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FINDING THE SKILLS - STILL THE ISSUE...

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INTRODUCTION – RESOURCE PROJECTS

One of the essential issues confronting the resource industry is that there are more planned mining projects than there are people to construct and operate them. As of April 2010, the Australian Government identified 75 advanced major resource projects with a value of \$109.6 billion, and 286 less-advanced projects with a value of \$249.9 billion. With such significant numbers of projects underway or in the planning stages, pressure on the skilled and semi-skilled workforce will be at its peak for the next 10 years and beyond.

With only 10 percent of the nation's population, Western Australia possesses the vast majority of the country's advanced resource projects. In a discussion paper on the National Resources Sector, Western Australia is calculated as having almost 40 per cent of all advanced major resource projects in Australia, including 75 per cent of mining projects, and the State accounting for 78 per cent of the cost of these projects.

Driven by demand for resources in China, BHP Billiton Iron Ore is currently embarking on major growth projects with both mine expansion in the Pilbara region, together with increasing the capacity of ports to meet the demands of global markets. CITIC Pacific Mining's Sino Iron project is set to be one of the world's largest magnetite ore projects, with production aims of 27.6 million tonnes per annum.

In addition, with an estimated mine life of more than 24 years, the Boddington Gold mine south-east of Perth is expected to surpass Kalgoorlie's existing 'Super-Pit' as the nation's largest producer of gold. Other projects are also in the pipeline to support the growth of the resource industry and meet demand, such as the Worsley Efficiency and Growth Project. All these projects will serve to stretch the skilled labour available in the region.

The mining and minerals sector will also face competition for skilled labour from the energy industry, including the Pluto and Gorgon projects off the North West coast of Western Australia and the Ichthys project, located in the Browse Basin off the North West coast of Western Australia, as well as major projects planned for the Gladstone region in Queensland and in Papua New Guinea. Access to skilled labour will be critical in enabling these projects to proceed, and will put further pressure on the mining industry to gain access to the skilled labour required for the industry.

However, these projects are only part of the overall skilled labour picture. Other critical projects are planned to expand Western Australia's port capacity for the export of all resources. Driven by renewed overseas demand for resources, particularly from China, Western Australia ports are exporting at record levels. The key port facilities at Port Hedland are expected to require \$10 billion for the development of an outer harbour. Other ports such as Utah Point, Oakajee deep water port, Fremantle and Bunbury all are either in the process of or expected to require projects to expand or build additional ports and construct additional transport to support the ports.

In a speech to the Lowy Institute in Sydney in November 2009, BHP Billiton CEO Marius Kloppers argued that Australia will lose the competitive edge in its pivotal role as a supplier to China unless it encouraged local resource companies to build "operations of scale". Marius Kloppers has also noted that the talent gap in the resources industry will return as demand for skilled labour increases and that Australia needs to be creative in ensuring the availability of a skilled workforce.

He argued for a solution to utilise a combination of increasing the number of people with the relevant skills through training; of accessing the global talent market; and of better allocating those with the relevant skills through better incentives.

LABOUR MARKET TRENDS AND ISSUES

Modelling carried out by the National Resources Sector Employment Taskforce of the sectors' skills and labour needs over the next five years suggests an expected employment growth nationally of 4.9 per cent per annum, creating around 61,500 new jobs, and replacement demand in mining operations could be approximately 16,500 persons per annum. In Western Australia alone, the need for labour would double from approximately 11,000 onsite now to 22,500 by late 2012. The modelling also suggests that the need for labour will not only be in the higher skilled fields such as engineering or the geosciences, but with the majority of growth in demand for technical, and trades based occupations as well as machinery operators and drivers. These figures should be seen in the context of the broader trend of employment in the mining industry in Australia, which has more than doubled to 184,500 over the past 10 years and continues to expand.

All this is happening in the context of a very tight labour market in Western Australia and across much of Australia, despite the impact of the global financial crisis. In September 2008 unemployment in Western Australia was at its lowest level on record (2.7% in trend estimate terms). By contrast, the national unemployment rate was at that time 4.3%. As the financial crisis began to ease, in June 2010 unemployment across Australia was at 5.2% while unemployment in Western Australia was at 4 per cent based on a higher participation than in any other state and at any time since 2005. Employment vacancies in Western Australia have risen by nearly 37 per cent since the same month last year. A drop in the unemployment rate increases the demand in all industries and adds to the demand for skilled labour, and the mining industry continues to feel the effect of a low unemployment rate. The effects of the skills shortage are even more pronounced in Western Australia where in May 2010 there were 1.9 unemployed Western Australians for each vacant job compared to 4 for each vacancy in New South Wales.

One issue with addressing the skills shortages and developing a targeted plan at specific occupational groups, which has been highlighted by the Western Australian Department of Training and Workforce Development, is the unreliability of employment data in the industry. The use of contractors instead of direct employees and available employment data that does not distinguish between the resource or other industries are examples of the difficulties faced in formulating a plan to target the skills most required by the industry. Industry must therefore work closely with government to ensure specific plans are established for strategic planning and training to meet the demand for skills in the coming decade. Such planning needs to be industry driven and as SkillsDMC chief executive Des Caulfield states "having a snapshot of current workforce needs is critical to providing employers with an early warning system for pinpointing future skills investment."

IMPLICATIONS OF THE SKILLS SHORTAGE FOR THE MINING INDUSTRY IN THE REGION

It is clear that the Australian mining industry can draw on world leading technical, financial and legal skills and advice but without an adequate supply of skilled labour available to work in the right place at the right time, projects will struggle to meet construction and production deadlines as well as financial parameters.

Media coverage of a report prepared by Deutsche Bank in July 2010 on West Australian employment in the resources sector has highlighted labour supply issues in the context of a return to the peaks of previous mining booms, driven by demand from China and other emerging economies, commodity price improvements and high levels of mining and exploration expenditure. The coverage suggested that as the labour demand increases, many projects and companies are being exposed to skills shortages, higher wage costs and potentially project delays. The report has warned of the serious impact that labour shortages will have on the development and completion of the numerous large scale projects in competition for a contracting skills market.

It would not be an understatement to say that the skilled labour issues facing Australia represent a looming national crisis. This is particularly the case for the resource sector. The skills shortage in all parts of the resources industry is posing a threat to the commencement and construction of many of the planned projects.

While recent focus in the media has been on the mining tax and the effect the tax will have on the commencement of new resource projects, the debate over the tax has also detracted from the skills shortage. As Woodside CEO Don Voelte stated in June 2010, the looming skills shortage is a bigger issue facing his company than the resources tax. The Chamber of Commerce and Industry's chief executive James Pearson has told a recent workforce summit that a survey of its members has revealed labour shortages and wage pressures as the two biggest concerns facing West Australian employers. In 2009 BHP Billiton Executive Michael Yeager labelled the problem of skilled labour scarcity in Western Australia among the worst in the world. Little seems to have changed to lessen the very real issues facing employers in Western Australia in the past 12 months.

STRATEGIES TO LOCATE SKILLS

There are a number of ways to address the skills issues facing Western Australia and particularly the mining industry.

Two of these are of course, improving training and participation rates in the existing Australian workforce and population and, also, utilising overseas workers on an ongoing basis.

Training and participation strategies

The Western Australian Government through its agencies, the Department of Training and Workforce Development and *Training WA*, has embarked on a WA workforce development plan to create a skilled workforce for the future. The issues paper identifies workforce development occurring at three levels:

- ▶ Enterprise;
- ▶ Industry/regional; and
- ▶ Government – at the State and Commonwealth level.

Work is to be undertaken to identify workforce development implications for Western Australia's resources and construction projects. Work is also underway on developing industry and regional workforce development plans.

All this activity is aimed at delivering the following outcomes:

- ▶ Enhanced training systems;
- ▶ Greater industry engagement;
- ▶ Enhanced planning and analysis of requirements;
- ▶ Increased workforce participation;
- ▶ Whole of Government coordination;

- ▶ Improved use of interstate and overseas migration; and
- ▶ Comprehensive career development.

In addition, the National Resources Sector Employment Taskforce has recently released the report *Resourcing The Future* which is aimed at 'ensuring that the expansion of the resources sector is efficient and supports job opportunities across the whole economy while avoiding the worst impacts of skills shortages.' The report provides a number of recommendations for addressing this aim, including:

- ▶ The requirement of industry to provide a workforce impact statement at the time of seeking project approvals to assist in the development of effective workforce planning;
- ▶ High priority of workforce development and training;
- ▶ Significant increase to the number of apprentices employed in the industry and developing a flexible approach to trial alternative apprenticeship models;
- ▶ Close co-operation of industry, government education and training providers and unions;
- ▶ Strengthen ties and develop programs with education providers to graduate more engineering and geosciences professionals;
- ▶ Meet temporary skills shortages with temporary migration, including the development of Enterprise Migration Agreements (below); and
- ▶ Strengthen workforce participation by engaging and maximising employment opportunities for the unemployed and underemployed sectors in the industry such as women and Indigenous communities.

Private sector tertiary education / training initiatives

In the meantime, individual enterprises and industry are addressing those problems as they face the daily issues of locating suitable qualified and experienced workers for their projects. One of the primary strategies being employed within the industry is to develop partnerships with universities and trade schools. This may include scholarships, funding of energy and resource focused courses in schools, partnerships with State Governments in the hiring and training of apprentices and targeted training to meet the demands in priority skill areas. Developing practical courses specifically designed towards the resources sector enables students to develop their skills to move directly into the sector.

The Western Australian State Government invests approximately \$60 million annually in publicly funded training programs relevant to the resources sector, representing more than 30,000 training places. Other strategies identified include accelerated training, upskilling programs and targeted training to meet the demands of priority skill areas. Local TAFEs and trade schools in the region of the resource facilities are also being identified as requiring increased levels of teaching expertise to target the areas of skills shortages and to provide programs aimed at secondary students.

An example of some of these partnerships include the partnership with Santos, South Australian Government and University College London in support of a Masters degree for management level studies in energy and resources, similar to an MBA. Similar partnerships could be created for a range of specialised degrees or TAFE courses specifically designed towards the resource industry.

Coffey Mining, in collaboration with Melbourne University, has also launched in 2009 the Masters in Mining Engineering program. The course is designed to provide students with engineering backgrounds an opportunity to consolidate their skill base in areas pertinent to the mining sector and assist in providing a pathway to high level positions in the industry. Creator of the Masters program, Melbourne University's Associate Professor Bill Bamford states that "rather than

undertake a research-based program, this course allows engineers to up skill and focus specifically on the area of mining engineering, which they can do while working or through an intense year of full time study. It is an example of the need to not only focus on the entry level skills in demand, but to provide an inclusive approach that targets all levels of skills shortages in the mining sector.

The Commonwealth Resources and Energy Minister, Martin Ferguson, stresses the crucial importance of training enough people to work in the resources and energy sectors and urges companies to include Indigenous Australians in workforce training to assist in meeting the goals of having a sufficient skilled workforce to meet the challenges of maintaining Australia's energy output. He sees this as a means of advancing the 'social and economic inclusion of Indigenous communities' who would also provide a readily available local workforce as many communities are located on the doorstep of resource projects. As has been argued in a paper for the Centre for Social Responsibility in Mining, regulatory frameworks enable traditional Owners to negotiate agreements with mining companies, making Indigenous employment a legal obligation as well as a social responsibility. Even outside the framework of agreements, meaningful employment of Indigenous people has the potential to enhance relationships with Traditional Owners, which can in turn facilitate land access and a 'social licence to operate', in addition to providing training necessary to fill the shortage of labour in the industry.

Business has generally called on State and Federal Governments to develop a 'human capital strategy' to encourage greater participation in the workforce by women, older Australians and Indigenous communities to meet the expected shortfall in the labour market in general in Western Australia over the next decade.

Utilising overseas workers

Immigration is an obvious and often required strategy to aid in boosting the skilled labour market, whether through the temporary work visa program or increased use of permanent residence programs. While some issues with the temporary work visa or 457 visa program are outlined below, there are other types of visas that could be utilised, especially in forming partnerships with tertiary institutions globally. While new overseas graduates will not in many cases meet the criteria for general skilled or employer sponsored migration, in part of promoting the ability to come to work in Australia, partnerships with overseas universities may also be formed in promotion of a Skilled – Recognised Graduate (Temporary) visa (subclass 476). This visa is specifically for applicants who have completed an Engineering degree at selected overseas universities in the last two years. The visa allows recent engineering graduates who meet the criteria to live, work and study in Australia for up to 18 months. The experience gained may then provide pathways for applying for permanent residence visas, or the necessary skills for employer sponsored visas.

The Minister for Immigration and Citizenship, Chris Evans, has announced the commencement of the task of constructing a long-term planning framework for migration so that future levels of immigration remain in the best interests of Australia. The Commonwealth Government has taken this further with the appointment of a Minister for Population to focus on issues in achieving a sustainable population across all regions of Australia.

On migration policy, the Commonwealth Government has taken some important steps in recent months aimed at achieving a "demand driven" skilled migration program. On 8 February 2010, the Minister announced the replacement of the current Skilled Occupation List (SOL), which came into effect on 1 July 2010. The new list of targeted occupations, based on work undertaken by the independent

body 'Skills Australia', is aimed at providing a comprehensive, targeted list to focus Australia's skilled migration in the occupations most in demand, with a strong focus on the mining and engineering fields. The primary issue with the General Skilled Migration program remains the time in which applications are processed, with current guidelines indicating most applications will not be finalised before the end of 2011. It is as yet unclear whether the replacement of the SOL and the targeted list of in demand occupations will improve the processing time frames, and provide employers with a more readily available foreign workforce.

In utilising immigration to increase the availability of skilled workers, it must also be recognised that the shortage of labour is not only effecting 'skilled' occupations such as engineers and geologists, but extends to the semi-skilled professions such as truck drivers. As an example, due to the perceived lower level of skill of some key occupational groups, for example, riggers and machinery operators, they are not eligible under the skilled migration program for either temporary or permanent residence categories, except where a labour or work agreement has been put in place. Some industry bodies would like to widen the definition of skilled workers so that industry is able to gain access to the foreign workers necessary for all occupations in demand, not only those perceived as requiring a high skill level. The need for semi-skilled labour is an example of the need for continual dialogue between industry and the government to ensure a flexible approach so that the skills most in demand, regardless of skill level, are provided with appropriate immediacy, whether through immigration or training and/or participation programs.

Labour agreements to utilise foreign workers

The use of labour agreements provides a more flexible and responsive solution to individual company's and, in some cases, an industry's skills shortages. The government has developed industry based labour agreements, for example, for the meat industry and has developed a labour agreement targeted specifically at the mega resource projects. The project based agreements allow agreement between the government and resource companies involved in the mega resource projects to negotiate a labour agreement to cover the entirety of the project, without the need to provide individual agreements between each company involved in the project. The 'owners' of each project would sign the head agreement deed with the government, and allow them to nominate the number of expected jobs that would be required to be filled from overseas throughout the life of the project, which would then be granted pre-approval, similar to a sponsorship approval, after meeting a number of criteria. The head company would then be able to make agreements with other companies and contractors involved in the project and assign them a certain number of the pre-approved number of overseas employees. The head company would then also have control over and expected to manage all overseas labour involved in the project.

The effective control and management of all foreign labour may provide difficulties for the head company in the scope of administration of the program, and for contractors and other parties to the agreement there may be the potential for the head company to impute contractual terms and conditions in regards to the hiring which they may not have had under individual labour agreements or the usual sponsorship arrangements.

The government has developed a draft labour agreement template which is hoped to be able to be utilised for each agreement to shorten the negotiation timeframes in making the agreement, providing a more responsive framework to ensure labour demands can be met efficiently. The primary benefit to such programs are that employers may be given some flexibility to sponsor people in occupations that are not on the relevant list of approved occupations but where a

genuine skills shortage exists, providing access to foreign employees in lower skilled occupations such as riggers and machinery operators and tradespeople that would not normally be able to be sponsored under the temporary or permanent migrations schemes. The process of negotiating the terms of the agreement may also provide employers the opportunity to negotiate amendments to other general requirements, such as the level of English language ability of the foreign employee where a high level of English in a particular occupational is not justified by the demands of the employment.

Temporary work visas

There are two competing policy objectives in the framing regulations relating to the employment of overseas workers on temporary work visas. Firstly, facilitating the increased numbers of overseas workers that will be required by companies both as part of their normal global assignment of human resources and also in response to skill shortages in the mining industry; and second, ensuring that the use of overseas workers does not undermine Australian work opportunities and conditions.

The main obstacle in devising effective rules for the operation of temporary work visas and then ensuring compliance with these rules appears to stem from the fact that labour like capital is now a mobile resource and that work patterns and employment arrangements in the resource sector and in project based employment are different to most standard work arrangements.

The issues under the Migration Regulations related to compliance costs and inflexibility in dealing with the reality of the ways in which overseas workers are employed in the resources sector generally. While meeting the market salary is not generally an issue in terms of the level of remuneration, the costs of ensuring that this can be documented are high. There is a failure to recognise that Australian workers gain access to opportunities overseas and that there needs to be greater recognition of this in framing requirements on companies.

The increased onus on reporting and notification of the listed events and information in the obligations after 14 September 2009 is also proving a difficult issue for mining and other project based companies. With workers moving between locations and varying the duties they perform, for many it appears that there is no efficient system in place to keep track of all of these movements and to identify events that need to be reported, recorded or notified. While compliance programs can assist, an obstacle arises due to the significant transaction costs to identify when such events occur and to record and notify the Department of Immigration and Citizenship, as required.

ANZSCO classification of occupations

On 1 July 2010 the outdated ASCO Dictionary identifying the code in which to place many of professional and trade based engineering occupations was replaced by the ANZSCO Classification of Occupations. The ANZSCO has provided more scope for identifying the occupational group in which code to nominate an employee, by expanding the number of sub-classifications in the engineering profession. Unlike the former ASCO, this means that within many of the engineering occupations there are now a greater number of recognised variations in levels and specialisations of engineer. However, Department of Immigration policy has not yet been fully enunciated as to whether there will be greater scope for employees to be able to perform the duties associated with the occupational group as opposed to the specific occupation. If this approach is adopted, it would translate to the company being able to certify that the duties of the employee meet a significant majority of the duties under particular ANZSCO group

classifications without the need to continually change nominations provided the employee stays within the same occupational group.

The Minister for Immigration and Citizenship, Chris Evans, has stated that the reforms to the General Skilled Migration Program will allow the States to prioritise occupations of skilled migrants in order to address skills shortfalls, by being more responsive to the needs of industry. The Minister said the reforms recognise that each state and territory has different skills requirements; "Under the new priority processing arrangements, migrants nominated by a state and territory government under their State Migration Plan will be processed ahead of applications for independent skilled migration." This approach appears to be supported by the Minerals Council of Australia chief executive Mitch Hooke, in stating "the minerals industry is a strong supporter of a robust skilled migration program that is based on economic need."

In recent media coverage a number of resources leaders have noted that while increased training of Australian workers will assist with the skills shortage, with Australia nearing full employment again in the near future, local labour supplies are too limited to provide the necessary workers for the number of projects planned. Skilled migration not only needs to be used as part of the solution to the skills shortage, but immigration programs, notably the temporary work visa and business visitor programs, need to recognise that a "one size fits all" approach is not flexible enough to meet unique circumstances or changing industry requirements of project based work.

WHAT SHOULD AUSTRALIA BE DOING...?

While the activities and intentions of State and Commonwealth Governments are positive, the question needs to be asked: 'Could Governments be doing more to address the very real skills and labour issues that the resources sector is facing now and will face in the future?'

If the skills issues raised above are to be addressed in any meaningful way for the mining industry and not in the usual piecemeal way, it is obvious that more needs to be done to develop a nationally coordinated approach or the current mining opportunities will not be realised and Australia's interests will be damaged. Australia requires a holistic approach which incorporates immigration of skilled and semi-skilled workers, investment in the education and training of the next generation of Australia's workforce and the inclusion of underutilised segments of the resource industry workforce, such as women and the indigenous population. As the rationale of the Australian Government's paper 'Resourcing the Future' explains, the capacity of the industry to offer higher wages and utilise skilled migration have been sufficient to meet the demands of skills, but to create a sustainable and stable future, more investment must be made of in skills development, which will not only assist the mining industry to address the skills shortage but will have a flow on effect to up-skilling the population in general to ensure that other industries do not suffer their own skills shortage as skilled workers take up positions in the resource sector.

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