

From BOOM to BUST!

Labor's plan to abolish workplace agreements could trigger a downward spiral for WA's resources sector.

By Claire Jones
Communications Consultant

Until the mid 1880s, WA's economy was based on wheat, meat and wool, but in 1885 a major shift occurred in the State's outlook with the first gold discovery at Halls Creek. This initial find triggered WA's first major gold rush, although the frenzy was short-lived with subsequent, more abundant finds at Southern Cross, Coolgardie and Kalgoorlie. In June 1893, the discovery of more than 100 ounces of alluvial nuggets at Mt Charlotte by three Irish prospectors, including Patrick Hannon, sparked true gold fever and led to a population increase of around 26,000 as miners from the eastern states and overseas swarmed into the State's eastern goldfields. This rapid influx of prospectors and their families fed the need for major infrastructure and gave rise to a massive public works program which included the Kalgoorlie pipeline, Mundaring Weir, Fremantle Harbour and a vast railway network to link the newly established townships. It also saw an increase in the strength and prevalence of the WA union movement. Once considered a remote and desolate outpost, the discovery of gold changed the face of WA's economy and served as the first in a series of major mineral discoveries that have seen our State emerge as one of the most profitable and diversified mineral and petroleum regions in the world.

The lifeblood of WA's economy

Today exports from WA's resource sector are worth more than \$53 billion and equal in wealth to the gross domestic product of some countries including Croatia and Qatar, according to WA Resources Minister, Francis Logan. Resources and minerals account for 88 per cent of WA's total exports and amounted to 36 per cent of Australia's total merchandise exports last financial year. More than 50,000 people are directly employed by the resource sector in WA, with a further 245,000 indirectly employed through associated industries. Economic research also shows that 55 per cent of all jobs created in WA in the 1990s were directly attributable to growth in the State's resources industry. Described as the engine-room of the economy, there is no doubt the success of the resources industry has underpinned the State's strong economic performance and recent \$2 billion

budget surplus, much of which is attributable to record resource sector royalties.

The flow-on effects are many, including unprecedented employment highs and the growth and development of allied industries such as construction, manufacturing, science and technology, hospitality, transport and a range of professional services in areas including communications, health and safety, HR and the environment.

Every Western Australian owes much to the resources sector, the success of which creates more opportunities for all of us and funds the continued development of our State. Indeed, many regional towns owe their very existence to the mineral and petroleum industries including Cue, Meekathara, Kalgoorlie, Mt Magnet, Newman, Port Hedland and many others.

John Langoulant, Chamber CEO said: "The resources sector has single-handedly transformed the State from its Cinderella status in the late 50s and early 60s to the economic powerhouse that it is today. Once considered little more than a sleepy backwater by the rest of the nation, WA is now a world leader in mineral exploration. Every West Australian resident is affected by the industry – be it directly or indirectly - and we owe much to the strength of this sector in providing so many opportunities for WA businesses and consumers."

But amid all the prosperity and promise generated by the boom, the potential for a disastrous backward step to the dark ages of union-controlled workplaces and widespread industrial action looms on the horizon.

Labor's IR plan spells disaster for WA resources sector

The Australian Labor Party has revealed its plan to abolish workplace agreements if elected and replace them with common law contracts which will operate within the framework of the industrial award system, and only allow scope for collective bargaining. Under Labor's proposal, there will be no form of legislatively recognised individual agreement. Workplace agreements are the most popular form of employment arrangement within the State's resources sector, covering up to 80 per cent of employees. Their introduction in WA in 1993, and nationally in 1996 – both long before the advent of WorkChoices - ushered in a new age of flexibility, profitability and industrial calm.

In March this year, the Australian Mines and Metals Association (AMMA) released a report titled: "Australian Workplace Agreements: A Major Matter for Miners" which found that contrary to union propaganda, AWAs in the resources sector have not stripped away workers' conditions, but have provided a safer, more productive, better paid, dispute-free workplace.

In particular the report found that: full time resource sector wages increased on average by 22 per cent in the last year; statutory individual agreements have been found to contribute towards productivity improvements of 25 to 30 per cent;

lost time due to industrial disputes in the resource sector has reduced from 1190 days per 1000 employees in 1995 to 11.9 days per 1000 employees in 2006; and injury frequency rates in the resource sector have declined by 85 per cent since 1996.

A return to industrial unrest and union power Christopher Platt, General Manager of Workplace Policy with the AMMA said: "The ACTU would have you believe AWAs are a new form of employment agreement. This is simply not true. Individual agreements have been the preferred method of employment in the resources sector for decades. The unions' and ALP's policy of scrapping WorkChoices and AWAs will undermine 11 years of progress which will only end up hurting Australian business. It is economic vandalism and puts at risk Australia's reputation as a stable economy in which to do business."

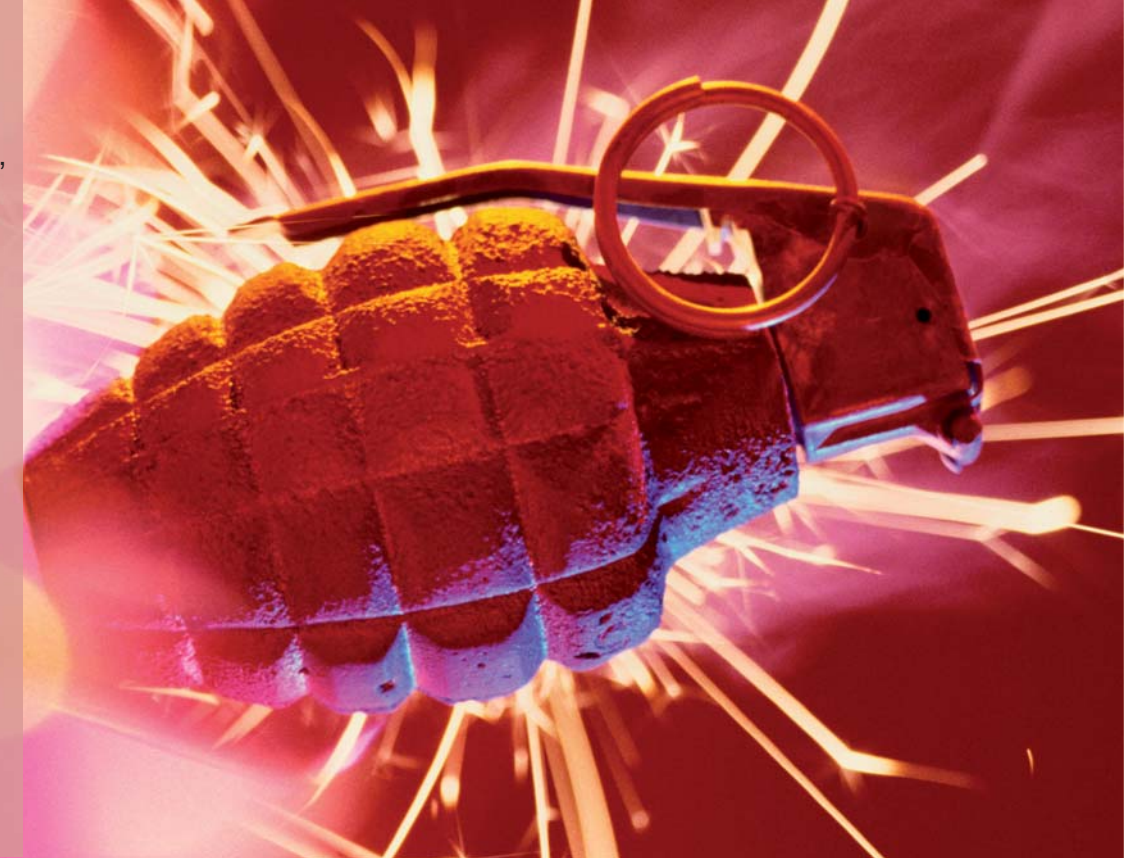
Labor has promoted common law contracts as a suitable replacement for individual agreements, but as Marcia Kuhne, CCI's Workplace Relations Policy Manager explains, they are a poor substitute.

"Common law contracts offer two options: the first is award-based employment, where the employer must provide the exact pay and conditions as specified in the award, or alternatively, the employer can choose to pay above the award, but must still comply with all other award conditions.

"Common law contracts do not allow for any of the current flexibility provided by workplace agreements and lack provision to vary the dozens of obligations within an award, many of which may not hold any relevance to the particular workplace or employment situation. Employers who attempt to agree to modify or

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exclude parts of the award could face fines of up to \$33,000 per employee, per award breach." Importantly for the resources sector, use of common law contracts would mean employers must comply with the award's specific rosters, penalty rates, payments and restrictions and some work patterns would be completely prohibited, which could have a serious impact on the trend for fly-in, fly-out work arrangements and longer shifts within the mining industry.

Perhaps the greatest concern, however, is that common law contracts would allow unions the right to enter a workplace, even if there are no union members registered, and give unions the power to coerce employees into taking industrial action.

Discouraging investment The ALP's proposal to scrap workplace agreements will jeopardise Australia's record low levels of industrial unrest, which in turn is likely to drive investment overseas.

Australia's perception as a sound investment risk has already slipped in recent times well below nations like Namibia, Chile and Botswana. In 2003 and 2004, Australia was considered the safest country for mining investment, but in a recent survey of almost 1000 senior mining executives from around the world, Australia was ranked eighth.

The survey measures 10 categories of risk including land access, green tape (environmental approvals), red tape (bureaucracy), infrastructure and labour unrest. A resurgence in union power and industrial unrest could see this ranking fall even further.

In a recent interview with the Kalgoorlie Miner, Ian Loftus of the Association of Mining and Exploration Companies cautioned readers not to take the boom for granted: "As it gets

harder and harder to do business in Australia, particularly in specific parts of Australia, such as WA, companies will look to put investment dollars in other less risky areas." In a recent media statement, the AMMA reported that the current Australian resources boom has improved living standards for all Australians and the removal of AWAs without a suitable alternative puts at risk all the all hard-won productivity gains of the last decade, which it estimates could equate to more than \$6 billion in export losses per year.

If it aint broke, why fix it?

The question of course is why would a union movement, supposedly dedicated to the support and betterment of the workers it represents, support a move with the potential to weaken a strong and thriving economy, thereby jeopardising the employment security of its members?

Statistics show that Australian unions have haemorrhaged members over the past two decades. From a high point of 57 per cent of the total national workforce in 1985, national union membership has more than halved. In terms of the resources sector, nationally only 22.5 per cent of full-time employees are union members and in WA, the figure is just 9.4 per cent.

According to CCI's Marcia Kuhne, "New data compiled by the federal Workplace Authority shows that 99.96 per cent of individual contracts provide workers with higher pay, better conditions and more flexible working arrangements, which is further proof of the erroneous and nonsensical arguments being made by unions against workplace reform have no substance.

"Industrial relations reform has helped drive WA's economic growth and prosperity by

providing more flexible and productive arrangements in the workplace by giving workers the choice of trading their penalty rates and other provisions for greater take home pay. Nearly one in four West Australian workers has signed an AWA and as a result they receive wages that are on average \$460.90 per week higher than those offered under awards."

AMMA's Christopher Platt believes, "Australian workers have voted with their feet and left behind the union class wars of old. The ALP policy to remove AWAs represents a roll-back to the union-controlled environment that existed in the 70s and 80s and is nothing more than a thinly veiled attempt to grant privilege to an increasingly irrelevant union movement which has proved incapable of increasing its membership."

At a State level, although Premier Alan Carpenter has publicly raised concerns about the potential impact of scrapping workplace agreements on WA's resources sector, he stated in an ABC interview on the 1 May this year, "AWAs need to go. I have absolutely no hesitation in saying that."

When questioned in Parliament by Norman Moore, Liberal Member for the mining and pastoral region, as to whether the Premier would reverse federal Labor's decision to abolish WA's workplace agreement laws if elected, Minister for Agriculture and Food, Kim Chance, replied "The answer is no."

And that's the frightening reality for every Western Australian.

With more than \$100 billion worth of resource projects in the pipeline, the investment community needs industrial certainty, not a rigid new system destined to weaken the State's economy, cost jobs and hand back power to a self-serving, out-of-touch union movement.