres. See 'References' page 48.
- The term "resources and energy employers" used throughout refers to businesses across the entire resources and energy supply chain, allied contracting and servicing sectors, all represented within AMMA's diverse national membership.

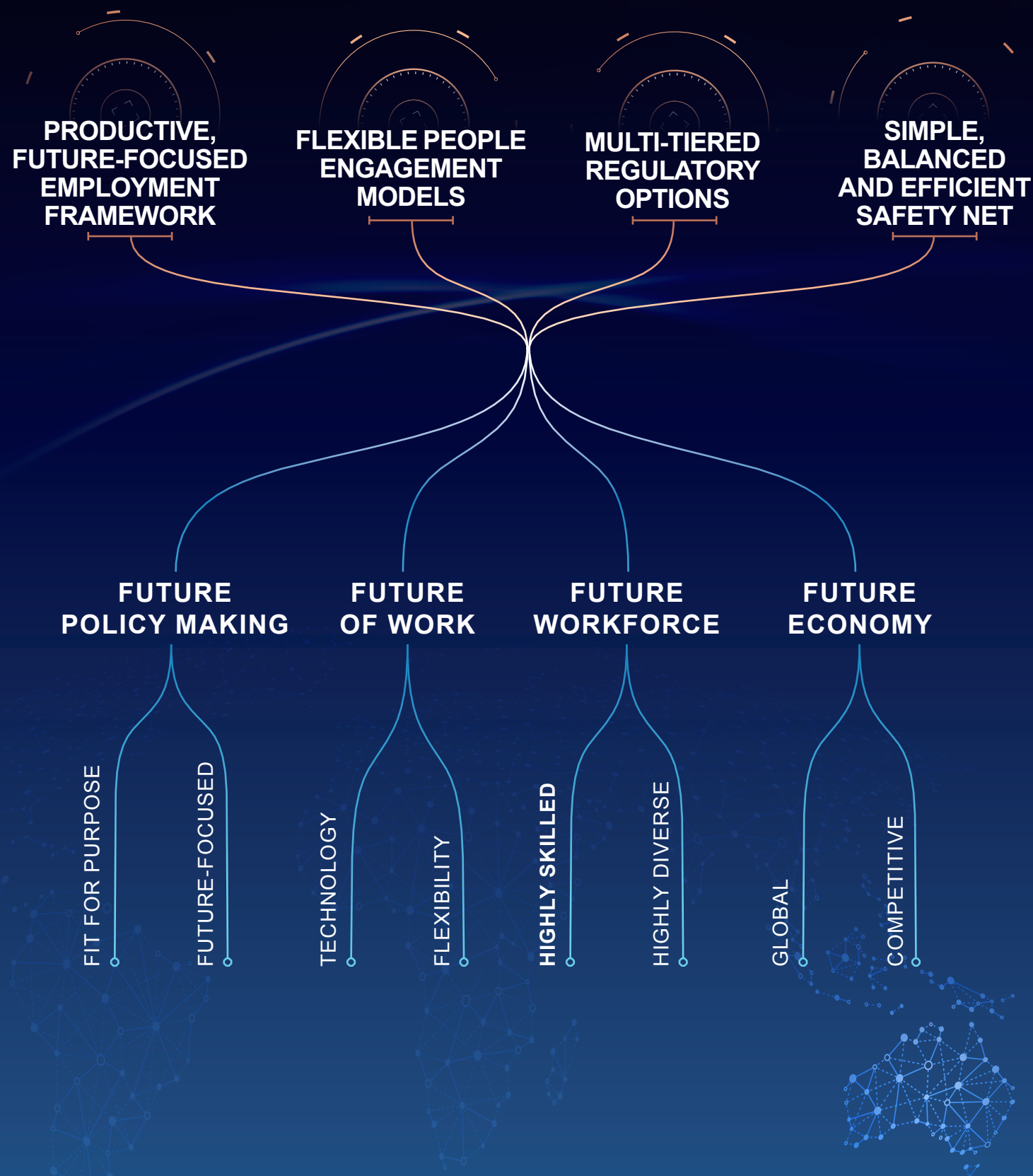


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A NEW HORIZON



FOREWORD

Australian Resources and Energy Group AMMA is proud to present, in our Centenary Year, *A New Horizon: Guiding Principles for the Future of Work*.

The purpose of this report is to start a new conversation about the future of Australian workplaces - one that properly considers a regulatory system that facilitates future employment opportunities and directly enhances the economic well-being of every Australian.

With significant change taking place in their workplaces, AMMA members have long called for a future-focused vision for work.

Rapid advancements in technology are creating more diverse employment arrangements and demanding higher levels of technical skills and education.

There is less homogeneity in the workforce, demographics are shifting and new generations of digitally-enabled employees are more individually engaged and self-motivated.

Based on these trends, we have set out guiding principles for a new horizon of work in our nation, one that better supports the competitiveness of our industries and businesses, and better aligns to the increasingly individualised motivations and work patterns of future workforces.

AMMA releases this vision at a critical crossroad for Australia.

After two decades of bipartisan deregulation efforts, in 2009 Australian policymakers drastically changed course with a new legislative framework. Workplaces were subject to increased regulation, employers faced more costs and administrative burden, and the economy was impacted by additional, unnecessary risks that saw our global competitiveness for securing investment slip.

The few reform efforts in the decade since have been heavily constrained by present-day politics and limited to lightly modifying the flawed current

regulatory framework rather than pursuing a bold and ambitious vision for the future.

Further, more than at any other time, debate about the changing workplace is having a polarising effect. There are significant forces misconstruing change as a threat and exploiting fear and uncertainty around the future of work for political gain.

Change must be embraced as an opportunity to improve business performance and innovation, develop the next generation workforce skills, lift employee engagement and deliver greater individual job satisfaction and reward.

For 100 years AMMA has represented employers in the Australian resources and energy industry - a key pillar of our economy underpinning much of our nation's employment and living standards.

We call on those with an interest in ensuring Australia remains an attractive place to invest and work, to seize the opportunity to create a new system of regulation fit for a prosperous, productive and competitive future.



Steve Knott AM
Chief Executive
Australian Resources and Energy Group AMMA

INTRODUCTION

A VISION FOR THE **FUTURE** OF WORK

90% of resources and energy employers believe the current workplace system is outdated and not fit for the future of work¹.



Australia needs a vision for the future of work.

This vision requires a national debate about the direction in which Australian workplaces are headed and new regulatory approaches to support high-performing, innovative businesses in creating and sustaining future work opportunities.

AMMA is well placed to lead this vision, having worked with our members across the national resources and energy industry since 1918 to define and articulate change, challenges, opportunities and evolution in Australian workplaces.

This report seeks to provide greater purpose around future of work discussions and puts forward a holistic vision for future workplace regulation.

It analyses technological, demographic and competitive factors influencing change in resources and energy workplaces in 2019 and beyond. Such change includes higher-skilled, less homogenous workforces increasingly seeking individual engagement, flexibility and reward at work.

It explores how resources and energy employers are exposed to global competitive forces, comprise workplaces that widely vary in size, skills profiles and

technological intensity, provide high paying jobs, and exhibit sophisticated employee relations systems.

It argues that in such an environment, Australia cannot centrally plan or regulate its way to a better future. This is an approach that has fundamentally failed Australia since the introduction of the Fair Work Act in 2009.

Unlike the current legislative approach, supporting employers in the future creation of high quality, well-paying, durable jobs with flexible terms and conditions, hinges on an open, cost competitive and flexible regulatory environment.

Consequently, this report demonstrates the only way forward for Australia's future workplaces is less regulation, fewer restrictions, de-centralising workplace relations power away from third parties, and through our national policymakers resisting the push for intervention and protectionism.

GUIDING PRINCIPLE

1

Australia's approach to future work regulation must be grounded on creating and sustaining high quality, flexible and collaborative job opportunities.

THE CHALLENGE WITH THE PRESENT-DAY DEBATE

Two issues at present are holding back a meaningful policy conversation on the future of Australian workplaces.

A TODAY'S DEBATE IS TOO CONSTRAINED BY PRESENT-DAY POLITICS

For at least a decade the workplace debate in Australia has been held back by using the existing legislative framework as the base upon which change is envisioned. This has the effect of simply chipping away at a fundamentally flawed, outdated system.

To guide a new approach for the future we must learn from and look beyond current failures in Australia's work regulation approach. The issues should be tackled with a fresh perspective, one which is unhindered by past debates or opportunistic politics.

A holistic new vision for regulating work is required for the ongoing prosperity of Australian employers, employees, the economy and thus the broader community. Such a vision must be unrestrained by perceptions of what's possible in the present and foreseeable political environment.



B EXISTING "FUTURE OF WORK" RESEARCH HAS LIMITED LINKS TO WORK REGULATION

A plethora of research, reports and thought-leadership material has been published on the future of work, typically focused on the impacts of technology, demographic changes, diversity, globalisation and skills and capability.

How Australia should facilitate and support these future work trends through effective future-focused regulation remains a conspicuous and vital missing piece.

Exercises in futurism can amount to no more than lounge room conversations unless they tackle the hard-edged policy issues.

To date, any conversations about future work regulation have been political in nature, dominated by a vocal minority pushing baseless predictions about worker displacement and social inequality to argue for heavy-handed government interventions.

Employers believe such rhetoric to be unfounded and, at times, hysterical. There is growing concern that fear and uncertainty about the future of work, however debunked by the evidence, could lead to poor policy outcomes.

To properly support Australian workplaces in transitioning to the future of work, appropriate considerations must be made of the future regulatory framework.

THE RESOURCES AND ENERGY EXPERIENCE IS BROADLY APPLICABLE

For all its diversity and dynamism, the resources and energy industry is just one sector of the Australian economy.

While this report examines the experiences and mega-trends taking place in Australia's resources and energy workplaces, many of its guiding principles for future regulation of work are broadly applicable to all sectors of the Australian economy.

The impacts of technology, demographic and generational trends, and considerations for future competitiveness affect all Australian employers and workplaces.

The overwhelming consensus is there is great change and opportunity in front of us.

In setting a vision for the future of resources and energy workplaces, the industry is equally energised about the conversations this report may ignite for other sectors of the Australian economy.

88% of resources and energy employers believe discussions about the "future of work" should make stronger links to the regulation of work¹.

GUIDING PRINCIPLE

2

Australia's prosperity will depend upon future policymakers rising above present-day politics to create a work regulation system fit for the future.

TECHNOLOGY

THE CHANGING NATURE OF WORK

89% of resources and energy employers believe more flexible workplace regulation would assist in implementing new technologies¹.

Technology is changing the nature of work.

Technology is by far the most discussed and analysed mega-trend shaping the future of work. While there are varying degrees of adoption and implications for individual employers, the rate of innovation and positive change is pervasive and accelerating faster than ever imagined.

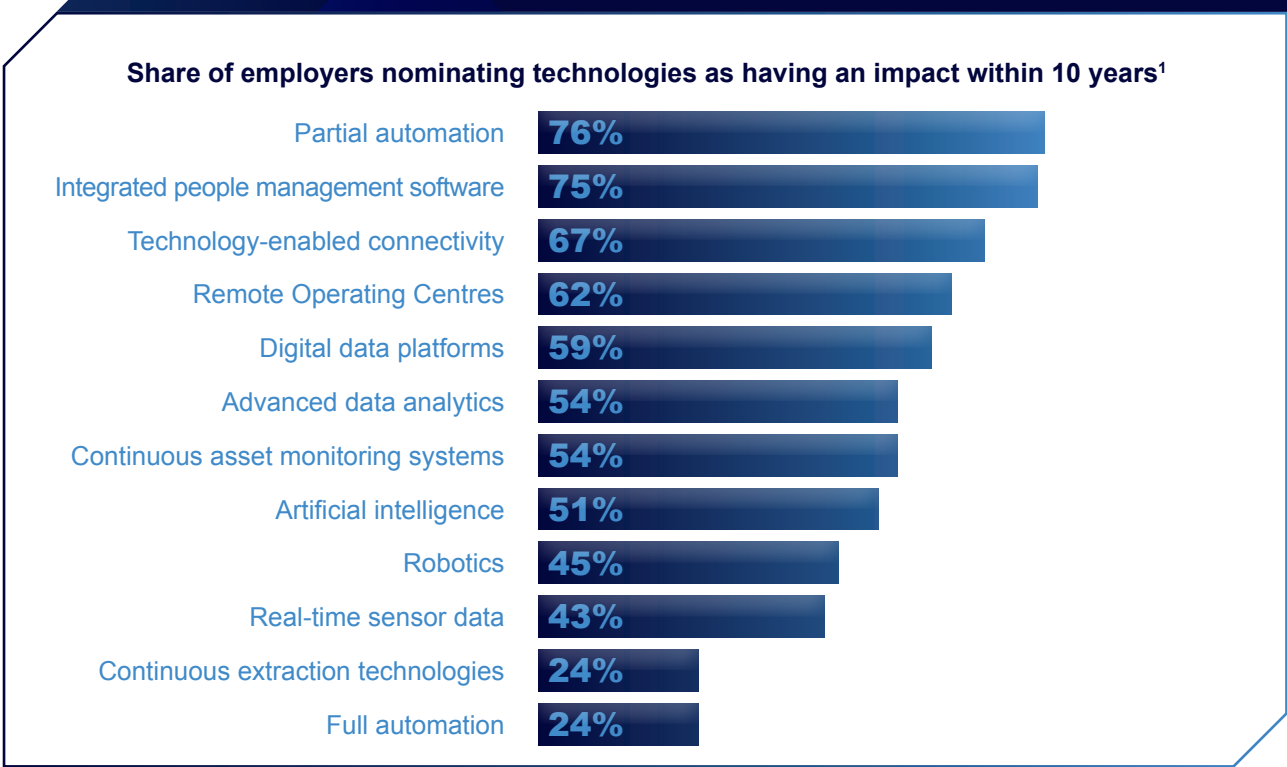
Australia needs drivers in its economy for the creation of digitally-rich careers and jobs. The technologies being adopted in the resources and energy industry are such drivers.

With overwhelmingly positive effects on innovation, efficiencies and productivity, employers must be encouraged to take up new technologies. In doing so, they are lifting the skills base in the wider economy and facilitating more positive work experiences.

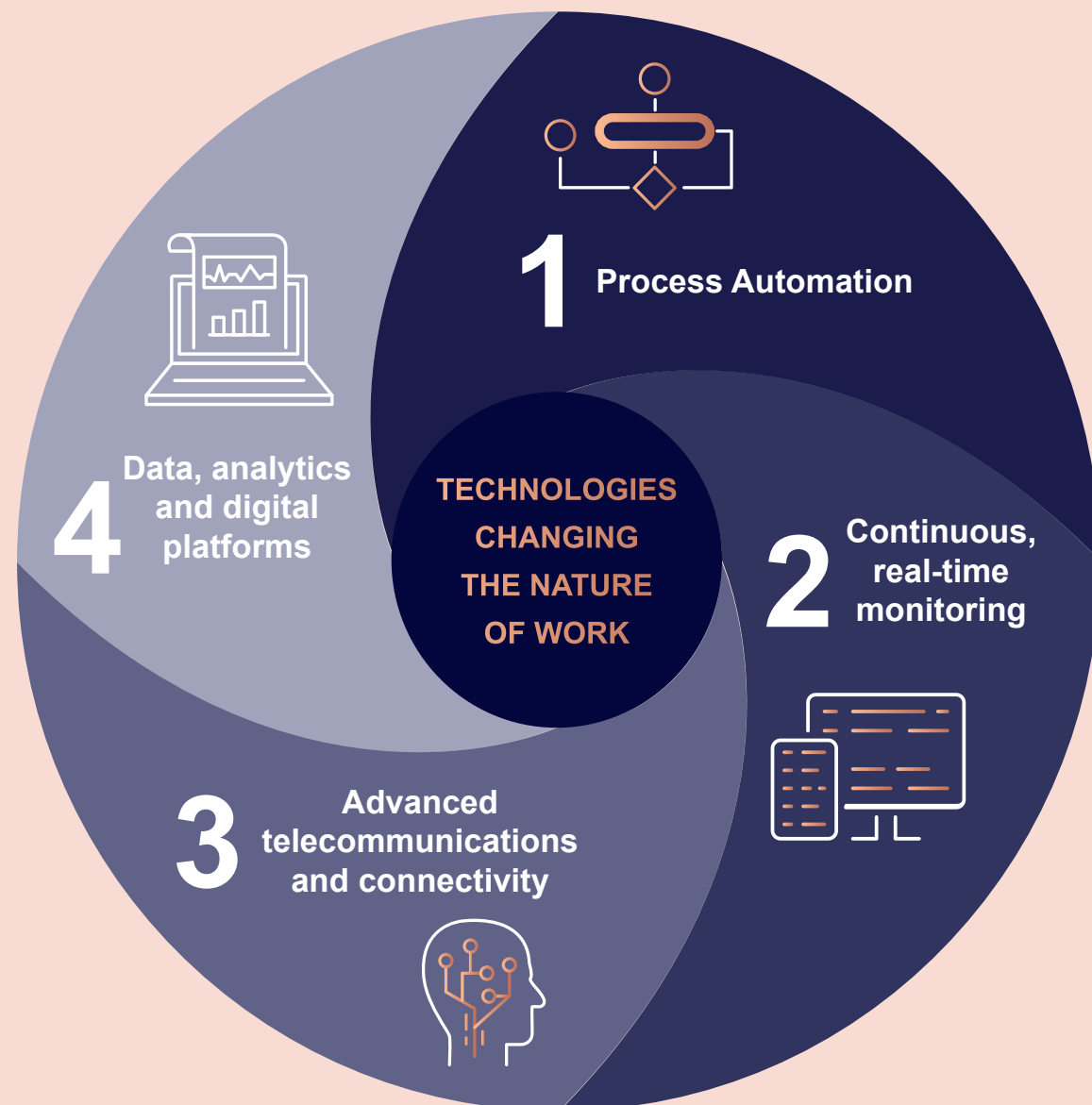
To support this, the regulatory environment must offer the flexibilities required for associated changes to skills, work methods and patterns, and attitudes amongst employers and employees.

This is especially important given many resources and energy employers have not yet mapped out the full extent of what new technological innovation will mean for their future workplaces.

FIGURE 1: TECHNOLOGIES BEING ADOPTED IN RESOURCES AND ENERGY WORKPLACES



THE TECHNOLOGIES BEING ADOPTED WITHIN RESOURCES AND ENERGY WORKPLACES CAN BE BROADLY CAPTURED ACROSS THE FOLLOWING FOUR CATEGORIES:



"Everybody is talking about technology and the changing nature of work. Our industry is inventive and does change and adaptation best, but we need to put the time into understanding what it fundamentally means for our individual businesses."

Coal industry executive⁷.

Most employers have begun planning for the impacts of new technologies in their workplaces, ranging from wide-scale workforce engagement, human resources innovation and change management, to considering alternative industrial instruments to enterprise agreement making. Notably, direct employee engagement is viewed as better suited to a more individualised and higher-tech skilled future.

The technologies being adopted within resources and energy workplaces can be broadly captured across the following four categories:

A PROCESS AUTOMATION

Far from being confined to driverless trucks and trains, process automation can and is extending to all areas of the resources and energy supply chain. Theoretically, any process involving predictable, repeated tasks can be automated, ranging from large machinery such as excavators and draglines, through to smaller technical componentry like collision avoidance, auto-positioning, aerial drones and proximity sensors.

3 IN 4 employers expect either full or partial process automation to impact their organisations within the next 10 years¹.

B CONTINUOUS, REAL-TIME MONITORING

Almost every workplace has assets, operating processes and activities that already are, or soon will be, subject to continuous real-time monitoring. The immediate availability of crucial information about the performance of equipment and people is revolutionising the productivity of assets and the efficiency of people who service and maintain them.

Combined with automation, innovations like continuous monitoring systems and real-time sensory data are supporting the ultimate goal for resources productivity – *continuous extraction technologies*.

2 IN 3 resources and energy employers report technology-enabled connectivity will have a significant impact on their organisations within the next 10 years¹.



C ADVANCED TELECOMMUNICATIONS AND CONNECTIVITY

People working across the resources and energy industry are more connected than ever before. Advanced telecommunications are driving a complete re-think in how workforces operate, monitor and maintain equipment and assets, removing proximity and elevating immediacy as factors in how they engage, connect and communicate with one another.

D DATA, ANALYTICS AND DIGITAL PLATFORMS

Analysts expect the biggest opportunity for resources and energy employers is not the implementation of technologies themselves, but interpreting and acting upon the huge volumes of data these technologies are capable of producing. Competitive advantage will likely not be derived from systems, technology and data alone, but the capacity of an employer to act on such information and optimise production.

Many employers see digital platforms as the biggest opportunity for their organisations in the short-to-medium term and are pouring resources into both developing such platforms and the necessary skills and capabilities to properly analyse and leverage them. HR and workforce management systems are a particular area of opportunity as digital platforms become embedded in everyday operating practices.

ONLY 47% of employers can identify a specific role in their organisations that would be replaced by automation. For most it is a tool, not a substitute¹.

REMOTE OPERATING CENTRES

As innovation transforms all organisations from mining and oil and gas to logistics, engineering and other supply chain operators, these technologies seldom, if ever, work in isolation. This is perhaps best demonstrated by arguably the most significant technological development in the resources and energy industry in terms of workforce impact – the *Remote Operating Centre*.

Remote Operating Centres are centralised, connected control rooms for resources and energy projects, and related supply chain processes. Using advanced connectivity and telecommunications, continuous real-time asset monitoring, and a constant flow of data and autonomous machinery, they enable sites in even the most remote areas of Australia (and around the world) to operate from centralised hubs potentially thousands of kilometres away.

“Previously, maintenance engineers would have a schedule that would take them to a particular coal seam gas well on a particular day. More often than not, they’d drive a large distance only to get there and find everything is working fine. New technology allows people to determine which wells require our attention and to direct our remote technicians to where they are needed. There has been a slight reduction in people required on the ground, but new roles created where people are sitting in our remote operating centre. The efficiency gains are enormous.”

LNG industry executive⁷.

While the obvious benefits of centralising technical expertise and increased operating data are safety (reduction in numbers of personnel on-site in potentially hazardous environments) and productivity (enormous value-add from significant down-time reduction), Remote Operating Centres and related enabling technologies have enormous workforce implications.

SUPPORTING THE DIGITAL WORKFORCE OF THE FUTURE

The technology revolution is dramatically changing the profile of the Australian resources and energy industry workforce.

Firstly, advanced connectivity and Remote Operating Centres are seeing less people working in remote areas where Australia’s natural resources are physically located, and more people working from centralised technology hubs. Coupled with the rising number of unique skills required, this shift is greatly diversifying the demographic pool from which resources and energy employers can attract talent.

Further, as the present workforce ages, the technology revolution is allowing resources and energy companies to broaden their appeal as employers, offering long-term and more flexible career options to workers without having to spend extensive periods in often remote and harsh locations. This is encouraging younger, more urban-based demographics and female workers to enter the resources and energy workforce at a time when the jobs becoming available are increasingly offered in CBD locations³.

Both the CSIRO² and the World Economic Forum³ have found the biggest impact of high-technology in the resources and energy industry is the advent of the “digitally-enabled workforce”.

This describes an increasingly mobile, technology-enabled workforce comprising of remote, data-guided field workers utilising more productive information than ever before, connected to and interacting in real-time with centralised managers and data analysts.





The challenge for employers and industry is engaging and training tomorrow's digital workforce. Digitally-enabled demographics must be attracted into resources and energy careers and significant efforts will be required to re-train less technology-savvy demographics (such as those affected by automation and other technologies) for an increasingly digitised work environment³.

“All roles including more traditional blue collar will need to be increasingly technology-savvy. While the fundamentals of their role may not change dramatically, the interaction with technology as a productivity and efficiency-enabling tool will significantly grow. This will require new skills in being able to conduct IT troubleshooting, select appropriate software and use digital data platforms to get the job done. In more cases than not, such skills are easily learnable.”

Engineering and construction sector executive⁷.

With the industry facing these challenges, it is little surprise a lack of cultural change and effective forward planning, rather than investment or technology failures, is cited as the biggest threat to employer success in this area.

It is the role of government to support employers through these challenges whilst minimising the level of burdensome regulation.

AUTOMATION IS A NATIONAL OPPORTUNITY

The impact of automation and related technologies on overall employment levels in the resources and energy industry is an area of much discussion. Employers are concerned some groups are using fear and uncertainty about the changing nature of work to argue for protectionism and interventionist policy approaches.

This argument is debunked by the World Economic Forum which estimates the potential job losses caused by automation and digitisation in the global mining industry to be around 5 percent³.

Conversely, over the next decade it is estimated that technology will create around \$320 billion in value-add to the global mining sector, of which Australia is a dominant player and would benefit enormously³.

Add to that the value creation throughout the resources and energy industry and its enormously diverse related service and supply chains, and the logical conclusion is that the employment and economic opportunities on offer from the technology revolution will far outweigh any adverse short-term impacts on individual job areas.

Resources and energy employers do not believe automation and other technologies will mean less

people in the industry overall. Only a small minority can identify specific jobs in their organisations which will likely be replaced by technology in the near future. Citing a whole range of commercial considerations, many employers reiterated that just because a human work function could feasibly be replaced by robotics or automation, doesn't mean that it would be¹.

85% of employers say technology is making the workforce far less homogeneous¹.

GUIDING PRINCIPLE

3

Future work practices can be supported through collaboration and skills development, not through protectionism and policy intervention.



Most employers see technology as an opportunity for their workforces rather than a threat. In fact many employers leverage innovation as an advantage when competing for talent.

“When considering the attitudes of our employees, you have to remember they are very technology-savvy. They see new technologies as the latest tools to play with, not as a potential threat to their jobs. If we didn’t bring these new high-tech tools for our people to upskill on and gain experience with, they’d be looking at other employers who have got different and better technologies as an attractive place to move onto.”

Engineering, procurement and construction sector executive⁷.

Australia must therefore not allow unfounded fear that technology is a negative disruptor to drive policy outcomes.

All the evidence points to the potential job-creating benefits of automation and digitisation in the resources and energy sector far outweighing any potential short-term disruption. Policy approaches should thus be reflected of this broadly accepted position.

Research and modelling from Sydney economic firm Alpha Beta⁸ finds:

- Between now and 2030, automation and related technologies is a \$2.2 trillion opportunity for Australia.
- Technology will make jobs safer, more valuable (higher wages) and more satisfying, with lower-skilled workers likely to be re-skilled and re-deployed into new work.
- To make automation a success in Australia, policy approaches should be tailored for different groups affected by automation.

- Policymakers could categorise workers impacted by automation into three groups: those at high and low risk of automation replacing their roles in the workplace, and future workers who have not yet joined the workforce and should be the target for education, training and skills development initiatives.

Resources and energy employers agree there will be a need for some worker groups within the industry to be re-skilled and re-deployed to cater for new technologies and associated changes to operating practices.

With many individual organisations already planning for and managing this transition, government should seek to better understand these strategies and where there are opportunities to assist and collaborate with industry.

FLEXIBILITY IS THE KEY TO SUCCESS

Resources and energy employers can identify specific barriers to technology adoption from Australia’s current approach to workplace regulation. Most cite the primary challenge as the inflexibility of the existing workplace system.

As Australia prepares to support efforts in managing organisational change, technological and digital transformation, employers overwhelmingly believe the future of work is one built around more flexibility.

As flexibility relates to technology, resources and energy employers report the following experiences¹:

- Technology is facilitating a demographic shift in the industry towards more technically skilled people, and less traditional blue collar roles.
- Technology is making the workforce far less homogenous in the types of work, patterns of work, skills and ways of thinking in the resources and energy workforce.



- More flexibility in the workplace relations system will be critical in managing the future impacts of technology in the workplace.

The resources and energy industry is one of the nation’s most diverse, in terms of sub-sectors, workforce planning, resources planning, employee engagement strategies and more. The need for more flexibility to support future ways of working is a key area of broad and strong consensus.

“The future of workplace relations should allow for fair working arrangements but have the flexibility to shift with changing business needs. This is particularly important as our workplaces evolve with new technologies and related skills. The current regime is far too

rigid and does not allow or account for the rapid change and developments occurring within the industry.”

Mineral sands mining executive⁷.

“Where the technology shift is going to have its biggest impact is in the gradual replacement of physical labour with more support roles based around higher-tech skills. The days are numbered where one hundred people turn up to work, all with similar skill sets and go about generic roles. Our regulatory system will have to provide the flexibility to negotiate and have the conversations necessary to meet the needs of a whole range of individual people.”

Coal mining executive⁷.

GUIDING PRINCIPLE

4

Australia’s approach to regulating work should recognise there is greater individualised skills and less homogeneity in the workplace.

DEMOGRAPHICS

CHANGING ATTITUDES TO WORK

97% of resources and energy employers report changing demographics and employee attitudes within their workplaces¹.

Shifting, diverse demographics are changing attitudes to work.

Technology is far from the only factor changing Australian workplaces. Resources and energy employers report a number of demographic trends that are having an equal, if not greater impact, on shaping the future of work.

Drivers of change include rising skills and education levels, increased workforce diversity, generational transitions, greater individualised roles and functions and the emergence of new employment models catering to changing attitudes towards work.

Not isolated to the Australian resources and energy industry, such trends are occurring globally as employers across all sectors respond to demographic shifts through more sophisticated and adept people management strategies.

The World Economic Forum forecasts socio-economic changes to be the biggest drivers of employment creation in coming decades, particularly noting new skills offered by younger demographics and the rising economic and employment aspirations of women¹⁰.

As this trend emerges, applying existing regulatory approaches to an increasingly diverse workforce will stifle the flexibility needed to meet their needs and provide quality jobs.

FIGURE 2: DEMOGRAPHICS AND ATTITUDES IN RESOURCES AND ENERGY WORKPLACES

Share of employers nominating these factors as having an impact within 10 years¹



“Changes in population age profiles, education and migration flows, along with expectations of equality of opportunity and work/life balance, are all deeply impacting employee populations (and) encouraging companies to find new ways to build diverse talent pools.”¹⁴

Operating in a globally exposed industry being transformed by innovation, skills and technology, it is no surprise Australian resources and energy employers are witnessing and experiencing these demographic shifts most acutely.

Distinct trends in workplace attitudes are widely reported as a result.

Employees are becoming more individually motivated. They seek greater individual flexibility in their work, are seeking and negotiating employment arrangements that best fit their individual needs, and have less interest in third party representation in the workplace.

With technology as an enabler, employees are more focused on individual performance, rewards and remuneration, and are seeking more empowerment to work flexibly and guide their futures.

92% of employers believe the future workforce will demand more flexibility in how they work¹.

Policymakers looking to the future of work should not only be aware and attuned to these trends, but recognise their responsibility to shape a regulatory system capable of delivering the individual empowerment current and future workforces desire.

THE DEMOGRAPHIC TRENDS CHANGING AUSTRALIAN WORKPLACES

As work rapidly evolves, three predominant factors are driving a demographic shift in the resources and energy industry, significantly changing workplace cultures and attitudes.

A GENDER DIVERSITY

Resources and energy employers are undertaking concerted efforts to better attract and retain female employees in the industry. A range of factors are making the industry more attractive to female demographics including greater numbers of technology-based white-collar roles, increased centralisation of work and improved diversity and inclusion policies and practices.

“In the resources sector, location is a particular barrier (to attracting females). If we continue to apply new ways of thinking to the way we work and overcome those barriers, including through the use of communications technology, there is a massive opportunity to change the way roles are done within an organisation, who can do them and where they do them.”

Mining industry executive¹¹.

This has seen individual companies rapidly evolve from having very few strategies to addressing poor female workforce participation to today being among the “Employers of Choice” in Australia¹². At the corporate level benefits include increased financial performance, better governance, stronger risk management and increased innovation. Positive impacts on workplace cultures include greater efficiency, productivity, innovation, creativity and employee engagement¹¹.



B THE MULTI-GENERATIONAL WORKFORCE

For the first time in Australia’s history, workplaces have up to five generations working together. As new waves of millennials form the future “digitally-enabled workforce”, older Australians are staying in work for longer, upskilling, reskilling and redeploying to remain of high value in the evolving economic landscape. Over the past 35 years, the participation of people aged 55 to 64 has increased from 46% to 64%¹³.

Generational diversity brings similar benefits to that of gender, with contrasting work styles, perspectives, life experiences and thought processes leading to increased creativity, productivity and innovation. Employers are seeing benefits from experienced workers passing on their deep industry knowledge to millennials who bring stronger new age digital skills.

“Our aging workers know the mines and our young guys know digital. When we have been able to have a cohesive cross-generational team, it has been stellar.”

Mining CEO¹⁵.

Conversely, understanding and managing vastly different generational attitudes towards motivation, reward and recognition are presenting significant challenges for leaders and managers, and important considerations for policymakers. For example, more so than other generations, “Gen Z-ers” (those born after 1995) are motivated by advancement opportunities, money and meaningful work².

C A MORE SKILLED AND EDUCATED WORKER PROFILE

The changing nature of work in the resources and energy industry is seeing a significant lift in the average levels of technical skills, vocational and tertiary education as far greater emphasis is placed on interactive and cognitive skills for the jobs of the future.

As the overall mix of traditionally blue collar roles gradually declines, workers occupying them are retiring, reskilling into other areas of the industry, or transitioning into other sectors where technology disruption is less prevalent.

“We are most in need of digitally-savvy workers with knowledge of software development, analytics, artificial intelligence and other digital skills. As these new skills replace traditional manual labour skills, the attitudes and perspectives of the workforce are steadily changing.”

Oil and gas industry executive¹.



AN ENGAGED AND MOTIVATED WORKFORCE

These significant demographic trends have big implications for workplace policymakers.

Not only are attitudes to work changing, but significant variance exists between individuals and their approaches to the employment relationship. The net result of far greater diversity in gender, age, skills, education and roles performed in the workplace, is diversity of thought.

The modern day resources and energy workforce does not reflect the traditional model of industrial organisation that is based upon large numbers of similarly-skilled workers doing relatively similar jobs.

As repeated manual processes are transitioned into the age of automation and digitisation, the role of humans in the workplace is becoming more complex, more unique and more personally rewarding.

As a result, resources and energy employers are reporting large swings away from collective attitudes towards employment arrangements, working patterns and terms and conditions. Instead, employees are far more individually engaged and motivated at work, and increasingly seek work arrangements that best suit them.

Each generation of employee is looking for even greater flexibility than the last, and the more an individual’s skills and expertise is in demand, the more they are demanding individual considerations in their employment arrangements.

“Our future workforce will be varied and consist of a range of individuals, each with competing priorities and preferences for the way in which they work and are remunerated for that work. As an employer we will need to be agile to these demands to keep individuals engaged. This is not consistent with collective approaches to workplace regulation.”

HR Executive, transport and logistics service supplier¹.

While generational change and workforce diversity is driving new skills, attitudes and perspectives towards work, other factors are also at play, including:

- Greater value being placed on work/life balance, especially amongst younger generations who increasingly seek to request and negotiate individual employment terms;
- Modern societal attitudes are seeing more men request flexible work to cater for shared parental responsibilities; and
- Generations of people are assisting with the care of elderly parents and grandparents, consistent with Australia’s aging population, heavily influencing their employment decisions.

Simply, a collective approach advocates a “one-size-fits-all” outcome that is incompatible with the diversity of desires, needs and priorities of current and future workforces.

Future workplace regulation must move away from collectivist models and accommodate the emergence of new classes of highly skilled workers who function independently and build their own direct relationship with the goals of their employer.

EMPLOYERS AND EMPLOYEES ARE DIRECTLY ENGAGING

With collective approaches giving way to individual motivation, the upshot is stronger direct engagement between employers and employees across the resources and energy industry.

While most prevalent amongst the digitally enabled workforce, employers are also reporting traditionally blue collar workforces becoming more individually motivated through connection and consultation with company strategies.

That this trend is widely experienced amongst resources and energy employers has significant implications for the future of collective bargaining and the role of third parties.

Trade union membership has been in decline since the 1970s and by 2017 had fallen to a historic low of 9.3% of private sector employees¹⁶. CEDA reports more than 90% of Australian businesses have no union members, indicating membership is increasingly concentrated within a limited set of sectors⁴. Total resources and energy workforce union membership, at around 9.6%, is consistent with the national average.

“Our workforce is showing a desire to talk to us directly to resolve any workplace issues. With our employees more individually focused and less collective, third parties are becoming irrelevant to negotiations.”

Gold sector executive¹.

86% of employers report changing industrial attitudes as a result of the generational shift¹.

Low union membership is a particular characteristic of the demographics most prevalent in the resources and energy industry’s transformation, notably younger generations and higher skilled occupations including engineering, ICT and science technicians¹⁷.

GUIDING PRINCIPLE

5

The regulatory framework should align with the trend toward greater individual motivation and direct engagement in the workplace.

“The demographics in our workforce are quite split. The younger demographics, particularly in our central and support teams, are pushing for individual arrangements.”

Diversified exploration and mining company executive⁷.

“We expect there will be some conflict between the collectivism of our older workforce, who seek third party representation, and the newer generations’ expectations for individualism and flexibility.”

Energy sector executive¹.

Many resources and energy employers see an ongoing role for trade unions in their workplaces. There is certainly no employer push to disengage unions where employees prefer them as their workplace representatives.

However demographic trends are clearly moving towards greater direct engagement in the workplace and less third party involvement. Employers are reporting positive cultures, high productivity and employee satisfaction as a result.

Success or failure in this new environment will ultimately come down to leadership effectiveness.

As employees expect to have more personalised interactions and bespoke arrangements at work, human resources managers must assume a facilitator role, identifying ways and means of accommodating personal and familial circumstances. The industry recognises its HR systems must become more responsive and localised.

“Through fair, transparent and regular communication with the workforce, there appears to be little desire to engage third parties.”

Oil and gas executive¹.

“Change is occurring as companies and their leaders engage with their employees, create a great place to work and truly listen and lead their workforces.”

Mining executive⁷.

FLEXIBLE EMPLOYMENT MODELS FOR FUTURE WORKPLACES

A key consideration for the future of work is that flexible and innovative new models of employment will become more important as broad demographic trends flow through the developed world.

Changing work environments, remote connection technologies and increased flexibility mean organisations globally are predicted to have smaller pools of core full-time employees, supplemented by specialist external consultants and contractors to deliver specific projects¹⁰.

“The workplace of the past was based on one-size-fits-all, long-term hierarchical employment relationships in which employees worked full-time, on-site, uninterrupted, and exclusively for one employer... The workplace of the future is lean, high-performing and incredibly flexible.”¹⁸

While this mega-trend can be polarising, local research finds Australians engaged in part-time, casual or contracting arrangements consider them broadly satisfactory⁴. Being an “employer of choice” for in-demand talent will rely on factors like flexible work conditions, learning and knowledge-management, pay-for-performance, and coaching-style leadership¹⁸.

Despite these demographic trends and its early adoption of technologies, the resources and energy industry has been slow to embrace this style of work. Comparative to other sectors, it is not a high user of casual employment, labour hire, flexible contracting or “gig economy” models. According to the ABS 96.5% of the resources and energy workforce is full-time¹⁹, while less than 1% of the nation’s casual workforce comes from the industry.

Nonetheless resources and energy employers can see flexible, modern ways of working as being important to their future workforce demographics. Around eight-in-10 believe there is likely to be greater flexibility in where, when and how work takes place in their organisations. Some suggest the industry has not yet fully envisioned the types of employment innovations that may align future operational requirements with increasing desires of multi-generational, diverse workforces for flexible work.

“Our organisation has begun arrangements, at employees’ request, for up to three people job-sharing fly-in, fly-out mining roles. That would have been unthinkable only a few years ago.”

Hard rock mining executive⁷.

“The rise of the individual consulting contributor or small collectives of consultants will challenge the traditional employment concept. This will bring about many new employment considerations.”

Metalliferous mining executive⁷.

With such trends and innovations on the horizon, resources and employers are concerned by national political campaigns characterising these legitimate employment models as “insecure work” and proposing more intervention and hyper-regulation to discourage flexibility in the future.

A different approach is required to align with changing attitudes towards work.



GUIDING PRINCIPLE

6

Australia’s work regulation must support greater innovation and flexibility required by the diverse and dynamic workforces of the future.

COMPETITIVENESS

A PROSPEROUS RESOURCES AND ENERGY INDUSTRY

92% of resources and energy employers believe work regulation could be better utilised as a source of national competitive advantage¹.

Australian industries must be globally competitive.

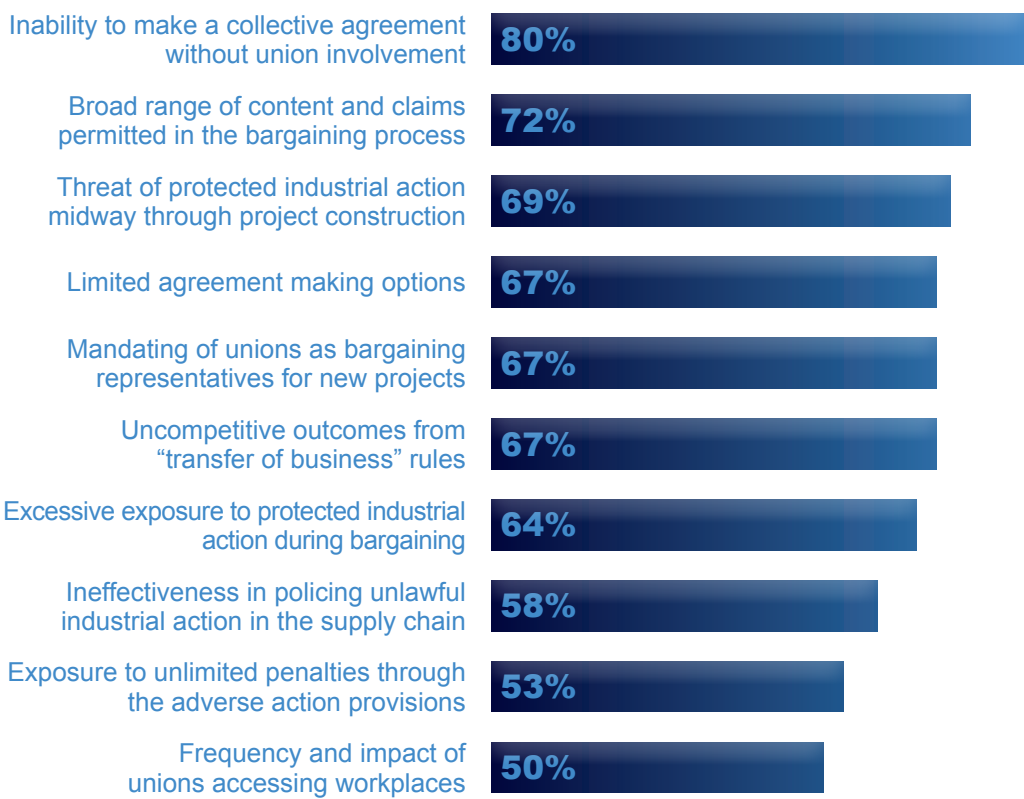
Australia’s resources and energy employers have a strong interest in ensuring the nation is an attractive place to invest, do business and employ people. To achieve this, the nation’s underlying policy foundations must be globally competitive.

The scope to offer quality jobs and work experiences well into the future is contingent upon ensuring employers can respond to changing circumstances, attract investment and build positive work engagement systems.

To seize the opportunities ahead for the nation, Australia can no longer ignore the global competitive impacts of its current and past approaches to regulating work. Policymakers must deliver a more competitive system, better fit for the future.

FIGURE 3: COMPETITIVE IMPACTS OF AUSTRALIAN WORK REGULATION

Share of employers nominating these factors as adversely impacting their workplaces¹



A DRAIN ON OUR GLOBAL COMPETITIVENESS

In its annual *Global Competitiveness Report*, the World Economic Forum has for several years warned about the growing impact of Australia's overly-rigid approach to work regulation.

The 2018 rankings place Australia 14th overall in the global competitive index, lifted by our macroeconomic stability and world-class health and financial systems. It is clear Australia's national ranking would sit well within the top 10 if not for its approach to workplace regulation.

“Outside these areas, Australia's performance shows room for improvement. The functioning of its labour market (22nd in the world) is notably affected by its rigidity.”²⁰

Biggest areas of failure include “flexibility of wage determination” (105th in the world), “hiring and firing practices” (110th in the world) and “cooperation in labour-employer relations” (66th in the world). By comparison, Hong Kong occupies top spot in these first two categories and 7th overall. Switzerland is the best nation for labour-employer relations and sits in 4th position overall²⁰.

Resources and energy employers agree Australia's work regulation is making the nation unattractive for future investment. Increasingly, the nation is being viewed as a high-cost destination with a risky, over-regulated employment system.

From a sovereign risk point of view, the concern is Australia is losing its appeal as a destination of choice globally. The industrial framework has far too much regulation and is viewed as difficult for employers to navigate without the assistance of legal representation.

“As the Australian division of a global business, we're actually competing for capital allocation internally. The perception of our industrial risk is as high as I can remember in more than 40 years in this industry. It disincentivises investment and it disincentivises us to hire more people. Unless we can be competitive, the market will take opportunities elsewhere.”

Global multi-national energy company executive⁷.



THE SLOW BURN IN AUSTRALIAN WORKPLACES

A number of elements within Australia's work regulation system are causing significant productivity and competitive impacts in the daily operating of resources and energy businesses.

Despite wide variance in operating priorities and workplace cultures and strategies, these competitive factors are impacting resources and energy workplaces equally right across the supply chain.

The underlying cause is imbalance and inflexibility in the present regulatory approach.

By 2009, decades of uninterrupted Australian economic growth capped by a once-in-a-century commodity price and investment boom had made national policymakers complacent.

The introduction of the Fair Work system then heralded a new approach to workplace regulation in Australia, unwinding more than 25 years of bipartisan workplace deregulation efforts achieved in the joint pursuit of national competitiveness.

This new approach grossly prioritised new layers of regulation, centralised tribunal powers and rights for employees and their trade union representatives over considerations of national competitiveness, industry productivity and at the workplace level, the rights and flexibility of business managers to lead their workplaces.

Resources and energy employers have since repeatedly reported to national policymakers the associated impacts on economic and employment opportunities, all to no avail. The uncompetitive workplace regulation system employers are operating under in late 2018 remains virtually untouched to that introduced in 2009.

This imbalance in regulatory approach has imposed significant and undue compliance costs, management burden and risk exposure on resources and energy employers. It has caused a slow burn on the competitiveness of Australian workplaces through the following effects.

A INCREASED RISK OF INDUSTRIAL ACTION

Australia's current work regulation system significantly raised the threat of lawful strikes (“protected industrial action”) during workplace bargaining, only further exacerbated by the enormous expansion of the matters that can be legally pursued by employees and their union representatives.

Despite the assumed power imbalance no longer existing in modern workplaces, employers routinely face the threat of crippling strikes over claims unrelated to the employment relationship and centred on the management of businesses and union powers and rights in the workplace – all previously “off limits” under prior legislative approaches.

“The threat of protected industrial action is particularly impactful on the resources industry, given the disproportionate damage that can be afflicted by strategically targeting bottlenecks in the supply chain. The capital costs in the daily operating of our business mean even minor disruptions can cause damages of millions of dollars a day. The numbers get big really fast.”

Hard rock mining executive⁷

The Productivity Commission found unions commonly threaten and then pull-out of industrial action as a tactic to disrupt operations and inflict cost damages on employers, while ensuring official strike statistics remain historically low²⁵.

In 2014, a group of 45 tugboat operators represented by the maritime engineers unions (AIMPE) threatened to halt \$100 million worth of iron ore exports shipped through Port Hedland daily, if their demands in new enterprise agreement negotiations were not met²⁵. This looming dispute, while eventually mitigated, captured the national attention.

“There is something wrong with our industrial relations laws when a small group of 45 people, wanting to only work 22 weeks a year and be paid a base rate about three times the base wage of a first year nurse in the Victorian health system, can hold to ransom an industry that generates more export earnings than any other and is relied upon for significant revenues to state and federal governments.”

Major iron ore exporter executive²⁷.

89% of employers agree "life-of-project" agreements would significantly reduce Australia's risk profile¹.

B LIMITED OPTIONS FOR AGREEMENT MAKING

Australia's current approach to agreement making has left resources and energy employers significantly limited in their options for making competitive, productive agreements suited to the individual operating requirements of their business.

There is no mechanism for individual agreements preferred by many employees and employers in the resources and energy sector in the past. The slated alternative, individual flexibility arrangements within collective enterprise agreements, are widely viewed as of no practical value and seldom used²⁵.



Too often “bargaining” is reduced to processing unproductive, costly union claims to secure relief from the threat of protected industrial action, with consideration of enterprise competitive pressures never raised.

Some employers have entirely lost the ability to directly negotiate workplace agreements and resolve workplace issues without third party involvement.

“Enterprise bargaining today is generally based on the union's agenda and not the priorities of the business or the workforce. There is an expectation of annual increases of 6-8% per annum with no give-and-take. Employers can be in negotiations in excess of 12 months which is an excessive financial cost on business.”

Construction sector executive¹.

95% of employers agree Australia's current approach to work regulation doesn't provide the necessary flexibility¹.

C EXCESSIVE EMPLOYEE PROTECTIONS

The expanded protections afforded to employees through the unfair dismissal and ‘adverse action’ provisions create enormous risk for employers in attempting to manage performance, behavioural and safety issues in the workplace. This is further complicated by their inconsistent application by members of the national workplace tribunal, the Fair Work Commission.

“There’s not a lot of confidence in the unfair dismissal provisions and the way they’re applied. Before you terminate an employee, no matter how bad the misconduct or policy breach, you need to have some fairly complex and expensive discussions with your lawyers about the merits of the case.”

Engineering and construction company executive⁷.

Adverse action provisions further skew this imbalance and create even greater risk for employers. With a reverse onus of proof, uncapped compensation and six-year period for which a claim can be made, these provisions heavily encourage settlement and thus incentivise unmeritorious claims seeking payment of “go away money”.

“It is extremely difficult to manage the performance of an employee without falling foul of alleged workplace contraventions covered by the adverse action provisions. The system makes it very easy for employees to make spurious complaints at arm’s length and receive compensation. Employers are too distracted managing these risks, defending or settling claims, to focus on growing their businesses.”

Executive of SME supply chain business¹.



D EXPANDED UNION ACCESS TO WORKPLACES

The regulations currently governing union access to Australian workplaces are the most unbalanced and unrestricted in the nation’s history, prioritising membership-building activities over appropriate representation where unions are a party to enterprise agreements.

Excessive frequency of visits to resources and energy workplaces, often by competing unions at non-unionised sites, is causing disruption, productivity impacts and associated costs through administration, compliance and on-site safety management²⁵.

“During the first two years of construction of the Pluto LNG Project, from 2007-2009, there were no union visits to the site. Following the implementation of the Fair Work Act (2009) right of entry rules, there were 217 entry requests within four months. Over the following six months, the number of requests had increased to 450.”²⁸

Another major resources and energy employer recorded across its sites, a leap from 82 entries by union officials in 2008, to 378 in 2009 and 792 in 2010. In the first two years under the new expanded rules, union visits had increased almost ten-fold. Each visit was estimated to cost the company \$1,145.²⁹

E COMPETITIVE BARRIERS FROM “TRANSFER OF BUSINESS” PROVISIONS

The Fair Work Act’s “transfer of business” provisions go well beyond protecting employees when a business changes ownership, and instead provide significant competitive challenges for new owners by locking in uncommercial legacy employment terms and conditions.

This imbalance creates particular difficulties in the resources and energy industry where complex contract arrangements are utilised to ensure continuous running of assets and operations.

With major projects often switching from owner/ operator to contractor models in order to respond to rapidly changing global market conditions, these provisions have acted as a barrier to competitiveness and a disincentive to employment.

“When work is being outsourced or insourced, we always need to look at how that process can affect employees. Often, you may have a high cost industrial instrument that flows to a contracting company where under the previous system it wouldn’t. This presents real barriers to making fast, competitive-driven management decisions, which more often than not impacts employees for the worse, not better.”

Engineering and construction executive⁷.



SECURING THE NEXT WAVE OF RESOURCES AND ENERGY PROJECTS

The national opportunity cost of Australia’s uncompetitive work regulation system was explicitly demonstrated by the sudden decline of resources and energy project investment in 2013.

In October 2012 Australia had more than \$460 billion in major project investment either committed and under construction or publicly announced²². The Reserve Bank of Australia estimated 1.1 million jobs, or about 1-in-10 in the country, were a direct or indirect result of the booming resources and energy industry²³.

This national success showed little signs of slowing until late 2013, when various projects publicly announced in the latter half of the investment and construction “boom” failed to reach final investment decision. In total, by 2015 around \$200 billion (conservatively) in job-creating capital was lost to the country²⁴.

While a myriad of factors were blamed for the abrupt and unexpected end to this record decade of major project investment in Australia, the competitive impact of a vastly changed work regulation environment was widely considered to have had an enormous influence.

By mandating third party involvement in new project agreements, and greatly expanding employee bargaining power and access to protected industrial action mid-construction, the framework introduced in 2009 significantly shifted the major project risk profile, impacting industrial stability and certainty in labour costs and project delivery.

“The inability to accurately determine the cost of a major investment project and subsequent return on capital due to uncontrollable workplace relations is seriously impacting the projects built in Australia. This has led to the premature contraction of resources sector growth.”

Mining industry executive¹.

GUIDING PRINCIPLE

7

A globally competitive future work system properly balances workplace protections with productivity and efficiency considerations.



Given major project investment decisions are made with lead times of 10 years or more, certainty and stability in the policy settings that influence cost and delivery timeframes is paramount. Australia’s drastically changed approach to regulating work had created a perfect storm of competitive challenges for major project development, comprising:

A UNSUSTAINABLE ESCALATIONS IN WAGE COSTS

By 2012 wages in the resources construction sector had increased 2.5 times faster than the national average, twice as fast as comparable work in Canada and three times that of the United States²⁵.

While operators and contractors alike take some responsibility for ultimately agreeing to such unsustainable wage escalations, the underlying cause was a great imbalance in the system that provided significant leverage and bargaining power to the side unaffected by time or commercial risks, and indifferent to overall project costs and timeframes.

The ability for unions to leverage these unbalanced agreement making powers saw a continuous ratcheting-up (“leap-frogging”) of enterprise agreement wage rates, agreed to by employers held captive to project timeframe deliverables.

It was common for unskilled workers in the offshore construction sector, including cooks and laundry hands, to take home more than \$420,000 in annual income²⁶. These costs would ultimately be passed up the supply chain to the project operator and erode any future certainty in wage determination.

B UNFORESEEN DELAYS IN PROJECT APPROVALS

While inefficiencies and duplication in environmental approvals was a factor, the mandating of unions as parties to new project agreement making (“greenfield agreements”) was the primary cause of long, unforeseen delays in securing approval to commence project construction.

By providing unions a “veto right” over new project agreements, the system allowed unions to demand significantly above-market wages and conditions and stall negotiations as a pressure strategy. With multi-billion dollar export deals at stake and their investment effectively being held to ransom, most project owners were eventually forced to accept uncompetitive demands or risk even further delays.

This practice contributed to wage escalations and saw average project approval duration in Australia reach 27 months, far longer than competing nations including New Zealand, the United Kingdom and the United States²⁵.

C UNREASONABLE EXPOSURE TO MID-PROJECT INDUSTRIAL ACTION

The ability for protected industrial action to be taken mid-construction presents significant risk and uncertainty around project costs and timeframes.

This exposure is a consequence of the maximum term of enterprise agreements being four years, while the average duration of project construction is approximately seven years.

Many major resources and energy projects became exposed to protected industrial action only 12 months or less from construction completion. Despite a simple fix being available - allowing “life-of-project construction” agreements – this issue remains unresolved and is a deal-breaker for many in the international investment community.

“Life-of-project employment agreements would create a level of certainty, particularly toward the end of a construction project. In the recent past we’ve seen projects with only 6-12 months left until completion heading into a negotiation period and then subject to the threat of protected industrial action.”

Energy sector executive⁷.

For all their capital intensity and national value, Australia’s resources and energy projects have been damaged by poor workplace practices, poorly designed regulations and unchecked transaction costs.

Despite such regulatory failures, Australia’s natural resources, technical management, innovation culture and availability of skilled labour will ensure it remains highly competitive for future project investment. Further success will come from effective policy settings, stability and consistency.



GUIDING PRINCIPLE

8

Australia must facilitate competitive workplace practices to secure and sustain the next wave of major project investment.

A NEW HORIZON

FUNDAMENTALS FOR THE FUTURE OF WORK

100% of resources and energy employers believe flexibility, productivity and competitiveness should have much greater emphasis in future approaches to work regulation¹.

The future of work requires a fundamentally new approach.

Future vocations in the resources and energy industry will be increasingly digital, highly skilled and well remunerated. People will work more independently and contribute more creatively to the business than ever before.

The future worker is not an “exposed”, low-skilled worker who is vulnerable to exploitation or unethical conduct by an employer.

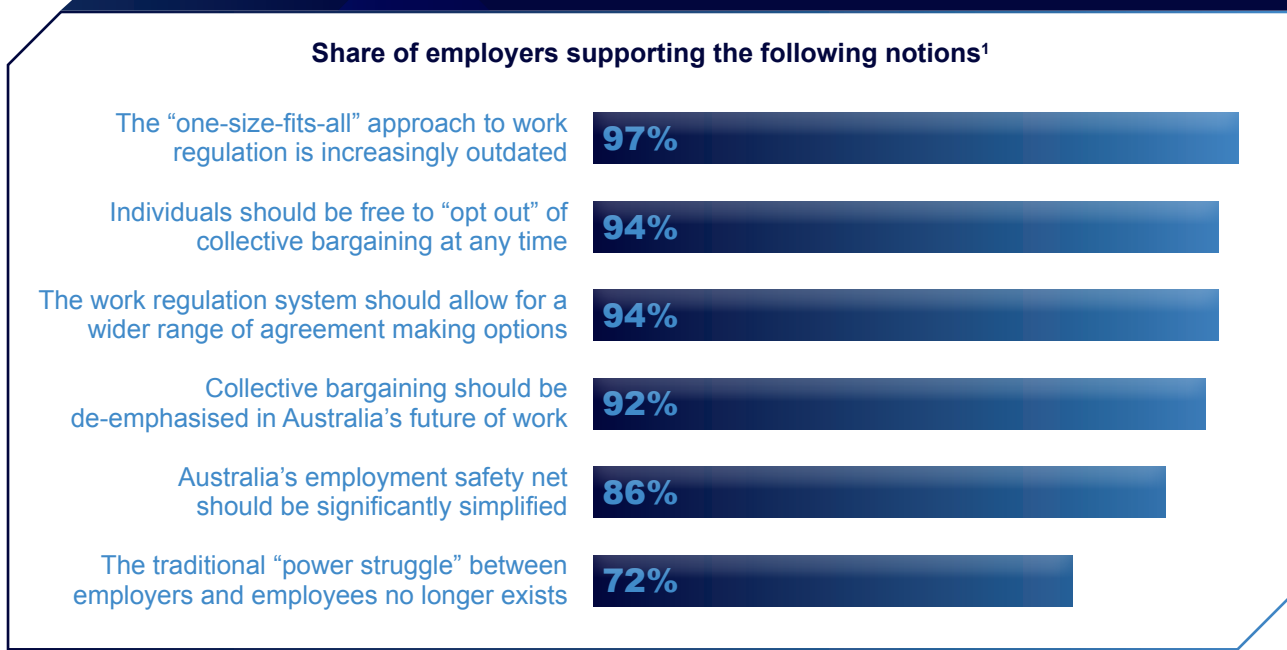
The future worker, like the current worker, will be highly valued and well respected in the workplace for their individual value and contribution to organisational performance and culture.

Setting of terms and conditions will be increasingly collaborative and employees will often interview multiple prospective employers.

Consequently, the future of work does not require a prescriptive and heavily regulated workplace framework based on collective organisation and third-party intervention.

The labour vs capital conventions of the 19th century which drove the creation of the centralised arbitration and conciliation system are increasingly irrelevant to the future of work - one where power is equally balanced, mutual value recognised and individual effort rewarded.

FIGURE 4: THE NEW HORIZON FOR AUSTRALIAN WORK REGULATION



A NEW APPROACH FOR WORK REGULATION

The International Labour Organisation has for some time attempted to understand how regulation should change with evolving workplaces.

“Traditional industrial relations institutions, born of labour law's premise of unbalanced power between the worker and the employer, are being undermined by unprecedented global changes in patterns of work and forms of employment.”³⁰

Resources and energy employers have a clear view of what future work trends mean for regulation models in Australia. A major change is that traditional approaches are giving way to deeper thinking about appropriate and productive “work regulation”.

The conventional notion of industrial relations is that enterprises and workers have different, competing and even conflicting interests. The logic from this outdated perspective is that regulation must be applied to balance this out.

The evolution of work has meant that in highly skilled, highly paid industries, the historically perceived “power struggle” between employers and employees has long ceased to exist. As the industry's skills levels rise, the power between employers and employees is much more evenly balanced than industries with large numbers of lower-skilled workers.

“We are headed for the biggest skills shortage seen since 2012-13. Skilled jobseekers in our industry will soon have even greater advantage in bargaining and determining their employment terms and conditions.”

Gold mining executive¹.

GUIDING PRINCIPLE

9

Future of work regulation must move beyond outdated assumptions about workplaces and employer/employee relationships.

A further consideration is that while traditional approaches are based on an adversarial model of employer/employee interactions, future approaches need to encourage collaboration, productive engagement, mutual trust and recognised value between employers and employees.

“The system needs to draw employers and employees onto the same page and remove points of conflict. At present, it does the opposite, causing conflict through various mechanisms where it otherwise wouldn't exist.”

Diversified supply sector executive¹.

The resources and energy industry's vision for work regulation in Australia comprises:

- A** A significantly simplified safety net that abolishes Australia's antiquated system of industrial awards and creates universal minimum standards of employment, providing adequate protections for those who may be in need.
- B** A balanced, multi-tiered approach to the application of the safety net and other regulation, such as protected industrial action, to different categories of Australian employees. That is, more regulation to protect the truly vulnerable, and less regulation for those further up the remuneration and benefits scale.
- C** Vastly expanded options and models for agreement available to employers and employees above those minimum standards, including the ability for individuals to “opt out” of collective bargaining at any stage.



A SIGNIFICANTLY SIMPLIFIED SAFETY NET

A fundamental issue of Australia's current regulatory approach is it assumes the “worse case scenario” in any industrial context. In order to protect some exposed employees, the system imposes a massive regulatory burden, with associated costs and productivity impacts, on all employers.

This is a sub-optimal approach to regulation, devoid of any careful thought about what regulatory machinery is needed in the modern workplace.

Future of work discussions suggest an “appropriate” safety net is one that both protects the most vulnerable in the labour market while enabling high-paying industries such as the resources and energy industry to flourish and compete.

The Productivity Commission recommends a new safety net focused on lower skilled and educated worker demographics, noting at-risk workers will be mainly those who are in isolated labour markets or have lower skill and education levels that “frustrate their capacity to take up new jobs”.³¹

A balanced framework must include an effective safety net that upholds minimum standards of pay, conditions and entitlements to protect vulnerable demographics of Australian workers. Such a description rarely applies to the resources and energy industry.

“A simplified safety net would not erode entitlements and conditions because in our high-paying, labour-competitive sector, the market dictates strong entitlements far beyond those legislated. Simplification would, however, make administrative and compliance processes far more efficient.”

Coal mining executive¹.

This vision is a far cry from the current system; a complex web of legislative and regulatory protections comprising 10 minimum employment entitlements (the National Employment Standards), multiple industry-specific industrial awards, plus any additional provisions negotiated in enterprise agreements.

Such a system is typical of Australia's “hyper-regulation” approach that must be addressed for the future of work.

First principles of a national employment safety net would suggest an employer should not be burdened by economy-wide or industry-wide safety net protections if it clearly demonstrates it pays multiple times the minimum or industry standard rates.

Australia's antiquated industrial award system – comprised of 122 sets of minimum standards applying across historical, outdated industry categories – is a particularly confused, unnecessary part of the current workplace system.

“We would welcome a simplified safety net given we already pay multiple times over the award. Our industry benchmarks on market rates and industry specific survey data on pay scales. This is more relevant than award-based pay scales.”

Supply chain executive¹.

This extra layer of protection is a legacy of Australia's failure to abolish industrial awards in 1993 when enterprise bargaining was introduced as the new foundation of the country's workplace relations system. Instead, the role of awards shifted from being instruments for determining actual wages and conditions to contributing to a far broader and more complex national safety net.

New Zealand, by comparison, abolished its industrial awards system in 1987 in favour of its new enterprise-focused collective bargaining system, and has since benefitted from a more easily understood and applied safety net.

Australia's legacy awards system ignores that employers within the same industries are highly individual in their competitive pressures, operating processes, skills, and technology and workforce strategies.

Further, in today's high-skilled labour environment, resources and energy employers must offer highly competitive market rates, often multiple times the award, to attract and retain talent. Awards therefore serve no purpose other than an additional and unnecessary layer of regulatory burden.

“The complexity of awards urgently needs addressing, with poor ambiguous wording creating confusion and conflict between employers and their workforces.”

Oil and gas executive⁷.

Resources and energy employers believe a significantly simplified safety net would serve its purpose of protecting the vulnerable, while improving efficiency and productivity and reducing compliance and administrative costs of high-paying businesses.



GUIDING PRINCIPLE

10

Australia needs simple, balanced and efficient minimum standards that apply across all industries.

A MULTI-TIERED APPROACH TO WORK REGULATION

Australia's future work regulation should cater for different categories of employment, especially those within the highest brackets of remuneration and individualised work flexibility where traditional concepts of “employer” and “employee” become increasingly fluid.

To support the competitiveness of high-paying sectors and facilitate new ways of working, Australia must recognise that the level of regulation, compliance, protections and government-forced industrial organisation required for lower paying industries, largely need not unilaterally apply.

The argument is the majority of regulation and protections become unnecessary once a certain salary is reached. There could be less regulation for employees above a nominated high income threshold, and less regulation for high-paying employers. A mechanism should also exist for employers in the highest paying sectors of the economy to completely remove the risk of protected industrial action in their workplaces.

This concept should not be viewed as overly remarkable, given areas of Australia's present work regulation system, most notably the unfair dismissal provisions, already recognise that certain protections are not needed above a certain remuneration level.

The extension of this rationale to the wider work system is not only logical, but would significantly lift regulatory burden and productivity barriers for both employers and employees in the top tier of Australian industries.

“The intent behind our workplace relations framework is exactly this. Protect those employees who are more exposed to being “exploited” by rogue employers in low-paying sectors, and allow high-paying industries to directly engage with their workforce without fear of retribution.”

Energy sector executive¹.

Resources and energy employers recognise some protections must always exist for all employees regardless of category or remuneration, especially in critical areas relating to safety, discrimination and human rights. However in a mature first world society, it should also be recognised that some groups of high-skilled, in-demand employees could very effectively be engaged outside of the mainstream regulatory system.

Where highly paid employees are engaged for their talents our legislative system should not constrict the ability of employers and employees to agree on how to best leverage those talents. Ultimately, talented employees will choose to work where the overall employee value proposition best meets their needs. This will be increasingly true as workplaces become more flexible in when and how work is conducted.

“Subject to a set of minimum employment standards that would be in place for all employees, the future work system should allow individuals to effectively ‘opt out of the system’ once they earn above a certain salary threshold.”

Oil and gas executive⁷.



Resources and energy employers grow increasingly frustrated that Australia's approach to work is designed around the "lowest common denominator", applying a one-size-fits-all system to all industries, employers and employees including high-growth, high-innovation sectors.

This is having a detrimental impact on growth and productivity in the most successful areas of the Australian economy.

High innovation growth sectors should be free from the lowest common denominator in labour market regulation. They should have the flexibility to move freely once above all reasonable considerations of fair pay and protections.

"For highly skilled individuals whose services are in high demand, it makes sense to move away from traditional forms of employment. You become less like an employee and more of a service provider."

Independent contractor to the oil and gas sector¹.

VASTLY EXPANDED AGREEMENT MAKING OPTIONS

The opening up of multiple agreement making options is key to redefining the role of work regulation from a compliance burden to a productivity enabler.

Resources and energy employers support a myriad of collective, individual, union and non-union agreement making options, all designed to cater for increasingly diverse requirements of competitive businesses and future generations of employees.

This should include a new form of individual agreements entered into by an employer and employee, with similar characteristics, approval processes and enforceability as a collective agreement, including no industrial action during the life of the agreement.

"There was great appeal in the individual agreements that existed under previous workplace relations laws. Employees in our industry were happy to have individual agreements and for business it provided a degree of industrial certainty."

Hard rock mining executive¹.

Increased flexibility in the agreement making and bargaining framework is likely to have a number of implications for employers and employees in the resources and energy industry and more broadly. The major implication of this reform is employment engagement choice for both employers and employees, and increase productivity.

"An overreliance on collective bargaining is an outdated concept that leads to agreements not always being fit-for-purpose. The system should provide more power to individuals to be able to bargain and agree on what's important to them."

Energy sector executive⁷.

A flexible approach to work regulation would empower individuals to make their own decisions about what type of terms and conditions under which they wish to be employed. This would recognise that people are increasingly engaged for the value creation made possible through their unique skill set.

With far less generic roles, responsibilities and skills, an important concept for future work regulation is the ability for individuals to remove themselves from collective bargaining in their workplaces as they see fit. Such a system must carefully balance any additional administrative complexity with gains across productivity, engagement and culture.

This approach could also deliver permanent and effective relief from the threat of industrial action.

"Employers and employees can enter into common law contracts now, but what you can't do is entirely remove the threat of industrial action. People on 'staff contracts' could at any time organise themselves, seek to collectively bargain and strike over their claims."

Engineering and services executive⁷.

Australian Resources and Energy Group AMMA argued in its 1999 discussion paper *Beyond Enterprise Bargaining*³² that providing more flexible and open individual agreement making options would unlock the engagement of individual capability as a means to business effectiveness.

Importantly, it recognised that the commitment of an individual to give their best efforts at work cannot be mandated. Rather, free choice of an individual will be influenced by a number of factors including safety, remuneration, leadership and fairness. This notion is more relevant today as employers face technological, demographic and competitive factors, than when raised almost 20 years ago.

"In a truly competitive and successful enterprise there can be no trade-off between efficiency and fairness, just as there can be no trade-off between cost and quality and safety and production... The legislative framework must provide the opportunity for organisations to establish such systems of internal regulation and employees must be free to determine whether, in their judgement, these systems are adequate."³²

With Australia set to unlock the opportunities created by the future of work, and employees better equipped and motivated than ever to decide their own futures, the opening up of agreement making options will encourage stronger human resources and management practices as competition for future talent heats up.

GUIDING PRINCIPLE

11

Australia should adopt a multi-tiered approach to work regulation that would free employers and employees in high-income areas from unnecessary regulatory burden.

GUIDING PRINCIPLE

12

Open and flexible regulatory models will be critical to unlocking the opportunities created by the future of work.

SUMMARY

GUIDING PRINCIPLES FOR THE FUTURE OF WORK

Change and opportunity have long been the natural rhythms of the resources and energy industry. The health of the industry and the broader Australian economy depends on sustaining that rhythm and removing threats to the sector's adaptability.

This report shows that the process of adaptation – to competitive pressures, to technological change and cultural, generational and skills changes within the workforce – hinge on providing resources and energy workplaces a flexible regulatory environment that accommodates its diverse opportunities and challenges, and its equally diverse composition.

To achieve this, Australia's approach to regulating work must fundamentally change. It must be balanced, simplified and recognise the fact that traditional approaches are outdated and not fit for the future.



TO GUIDE FUTURE POLICY MAKING...

- 1** Australia's approach to future work regulation must be grounded on creating and sustaining high quality, flexible and collaborative job opportunities.
- 2** Australia's prosperity will depend upon future policymakers rising above present-day politics to create a work regulation system fit for the future.

TO SUPPORT FUTURE WORK PRACTICES...

- 3** Future work practices can be supported through collaboration and skills development, not through protectionism and policy intervention.
- 4** Australia's approach to regulating work should recognise there is greater individualised skills and less homogeny in the workplace.

TO ALIGN WITH FUTURE WORKFORCES...

- 5** The regulatory framework should align with the trend toward greater individual motivation and direct engagement in the workplace.
- 6** Australia's work regulation must support greater innovation and flexibility required by the diverse and dynamic workforces of the future.

TO BE COMPETITIVE IN THE FUTURE GLOBAL ECONOMY...

- 7** A globally competitive future work system properly balances workplace protections with productivity and efficiency considerations.
- 8** Australia must facilitate competitive workplace practices to secure and sustain the next wave of major project investment.

TO USHER IN THE NEW HORIZON OF AUSTRALIAN WORK...

- 9** Future of work regulation must move beyond outdated assumptions about workplaces and employer/employee relationships.
- 10** Australia needs simple, balanced and efficient minimum standards that apply across all industries.
- 11** Australia should adopt a multi-tiered approach to work regulation that would free employers and employees in high-income areas from unnecessary regulatory burden.
- 12** Open and flexible regulatory models will be critical to unlocking the opportunities created by the future of work.

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