MINERALS COUNCIL OF AUSTRALIA

GEOGRAPHIC LABOUR MOBILITY

Submission on the Productivity Commission's Issues Paper

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

Geographic labour mobility should be viewed a positive element in a growing, dynamic Australian economy. The role that it plays in efficiently allocating resources to their greatest value across the economy has been recognised by bodies such as the Reserve Bank of Australia, the Productivity Commission and the Ministerial Council on Skilled Migration. For example, the Reserve Bank has noted that the "movement of existing workers between different jobs has been an important mechanism facilitating changes in the industry and geographic structure of employment over the past decade… that facilitates adjustment to labour shocks and structural change".[1]

Geographic labour mobility is vitally important to the success of the mining industry, though a minority of the mining labour force can be described as "mobile" – with 25 per cent of the workforce undertaking Long Distance Commuting (LDC) and less than 3 per cent operating as temporary skilled migrants on subclass 457 temporary visas. The Reserve Bank has observed that LDC has "helped (mining) employers to meet their labour demand requirements given the reluctance of workers to move permanently to remote areas".[2]

Claims about the negative impact of mining growth in regional areas have been disproved in a major demographic study by KPMG.[3] The findings show that mining is stimulating residential population growth crucial to sustainable communities. Far from restricting opportunities, the mining industry is boosting incomes, attracting families and reducing unemployment in mining regions.

Against this backdrop, perceived negative economic and social externalities arising from mining workforce mobility have been overstated. Minerals resource companies have developed a range of strategies to address issues that need to be managed. Where there are governance issues (such as local government funding of infrastructure) these should be considered in a wider context.

Existing rigorous State and Federal assessment and project approvals processes provide mechanisms to assess and mitigate possible negative social, environmental and economic impacts. Ad hoc interventions to impede the natural flow of skilled labour are counterproductive, both economically and socially.

In general, mining companies have a preference for hiring locally as it is more cost effective than recruitment of LDC workers and temporary skilled migrants. Workforce demand for LDC workers or temporary skilled migrants is often due to factors beyond the company's control, including: the lack of suitably skilled local people; the availability and cost of accommodation in the local community or provided by companies; the remoteness of many mine sites; and, in the case of LDCs, the desire of many mine personnel and their families to live in their home communities, often with greater amenities.

Fly-in, Fly-out work practices (FIFO) are also driven by the economics and safety of the Australian aviation industry, supported by a cultural change in society's attitude and propensity to use air travel for multiple purposes. At the same time, governments face increasing difficulties in providing cost effective service delivery for permanent residents in mining communities. FIFO has also made it possible for employees from other parts of Australia who have lacked opportunity to participate in a growing industry – for example, previously unemployed Indigenous workers taking part in the Pathways to the Pilbara Program[4] where around 120 workers are sourced from an area in northern New South Wales.

The mining sector is a relatively small user of 457 visas, with employees in this cohort making up 2.6 per cent of the mining workforce.[5] However, 457 visas are effective in filling specific areas of identified skill shortages in the minerals industry, especially in the professional cohort. For example, the industry has had to rely on skilled migration for around half of its mining engineers in recent years. There is also evidence that 457 visa holders play a vital part in training Australian workers. Without temporary skilled migration, the Australian minerals industry would not have been able to respond to the significant investment demand in mining experienced over the past decade.

Meanwhile, the industry continues to spend more on training per employee than most industry sectors, with one in twenty employees an apprentice or trainee and an overall spend of 5.5 per cent of payroll on all types of training. The industry has also underpinned tertiary disciplines with $34 million worth of funding in recent years.

1. INTRODUCTION

1.1 THE MINERALS COUNCIL OF AUSTRALIA (MCA)

The Minerals Council of Australia's mandate is to represent Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society.

- The MCA is a member company-funded industry association operating as an incorporated private company limited by guarantee.
- The organisation's governance structure is as for a corporate entity - Full Council; Board of Directors; Standing Committees; and Secretariat.
- Mineral product coverage is base metals, precious metals, coal (thermal, metallurgical, lignite), iron ore, uranium, mineral sands, diamonds and light metals - to first stage of primary transformation.

MCA member companies share an interest in:

- Advocating pre-competitive or generic public policy for a socio-economic environment conducive to growth and prosperity.
- Identifying and promoting leading operation principles and practices that companies agree they will not compromise for competitive advantage.
- Engaging with opinion leaders and other stakeholders, and advocating public policy and operational practice for a world-class industry that is safe, profitable, innovative, environmentally and socially responsible and attuned to community needs and expectations.

1.2 THE AUSTRALIAN MINERALS SECTOR – KEY ECONOMIC DRIVERS

Australia's minerals industry faced a more constrained environment in 2013 characterised by lower commodity prices, high industry costs and the scaling back of capital expenditure plans. While prices for some commodities have improved in recent months and past investments are beginning to bear fruit in the form of higher export volumes, Australia's capacity to secure maximum gains from further growth in global minerals demand is reliant increasingly on projects that are planned, but not yet under construction.

Reflecting weaker prices, the Bureau of Resources and Energy Economics (BREE) is forecasting exports of $177 billion in 2012-13[6]. Both demand and supply factors suggest Australia has moved past the era of premium export prices. The challenge for the industry, as highlighted in this year's MCA Pre-Budget Submission, is to transition from an era of price-led growth to volume-led growth in revenues.

BREE puts the total value of 'committed' mineral resource projects (mining and infrastructure, ex-oil and gas) at $63 billion at the end of April 2013. Coal and iron ore projects make up over 50 per cent of this total[7].

The structural shift in global economic weight and engines of growth towards emerging economies continues to hold the key to global minerals demand. China's growth path over the next 10 to 15 years will be critical, though other nations are expected to contribute increasingly to demand growth. At the same time, new rivals continue to join the global supply contest highlighting the importance of Australia improving its cost competitiveness.

It is important to note that while the "boom" is not over, it is certainly different, with a change from price to volume-led growth and a shift from the investment phase to an operational phase. Treasury Secretary Martin Parkinson has spoken of a "permanently larger mining sector… that rumours of the death of the mining sector have been greatly exaggerated. Instead of the boom-and-bust cycle, what we will see ultimately is mining becoming a much larger share of a reshaped economy. The mining sector is expected to rise from five per cent of gross value added in the early 2000s, to in the order of ten to twelve per cent in the decades to come".[8]

With commodity prices down, and likely to remain under pressure as a result of new international competitors, producing more volume at lower cost has become more important. Productivity is the key notion for our industry at the moment.

In adjusting to the "new normal" of volume-driven growth with productivity at its core, the minerals industry is acutely aware of its future labour and skills demands, including the need for labour mobility.

In line with the cyclical volatility of the industry, MCA policy position of an ***Uninterrupted Education and Training Pathway*** for workforce participation, diversity and skills – irrespective of the business cycle – underscores the industry's counter cyclical approach.

Given this volatility, and the resultant sensitive investment environment, the industry needs scope and flexibility to bring specific skills to market in specific geographical regions in a timely manner.

2. IMPORTANCE OF GEOGRAPHIC LABOUR MOBILITY

2.1 Importance of Labour Mobility

The Productivity Commission Issues Paper (July 2013) states that "Geographic labour mobility is one element of a flexible labour market. It is an important mechanism for adjusting to labour demand shocks (such as factory closures), seasonal variations in labour supply, and to broader structural changes in the economy. By enabling labour to move to its best use across different regions of Australia (including outer metropolitan and non-metropolitan locations), it can alleviate labour shortages and regional disparities in labour market conditions, such as high levels of unemployment, and increase skills utilisation, earnings and community wellbeing.[9]

At a basic theoretical level, shifts in regional labour supply or labour demand will lead to changes in wages and employment, which will affect an individual's incentives to work in a given region versus another.

The paper observes, however, "it is not just economic incentives that determine regional labour supply. In deciding where to live and work, people weigh up a complex range of costs and benefits. These costs and benefits are affected by a person's individual characteristics and circumstances (such as age and family considerations), a range of environmental, economic and social factors, and the actions of businesses and governments.[10]

"Geographic labour mobility is changing with advances in transport and communication technologies, and demographic and structural changes are also influencing where, how and when we work.[11]

The Reserve Bank observes that the "movement of existing workers between different jobs has been an important mechanism facilitating changes in the industry and geographic structure of employment over the past decade… that facilitates adjustment to labour shocks and structural change".[12]

The Reserve Bank reports that in contrast with the relative decline in the size of the manufacturing sector over the past decade, "industries with stronger employment growth over the decade, such as construction and mining, have attracted workers from other industries. There is some evidence that these flows have become larger in the latter part of the past decade as the pace of structural adjustment associated with the expansion of the mining industry has accelerated. For instance, the estimated number of workers leaving manufacturing to work in other industries almost doubled in the five years to 2010, compared with the previous four years. At the same time, the number of workers moving to the mining industry from other industries more than doubled".[13]

The Reserve Bank also observes the importance of geographic labour mobility "in ensuring that the supply of labour responds to changes in the location of jobs. When there are large divergences in the growth of labour demand across regions, the efficient operation of the labour market will require some workers to move permanently or to commute long distances. Of the 10 per cent or so of workers changing jobs in a year, the HILDA data suggest that only around 1 in 20 relocate interstate as part of the job change (less than 1 per cent of all workers). Although this is only a small share of overall worker turnover, interstate migration has nevertheless made an important contribution to accommodating differences in the pace of employment growth across states over the past decade. It also contributes to the balance of demand and supply more generally".[14]

The Bank observes the reluctance of workers in the eastern states to move west *vis a vis* Queensland, despite the higher vacancy rate and higher average earnings in Western Australia, largely because of perceived non-economic costs of moving and perceived lower amenity and lifestyle benefits.[15]

Labour mobility is important to the success of the mining industry, according to the Reserve Bank, which cites Long Distance Commuting as "an alternative to permanent relocation that allows workers to take advantage of stronger labour market conditions without incurring all the costs of LDC". LDC has "helped employers to meet their labour demand requirements given the reluctance of workers to move permanently to remote areas".[16]

A significant but nevertheless minority of the mining labour force can be considered mobile. Three per cent of workers in the sector are on temporary work (457) visas and 25 per cent of the minerals industry labour force work as Long Distance Commuters.[17] The Bank observes that LDCs entering Western Australia "disproportionately

work in mining, construction and public administration" and, while a relatively small share of employment, have been important at the margin in recent years.[18]

Arguably, if the industry was not able to embrace labour mobility in the form of staff relocation, FIFO and skilled immigration, it would not have been able to apply adequate labour resources to its production needs, and would be a much less successful industry than it otherwise has been, with broader impacts on the wider Australian economy.

Skilled labour needs cannot always be met by local workforces, particularly in regional and remote Australia.

The current share of FIFO/DIDO (Drive-in, Drive-out) workers in mining (25% of all mining sector workers) is due to a number of factors, including the lack of suitably skilled local people; availability and cost of accommodation either available in the local community or provided by companies; and the desire of many mine personnel and their families to live in their home communities, often with greater amenities.

Likewise, skilled immigration has proven useful in addressing skills gaps, particularly in the professional space.

Skilled migration (visa subclass 457) is a vital component of realising the skills required by the Australian minerals sector. The number of temporary skilled migrants recruited by the minerals sector is small as a percentage of total workforce (around 3 per cent) but is critical to enabling the Australian minerals sector meet the challenges of the global demand for minerals commodities, including recruiting highly specialised staff, usually in hard to staff locations. Hence the minerals sector is strongly of the view that Australia needs an effective temporary skilled migration program that has the capacity to respond to economic demand within a framework that ensures integrity and efficiency.

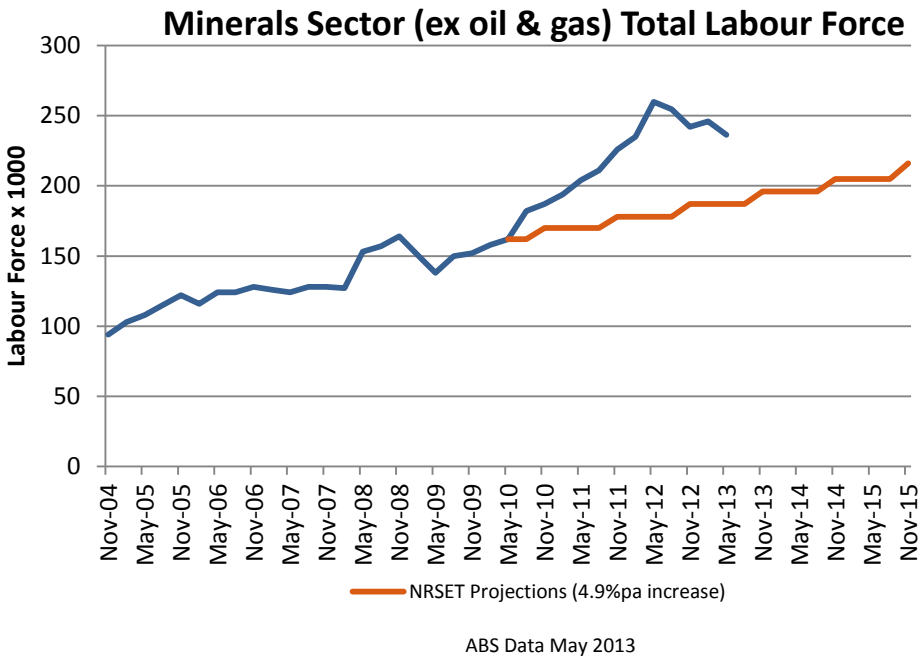
Job and training programs reliant on the notion of labour mobility, such as the National Apprenticeships Program (NAP) and Pathways to the Pilbara, have also been relatively successful.

2.2 Minerals Industry Workforce Drivers

The minerals sector has been experiencing a skills shortage rather than a labour shortage. Many unskilled workers have expressed an interest in joining the minerals sector – however, there is no widespread shortage of unskilled workers in the sector.

Skills gaps exist largely in the professional, skilled trades and skilled operator categories. Employment in mining continues to exceed official forecasts. Direct employment in the minerals industry reached a peak of 260,000 in May 2012, before declining to 236,000 in May 2013.[19] Even at this lower level, employment in the industry is almost 60 per cent above the level of three years earlier. Wages, workplace training and skills development in the industry continue to be higher than the national average.

In 2010, the Federal Government's National Resources Sector Employment Taskforce predicted employment in the sector would increase by an average rate of 4.9 per cent per annum and reach 216,000 persons by the end of 2014-15.[20] The industry exceeded that forecast in 2011.



ABS Data May 2013

Allowing for continuing supply-side volatility, the Australian Workforce Productivity Agency reviewed the projected labour demand in its December 2012 report and expects that the minerals industry will require an additional 53,606 operational workers over the five years from 2017, resulting in a total operational mining workforce of 301,000 persons. Construction labour is now expected to range between 163,000 and 269,000 jobs over the six years to 2018.[21] It is important to acknowledge here that these are projections only and industry conditions have been variable since they were made in December 2012.

In terms of operational mining employment, the occupations experiencing the greatest employment growth will be drillers, miners and shot firers, metal fitters and machinists and other building and engineering technicians.

In terms of output, the minerals industry produced 50% of total goods and services exports ($177 billion forecast for 2012-13)[22] and contributes around $750,000 per employee to the economy. That is more than any other sector by a very large margin.

However, multifactor productivity in the minerals sector has been declining over recent years. This is primarily due to the drag effects of the huge investment currently taking place and the exploitation of lower grade ores in response to the higher commodity prices, as well as a rapid rise in labour costs.

The minerals industry and its workforce can be characterised in general terms as:

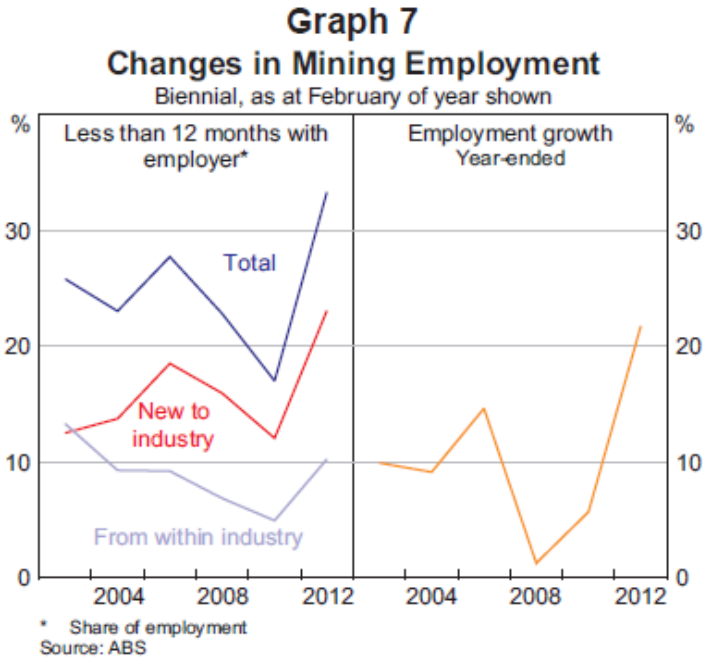
- Operating in regional and remote Australia - often the neighbouring community is a remote Indigenous community.
- Being highly paid with the average wage of $2477 pw being 66 per cent higher than the all industries average of $1482 pw[23].
- Being highly skilled with 67 per cent holding a post school qualification compared to 61 per cent for the national workforce. 30 per cent of mine workers hold a Cert III or IV qualification and 24 per cent hold a Bachelor or higher degree.
- Spending more than three times the national average on training which is almost entirely funded by industry and has 5 per cent of its workforce as trainees or apprentices.
- Being older than the national average with a median age of 40 years compared to 37 years for the national workforce. Coal sector workers are generally older than metalliferous sector workers.
- Having about 3 per cent Indigenous employees. At some sites the percentage is as high as 25. The minerals industry is the largest private sector employer of Indigenous Australians.
- Having about 15 per cent female employees. The proportion of women remaining relatively steady in recent years, while overall numbers have grown.

- Primarily having a full time workforce with 97 per cent of workers being full time.

The minerals industry has been experiencing skilled labour shortages, although these have eased somewhat given the recent softening in industry conditions. This can be summarised as:

- Continuing chronic shortages of mining engineers - Australian universities are unable to train enough people to meet industry demand (over the longer term, we are training only half of the mining engineers the industry requires each year).
- Shortages of trades people (mechanical and electrical trades) – while apprentice and trainee numbers have increased in the minerals industry in recent years to beyond the national average, there remain shortages.
- Shortages of experienced miners and plant operators – new projects coming on line increase employee 'churn' in the industry.

The availability of entry level employees is 'patchy' with some regions experiencing no shortages, whilst others are experiencing a shortage of people with the job-ready attributes required to start work. The relatively high rate of turnover in the mining industry has been related to the rapid growth in employment, which has seen more new workers enter, but also more existing workers changing jobs as competition for labour in the industry encouraged more intra-industry job moves. Evidence suggests that this turnover has tapered off over 2013 as industry conditions have cooled.[24]



Labour Market Turnover and Mobility, Reserve Bank of Australia (December 2012)

2.3 Future Shape of the Minerals Industry Workforce

Constant innovation has provided the Australian minerals industry with the ability to grow new markets and react quickly to changing markets. Australia's ability to respond to the recent growth in demand for mineral commodities has been achieved by remarkable innovations in technology and process improvements.

The key drivers at the moment are to remain globally cost competitive from a volume-driven focus. This involves improving the productivity of key factors of production.

The technical innovations that underpin this growth have been augmented by changes in the minerals industry's human capital management and workplace cultures and practices with respect to health, safety, environment and community relations – especially with Indigenous communities – and the broader issues of sustainability. A great many of the minerals industry's professionals are products of the Australian higher education system, having received either or both of their undergraduate and postgraduate training, as well as much of their career

experience in Australia. Likewise, tradespeople in the sector are largely a product of Australia's Vocational Education and Training (VET) system.

Continued innovation coupled with declining multi-factor productivity in the Australian minerals industry will continue to require high quality graduates across the core disciplines of mining engineering, metallurgy and earth science to ensure the long-term competitiveness of this industry, as well as skilled tradespersons and operators.

A robust higher education sector requires a high-level of local student participation. The local market provides necessary education relevance in the context of the Australian society and the Australian economy. If they are to get maximum value from their university education, Australian university students must be adequately prepared by the state-based primary and secondary school systems to enable them to:

- make informed choices about their future study and career paths; and
- qualify to enrol in science and engineering degree programs in university should they so choose.

The current and expected future "skills shortage" faced by the minerals industry in the professional area is a shortage of qualified people as well as a shortage of relevant skills in the pool of people from which this industry recruits. The Australian higher education sector is capable of addressing both; firstly by attracting more undergraduates in key disciplines such as science and engineering and secondly by ensuring the education provided is relevant and contemporary.

Current skills oversupplies, of geology graduates for instance, are seen as cyclical and as a result of sharp downturns in activities such as exploration, rather than representing a permanent structural shift.

The report 'Exploring the Social Dimensions of Autonomous and Remote Operation Mining' observes that a number of key mining occupations are likely to see human labour replaced with automated machinery controlled from a remote location. As a consequence, some mining jobs will in effect move from regional and remote Australia to urban areas.[25]

Autonomous technologies seem likely to reduce additional jobs created through mining Industry growth, rather than leading to a net reduction in mining employment. Automation will reduce the number of operational employees required for functions targeted for automation such as drilling, blasting, train driving and truck driving.

While new roles will be created in the development, observation, servicing and maintenance of autonomous and remotely controlled equipment, other traditional roles will remain (including roles relating to site rehabilitation, road building and other site works).

Simply, without temporary skilled migration, the Australian minerals industry would not have been able to respond to the significant investment demand in mining experienced over the past decade. There is little information in the public domain about what these new roles will be and in what numbers they will be required.

3. INDUSTRY RESEARCH ON LABOUR MOBILITY

3.1 Long Distance Commuting

Minerals industry companies and their employees have embraced FIFO/DIDO in recent years as a viable way to develop new projects and increase minerals output whilst responding to skilled labour shortages without disruptive relocations for workers and their families.

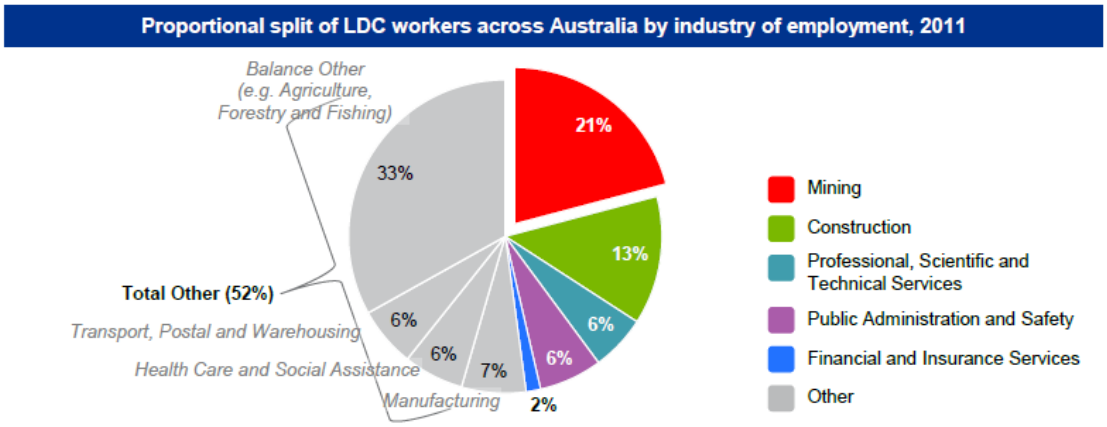
In 2012, the MCA commissioned KPMG to undertake two studies – the first an *Analysis of the Changing Resident Demographic Profile of Australia's Mining Communities*' and the second *Analysis of the Long Distance Commuter Workforce Across Australia*. The second study found a significant but nevertheless minority of the mining labour force is mobile. Three per cent of workers in the sector are on temporary work (457) visas and 25 per cent of the minerals industry labour force work as Long Distance Commuters.[26]

Region	Total workforce (POW)				LDC workers (POW)			
	2006	2011	Change from 2006		2006	2011	Change from 2006	
	No.	No.	No.	%	No.	No.	No.	%
Mining Regions	221,987	266,237	44,250	20%	31,278	55,962	24,684	79%
Capital Cities	5,496,786	6,123,172	626,386	11%	48,385	64,056	15,671	32%
Regional Cities	814,029	869,857	55,828	7%	9,030	9,995	965	11%
Provincial Cities	517,228	536,338	19,110	4%	9,168	10,874	1,706	19%
Off-shore / Migratory	1,673	2,395	722	43%	1,532	2,326	794	52%
Balance	1,142,892	1,168,011	25,119	2%	47,183	51,542	4,359	9%
Other	909,592	1,092,315	182,723	20%	9,034	19,018	9,984	111%
Total	**9,104,187**	**10,058,325**	**954,138**	**10%**	**155,610**	**213,773**	**58,163**	**37%**

MCA KPMG Study `Analysis of the Long Distance Commuter Workforce Across Australia' (March 2013)

At the time of the latest Australian Bureau of Statistics (ABS) Census in August 2011, there were an estimated 213,773 Australian residents undertaking LDC work practices across Australia, representing 2.1 per cent of the workforce, as opposed to 1.7 per cent in 2006, with the number of LDC workers increasing by 58,163, or 37 per cent.

The LDC workforce is spread across all 19 industries of employment, with the mining sector representing 21 per cent of total LDC workers, and construction representing 13 per cent and Professional, Technical and Scientific Services and Public Administration and Safety representing 6 per cent of all LDC workers. LDC is defined as persons who travel 100km or more from their Usual Place of Residence to their Place of Work.[27]



MCA KPMG Study `Analysis of the Long Distance Commuter Workforce Across Australia' (March 2013)

Today, FIFO and DIDO long distance commuting is a reality for workers in many industries, including the minerals industry. Mining workers represent 21 per cent of LDC workers. The proportion of LDC workers in the mining workforce has risen from 22 per cent to 25 per cent between 2006 and 2011.

The MCA contends that the Australian workforce has undergone a significant paradigm shift in its response to mobility for employment, facilitated primarily by improved aviation services and road infrastructure. Long distance commuting is not just an issue related to the minerals sector - it is a practice used across the entire economy.

FIFO/DIDO offers access to work in other capitals or at remote and regional locations without the need to relocate family and social networks. In times past, workers taking up an opportunity in another capital city or at a distant work site were required to relocate. This meant moving home and family to the new location; a practice that Australians did not do often or lightly.

With improved, more cost-competitive transport services and the growth of employment opportunities at remote worksites, employers and employees alike have taken up FIFO and DIDO as a viable work arrangement. People commute using DIDO or rail from regional centres to capital cities and vice versa and FIFO from one capital city to

another for a range of industry sectors from insurance, IT, government, construction etc. As an example, members of the Australian Parliament and their staff are FIFO or DIDO workers when the Parliament is sitting.

The largest category of LDC travel is to the capital cities. Sydney is Australia's largest FIFO/DIDO destination, with nearly 20,000 inbound LDCs and Canberra is the twelfth largest, with around 6,000 inbound LDCs.[28]

3.1.1 Mobility of the Australian Mining Workforce

We have seen a rapid growth in long distance commuting in the mining sector in recent years, built initially on the commuting practices of the petroleum industry introduced to Australia in Bass Strait in the 1970s.

The MCA KPMG Study *Analysis of the Long Distance Commuter Workforce Across Australia* (March 2013)[29] indicated that, according to 2011 Census data, 25 per cent of the mining workforce were LDCs, up from 22 per cent in 2006

However, it would be entirely wrong to assume that long distance commuting is the one preferred option of minerals industry employers and employees. Residential employment remains the predominant practice and the preferred alternative where a local workforce is available.

Any characterisation of the increased use of FIFO/DIDO as a cost cutting measure by employers is misplaced. The reality is that local daily commute employees generally cost less in terms of total employment costs than FIFO employees. Companies hire FIFO workers because they cannot find local people with the requisite skills; or because the appropriately skilled people are making a lifestyle choice to remain in their current location with its attendant amenities and family support rather than to relocate to the region concerned.

FIFO and DIDO allow companies to widen their recruitment options in tight labour markets. These additional alternatives provide opportunities for jobseekers living in non-mining communities where there are few local employment opportunities, thus contributing to the economy of those communities as well as the communities at the mine sites.

In a competitive labour market for skilled mine workers, it is important for mining companies to implement initiatives to reduce labour turnover. Smart employers are offering their workforce a variety of options with both daily commute and FIFO/DIDO options, high quality amenities and a variety of shift roster patterns.

Minerals companies continue to invest considerable amounts of money into hard and soft infrastructure in communities that adjoin their projects. For example, the minerals industry is a significant contributor to community infrastructure and housing in regional Australia. Source communities benefit greatly from FIFO/DIDO workers as the economic and employment benefits are spread more widely outside mining regions. Further, it is acknowledged that Governments face increasing difficulties in providing cost effective service delivery in mining communities. It may generally be more cost effective for governments to meet the infrastructure and services provision needs of increased mining populations through these populations being located in existing coastal centres rather than in more dispersed communities. Therefore, governments have the choice between significantly expanding service provision in these communities for increased residential workforces or meeting increased industry workforce needs through greater use of FIFO/DIDO arrangements and drawing on existing infrastructure and services in larger centres.

In addition, many MCA members have established practices around FIFO and DIDO to manage health and safety, family separation, social activity whilst on site etc., to improve the work/life balance for employees on long distance commutes.

3.1.2 Fly-In Fly-Out and Families

There have been many studies conducted on how FIFO lifestyles affect the family unit. These studies note that whilst there are challenges, the average FIFO family is healthy, and able to successfully balance stability with change. A summary of research into the impacts of FIFO arrangements for families is outlined below:

- Clifford's 2009[30] research found that FIFO workers are healthy, or healthier than daily commute workers. Use of recreational drugs was broadly in line with daily commute workers and the wider community; and long and short term stress levels of FIFO workers were largely the same as for other workers and the community.
- Sibbel's 2010[31] research concluded that FIFO does "not lead to family dysfunction. Children from fly-in fly-out families do not experience significantly higher levels of depression, anxiety and family dysfunction than non fly-in fly-out children".

- Hubinger[32] summarises the benefits as "spouses do not have to give up their own existing careers, friends or activities; children do not have their education disrupted; a worker losing his job does not have to automatically move house; and wives do not have to put up with boredom and loneliness of remote locations".
- As noted by Fresle[33], a major advantage of FIFO operations is that workers' families are no longer required to relocate to isolated communities, which has been found to disrupt support networks, increase social isolation and increase parental mental health problems.

FIFO arrangements can not only benefit the individual, but also an individual's family. Families make informed choices based on the benefits of FIFO arrangements. FIFO arrangements are seen by families as increasing individual and family access to financial and psychosocial resources, including financial security, extended periods of recreational family time together, potential for independence and personal freedom, extended time at home, and choosing where they live. Increasing competition for labour between industries and operators across the resources sector in all jurisdictions is requiring employers to be able to offer increased flexibility in terms and conditions of employment. The Gen X and Gen Y characteristics include increased employment mobility and the importance of lifestyle factors in job selection.

Migration of people between roles in defence, agriculture and mining over time is occurring in some regions. 'Off-farm' work in the mining industry is already an important source of income for people in Central Queensland and in parts of WA, especially in areas where the agricultural industries are in some difficulties. People looking for this flexibility also require flexible working conditions that FIFO and DIDO can provide.

Research suggests that individuals/families working in mining regions (and increasingly for government) make choices on whether they prefer to work on a FIFO or regional/remote residential basis based on their life cycle stage.

These are generalised below:

- Single people often choose FIFO as shorter rosters provide them with more opportunity to participate in sporting and other social activities in the metropolitan areas and they can save money.
- Unmarried couples often prefer FIFO as the career and employment needs of partners are more likely to be accommodated.
- Families with young children often prefer regional/remote daily commute because:
    - they can be with their children through their developmental stages
    - they believe small towns are safer; and
    - they value the sense of community and belonging in smaller towns.
- Families with children in their teenage years often prefer the FIFO option as the children have a greater access to:
    - social activities and opportunities to interrelate with their peers;
    - secondary and tertiary education options; and
    - partners are also often more likely to want to have access to employment/career opportunities and social activities.
- Post children couples/individuals are often more likely to consider FIFO as a means of travel and experiencing remote Australia.[34]

Websites such as FIFO Families and Mining Family Matters have been established by spouses of LDCs to provide assistance, advice and support to FIFO families.

Long Distance Commuting has a strong element of worker choice. A 2012 Queensland Resources Council (QRC) survey referred to preferred accommodation arrangements and found that only 11 per cent of survey respondents indicated they are in non-preferred accommodation arrangements, with a minority of both non-residential respondents (15%) and residential respondents (8%) indicating dissatisfaction.[35]

3.1.3 Social and Individual Impacts of Long Distance Commuting

The literature discusses three major forms of impacts associated with long distance commuting:

- Individual/family well-being.
- Community impacts.
- Sustainability of mining communities (discussed under the regional development section).

It is common practice for the mining industry to address and minimise the risks to family wellbeing and the local community.

Some concerns have been expressed about the impacts of long rosters on worker fatigue (and associated safety concerns), and on employee turnover as a result of low worker satisfaction and stress. The mining industry has responded to these concerns and undertaken studies which have concluded that:

- In the majority of instances FIFO did not negatively impact on miner's relationships, lifestyle, health or stress levels. There was however a small proportion who found the working arrangements particularly stressful. Tailored assistance is needed to provide support to those most vulnerable to finding the lifestyle stressful.[36] Mining companies have responded by providing workers access to psychological support and developing materials that will enable workers and their families identify when there is a problem and where they can go for help.
- Disturbed sleeping patterns are the same for both FIFO and regional/remote daily commute workers. The minerals industry has responded by providing different roster options that are less likely to create fatigue concerns. In response, most companies have placed limits on how long employees can drive after working a shift, whilst others have introduced bus runs to pick up and drop off staff from designated areas.[37]
- The annual turnover of company employees who work FIFO is equivalent to those who live at town sites. Whilst some suggest that rosters influence turnover rates, evidence suggests that organisational culture (career opportunities, general employment conditions and access to social support) also has a large impact. Mining companies are keen to reduce turnover rates.

Some initiatives currently in place to promote employee wellbeing include:

- Establishing monitoring systems to track turnover trends and patterns within occupational groups on site.
- Improving exit interview procedures and making better use of these data.
- Routinely evaluating management initiatives (such as the introduction of new recruitment practices) for their impact on employee turnover.
- Undertaking periodic 'organisational climate' surveys to monitor workplace culture and employee perceptions of management.
- Reviewing existing roster arrangements to ascertain whether there is scope to introduce shorter roster cycles.
- Monitoring turnover rates amongst major contractors and, where necessary, taking steps to encourage contractors to address workforce stability issues.
- Supporting research to establish a reliable and comprehensive costing of employee turnover specifically for the mining industry.

3.1.4 Mobility of the Construction Sector Workforce

When considering questions related to FIFO and DIDO long distance commuting, it is important to recognise the fundamental difference between the construction workforce and issues associated with what is a short term assignment; and the operational workforce which has a longer term commitment to the enterprise. The enterprise owner or service contractors are generally the employers of this operational workforce.

The construction sector workforce related to major resource and non-metropolitan infrastructure projects has always been a somewhat itinerant workforce, a model that is routinely accepted as 'normal' across Australia.

The continuing development of the resources sector (minerals, and oil and gas), coupled with significant infrastructure investment such as the NBN, flood reparations and power distribution upgrades etc., requires a

substantial increase in the skilled construction labour. By their nature these projects draw labour from distant sources. Some construction workers are recruited locally and some choose to relocate temporarily to the project site. However, many use long distance commuting (FIFO and or DIDO) for projects in remote and regional areas.

There are also numerous workers engaged by the minerals industry that undertake short-term assignments to project sites. These assignments are generally undertaken by specialists and can involve assignments from a few days to several months at a project site.

3.1.5 Mobility of the Minerals Industry Operational Workforce

Whilst mining companies predominantly employ local labour, as discussed above, FIFO/DIDO employment is a feature of resource sector operations. The hiring of FIFO/DIDO workers is due to a number of factors, including the lack of suitably skilled local people; availability and cost of accommodation either available in the local community or provided by companies; and the desire of many mine personnel and their families to live in their home communities, often with greater amenities.

Historically, mining operations employed a township model. In the mid-1980s, FIFO began to emerge as an effective way to address skills shortages, to increase efficiency, and to avoid some of the legacy and environmental problems that can arise from developing a 'mining town'. The growth of the resources sector since that time and the attendant pressure on local housing supply has led to an increasing reliance on long-distance commuting.

FIFO is also driven by the economics and safety of the Australian aviation industry, supported by a cultural change in society's attitude and propensity to use air travel for multiple purposes. Government policies supportive of the growth of safe, low cost air travel will continue to support FIFO operations. The aviation sector too is responding to meet the demand with growth in services to satisfy the demand of FIFO.

Remote mining operations in Western Australia generally rely on FIFO because of the vast distances from population centres, with the Chamber of Mines and Energy estimating that 55 per cent of resources sector workers in WA use FIFO. In Queensland and New South Wales where employees typically live in a larger regional centre with attendant infrastructure and amenities, DIDO is more common.

Governments face increasing difficulties in providing cost effective service delivery in mining communities. It will generally be more cost effective for governments to meet the infrastructure and services provision needs of increased mining populations through these populations being located in existing coastal centres rather than in more dispersed communities. Therefore, governments have the choice between significantly expanding service provision in these communities for increased residential workforces or meeting increased industry workforce needs through greater use of FIFO/DIDO arrangements and drawing on existing infrastructure and services in larger centres.

As mine enterprises stop and start, mine workers and companies alike are confronted with the prospects of relocation. FIFO and DIDO suits many as they can leave their families in a centre with more extensive amenities and maintain connection with their social networks whilst continuing their employment in the industry. FIFO and DIDO is a matter of individual choice depending on individual circumstances.

Many employers, especially where they have multiple operations, are able to offer their workforce a variety of options with both daily commute and FIFO/DIDO and a variety of shift roster patterns.

Overall, the operational LDC workforce is a lot smaller and more stable than large construction LDC workforces, which are often in place for only a matter of months.

3.1.6 Work Arrangements

Daily commute operations generally have a mixture of week day workers and shift workers. The shift operations generally operate with 12 hour shifts and can be 24 hour operations or day shift only operations. The shift rosters cycles are shorter than for FIFO and DIDO sites.

FIFO/DIDO rosters can vary between even time and long cycle rosters. It is common for rosters of 14 days on, 7 days off or 7 days on, 7 days off with multiple variations such as 8/6, 9/5. There are a few examples of longer roster cycles too.

Whilst many workers enjoy FIFO and the benefits it brings, some workers find the lifestyle difficult to maintain, especially when family commitments increase or change. Labour turnover at FIFO sites, as at the majority of mine

sites, can vary between 10 and 30 per cent, however, the big unknown with this turnover is the extent of churn within the industry, that is how many relocate to another mining site (at a higher rate of pay) or leave the industry altogether.

Sites that are exclusively FIFO or DIDO sites are generally located in remote locations with little or no neighbouring community. Other sites operate as a mixture of FIFO/DIDO and daily commute with the FIFO/DIDO workers being those that cannot be recruited locally.

FIFO and DIDO shift workers generally receive extended recreation leave entitlements, 6 weeks in some cases. They also receive shift work and commuting allowances.

Apart from the adoption of even time rosters, companies have established strict rules associated with commuting to help manage fatigue. For example, some companies require all FIFO employees to overnight in Perth before commuting to site to avoid private activity fatigue being brought onto the worksite.

The training and development of FIFO and DIDO workers offer unique challenges and opportunities for workers and employers alike. On the job training continues as the major form of training and development as for any mining site. A particular requirement exists for up front training of recruits. Ongoing access to formal education and training facilities such as a TAFE or university are generally far more limited. Distance education is available on-line for out-of-hours pursuits with most sites offering high speed internet connections for all employees.

Apprenticeships are accommodated on FIFO/DIDO sites with block release for the on campus components being usual. However, there is a need for additional infrastructure and on-site support, particularly for young apprentices working away from home. In addition, apprenticeship training models must be structured to take account of rosters and travel while maintaining the requirements of on and off-the-job training within operational imperatives of enterprises.

3.1.7 Recruitment Practices

The skilled workers required for FIFO/DIDO mine sites vary depending upon the location. For remote locations the workers required include all occupations at the site from semi-skilled operators and miners to the general manager. For operations near a town or regional centre companies will seek to source their workforce locally or accommodate its workforce in company housing, however the tight labour market means that new operations need to look to FIFO/DIDO for specialist occupations not available locally.

FIFO/DIDO workers are largely experienced in their chosen occupation. These can include experienced miners, truck drivers, plant operators, trades people (mostly mechanical and electrical trades), technicians, technical staff, clerical staff, supervisors, engineers, geologists, metallurgists, environmental scientists, accountants, human resources professionals and managers etc.

Entry level semi-skilled workers are often sourced from the unemployed/under-employed job seekers locally. Mining companies conduct extensive pre-employment training to equip workers for an entry level job in the minerals industry, including local Indigenous workers. In many instances any local Indigenous person with the job readiness attributes (language, literacy and numeracy skills, basic mining skills, time management skills, and drug and alcohol free etc) is offered a job.

Companies have an almost universal policy of offering apprenticeships to local youth before recruiting from further afield. Anecdotal evidence from Western Australian minerals companies is that there is a big enough pool in Perth to draw from for apprentices. There is only a need to go interstate for highly skilled labour.

Companies have established priorities for the origin of their FIFO/DIDO workers. In Western Australia the preferred location is Perth and identified regional centres with established flight connections. In Queensland the preferred origin for FIFO/DIDO workers is Brisbane, southern Queensland more generally and the larger coastal regional towns of North Queensland and Far North Queensland. The preference of origin location for DIDO workers is far less prescriptive, but within manageable driving distance. Occasionally companies will source specialists from interstate or even internationally.

The industry is already proactive in seeking skilled personnel and addressing unemployment in regions with high numbers of job seekers. A clear example of this is companies using FIFO out of Meekatharra, Western Australia, a town with 800 inhabitants, 44 per cent of whom are Indigenous, many of whom were unemployed before the FIFO opportunity arose in 2006.

The Chamber of Minerals and Energy of WA has identified that more than 80 per cent of FIFO workers in WA come from Perth with 10 per cent originating from interstate and a further 5 per cent from overseas.[38]

The Queensland resources industry more generally has a need to match high demand in the industry with areas of labour availability in coastal Queensland, which are often areas of higher unemployment.

A shortage of skilled workers in the traditional mining towns means that one Queensland-based company is now looking to the far north and southeast of the state for staff – sourcing in May 2013 250 roles from Cairns and 750 in Brisbane.

This has proven popular with potential workers, with 8,000 applications from Far North Queensland and 14,000 from Brisbane.

The employment of the above FIFO workers would bring about $40 million in wages straight from the coal mine back to their home city and the economic spin-offs would bring a total economic contribution to more than $60 million a year through the services required to support the jobs and the families of the employees, such as housing and retail.[39]

FIFO will continue to be a response to labour or skills shortages. In reality, even if the issues relating to increasing participation of all unemployed and underemployed people (including women, Indigenous people, and older workers) are addressed, many remote and regional areas where the minerals sector operates do not have a large enough local population of working age to meet the needs of the minerals sector. In a nation with a diversity of regional growth, it is imperative that there be a balanced approach between FIFO and local community development.

Perhaps reflecting the seller's market for labour until 2012, sites such as fifobids, where prospective mining workers can place their CV details online for employers to view, have been established and have achieved spectacular growth.

3.1.8 Employee Amenity

FIFO and DIDO workers have a range of accommodation, including worker villages either within or remote from regional towns. Sometimes workers are accommodated within regional towns where they are able to contribute to and participate in the social fabric of the towns.

For many, working a FIFO roster is a lifestyle choice. Worker villages and camps are of a high standard to ensure employees enjoy a quality lifestyle while they are away from home. Villages typically have a swimming pool, sporting courts (used for tennis, soccer, volleyball, lawn bowls and other sports) and a wet mess. Employees have their own air-conditioned accommodation units, with ensuite bathrooms, television, telephone and internet connection. Employees' units are cleaned routinely.

Meals are provided in mess facilities - main meals include a selection of hot and cold dishes, and healthy low-fat options are generally available. While employees are on-site, the companies generally provide all transport, meals and accommodation.

Companies have recognised that to keep FIFO/DIDO workers, there is a need to enable employees to maintain close connection with their family whilst on site. This is done through a number of means including the provision of internet and telephone connections in the units. Also, some companies facilitate a network of FIFO/DIDO partners so that the "left at home" family members can assist one another. Other companies have identified the need for a Chaplaincy service for the "left at home" family members; whilst others organise occasional visits to site for family members so that they can see where Dad or Mum goes to work.

Some companies have developed a number of preparatory and mitigation measures to support the individual FIFO worker and their family including:

- An induction process to assist with preparing employees for the new work environment.
- Making an Employee Assistance Program available to all employees and their families.
- Provision of a workforce support program to assist the FIFO workforce maintain strong connectivity with their families (e.g. access to Skype and high-speed internet at site).
- Utilising existing support groups and available networks. These networks and groups are suitable for those wishing to connect with people in similar situations and share experiences.

Companies understand that individuals have different preferences when it comes to workforce arrangements. Most companies do not see workforce arrangements as being one option or the other. There should be a balance and it's a matter of optimising both daily commute arrangements with fly-in fly-out, bus-in bus-out and drive-in drive-out arrangements – offering choice and flexibility.

In a competitive labour market for skilled mine workers it is important for mining companies to implement initiatives to reduce labour turnover, both for domestic commute and FIFO/DIDO workers.

3.1.9 Regional Economic Development

In some cases, FIFO is criticised for causing a loss of economic and social value to regional areas. However, FIFO also provides increased employment opportunities through increased supply of goods and services from local businesses. It facilitates increased mining activity in regional and remote Australia by creating lifestyle choices for its employees which is important in a national skills shortage context.

In response to this sentiment, the MCA commissioned KPMG to conduct an *Analysis of the Changing Resident Demographic Profile of Australia's Mining Communities*.[40]

The results show that, despite suggestions that FIFO/DIDO workers are displacing residents, residential populations in eight of the nine mining regions examined increased between the 2006 and 2011 Censuses; in six of the nine mining regions, residential populations have risen faster than the regional Australian average.

The KPMG study compiles key standard-of-living measures such as income, home ownership, educational attainment and employment; and basic demographic profiles of Australia's nine main mining regions.

These are: the Pilbara, Central-West (WA), Surat Basin, North West QLD, the Hunter Valley, Kalgoorlie-Boulder, Central SA, the Galilee Basin and the Bowen Basin.

Overall, incomes and educational attainment are higher; and unemployment is lower in mining regions compared to regional Australia more generally. There is a greater proportion of families and working-aged people in mining regions than regional Australia generally, but fewer people own their residences.

The findings debunk a number of myths and anecdotal claims about the impact of the mining sector of regional Australia. Mining is not hollowing out the regions in which it operates – it is boosting incomes, attracting families and reducing unemployment.

Similarly, the number of permanent residents in mining regions is increasing at a faster rate than non-mining regions. Workers are not just flying in and flying out, they are moving to the mining regions as well, contrary to claims by opponents of the long-distance commuting workforce.

INCOMES

Mining has driven a three-fold increase in high-income earners. In 2006, five per cent of the resident population in mining regions earned $2000/week or more. In 2011, this had increased to 13 per cent of the population compared with 5 per cent across regional Australia.

Percentage of residents earning $2000+ per week

Region	2006	2011
Bowen Basin	12	21
Galilee Basin	3	5
Surat Basin	2	4
NW Qld	5	17
Pilbara	16	42
Kalgoorlie-Boulder	8	18
Central West	6	28
Hunter Valley	3	7
Central SA	8	22

EMPLOYMENT

There is higher full-time employment in mining regions – 66 per cent compared with 58 per cent across regional Australia in general.

All but two mining regions recorded an unemployment rate below the national unemployment rate (5.2 per cent) and the regional Australian unemployment rate (5.4 per cent)

Unemployment rate

Region	**%**
Bowen Basin	2.5
Galilee Basin	2.8
Surat Basin	4.0
NW Qld	9.0
Pilbara	2.1
Kalgoorlie-Boulder	2.0
Central West	6.9
Hunter Valley	3.6
Central SA	2.6

Mining represents 17 per cent of the total workforce in mining regions compared to 2% nationally.

POPULATION GROWTH

In the five years to 2011, the population of Australia's mining regions has grown at 1.5% per year. This is the same as the national average but greater than the 0.8% for regional Australia more generally. This debunks the notion that, with the increase in fly in fly out employees, mining regions are not increasing in population size. Employees are flying in, flying out AND moving to the mining regions. The report states that: "Employment opportunities in mining Australia are stimulating the resident population growth crucial to sustainable communities."

Yearly population growth between 2006 and 2011

Region	**%pa**
Bowen Basin	0.8
Galilee Basin*	-1.0
Surat Basin	0.6
NW Qld	1.1
Pilbara	7.3
Kalgoorlie-Boulder	2.0
Central West	6.7
Hunter Valley	0.6
Central SA	2.0

*Many large-scale mining projects in the Galilee Basin are awaiting approval

HOUSEHOLDS

There are a higher proportion of families in mining regions than non-mining regions. 44 per cent of resident households are made up of "mum, dad and the kids" in mining regions, compared to 40 per cent across regional Australia. This runs counter to the belief that mining regions are dominated by young, single males

Percentage of couple family with children households

Region	**%**
Bowen Basin	52
Galilee Basin	45
Surat Basin	42
NW Qld	46
Pilbara	53
Kalgoorlie-Boulder	48
Central West	33
Hunter Valley	39
Central SA	50

EDUCATIONAL ATTAINMENT

There are higher rates of Year 12 completions in mining regions – 41 per cent compared with the regional Australian average of 37 per cent.

Percentage of people who have completed Year 12.

Region	**%**
Bowen Basin	44
Galilee Basin	39
Surat Basin	43
NW Qld	50
Pilbara	47
Kalgoorlie-Boulder	42
Central West	41
Hunter Valley	32
Central SA	44

HOME OWNERSHIP

Home ownership is lower at 61 per cent compared with 70 per cent across regional Australia.

Percentage of people who own their own home

Region	%
Bowen Basin	50
Galilee Basin	66
Surat Basin	67
NW Qld	51
Pilbara	23
Kalgoorlie-Boulder	58
Central West	28
Hunter Valley	70
Central SA	42

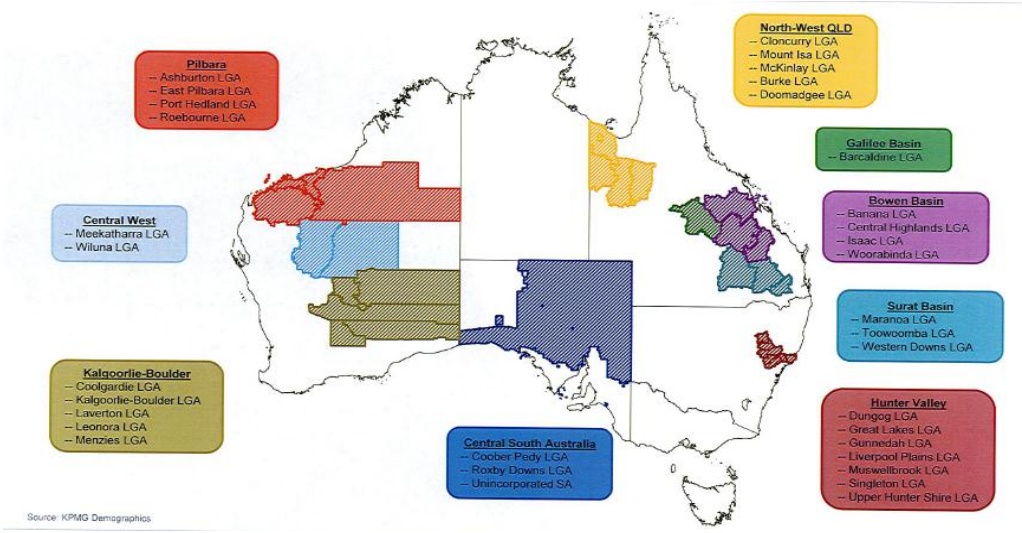
AGE DISTRIBUTION

Mining regions tend to have a higher working age population (15-64) than other regional areas.

Percentage of people aged 15-64

Region	%
Bowen Basin	68
Galilee Basin	62
Surat Basin	62
NW Qld	70
Pilbara	79
Kalgoorlie-Boulder	72
Central West	81
Hunter Valley	61
Central SA	74
Regional Australia	63

REGIONS IN THE STUDY



The minerals sector is aware of the need to support regional development and facilitate the sustainable development of communities.

The previous sections have identified that there are some people who will choose to live in regional and remote communities rather than operate under the FIFO model at particular lifecycle stages. Research suggests that communities that do not have sufficient infrastructure, social amenity and economic diversity will not attract new residents and this will in turn constrain the industry's recruitment capacity. In order to work effectively in a region the minerals industry contributes to regional planning processes and works in partnership with a range of relevant stakeholders to utilise available funding resources effectively to preserve the functionality and sustainability of regional communities.

3.1.10 The Challenge of Building Economic Sustainability

The increased ability to move quickly, cheaply and safely across long distances in regional Australia is both a benefit and a challenge to regional and remote communities. The benefits come from the ability to access services in larger neighbouring 'hub' towns. Investment that endeavours to support the inland communities, without recognising the shifts in where people choose to live and source services may not succeed.

Many small regional and remote towns are such that their economic base is largely dependent upon mining activity. This may be a result of being established in the first instance to support a mine development, or as a

result of the retraction of other supporting industries, for example, agriculture. The economic homogeneity in some cases has led to a distortion of the economy as is evident in regions like the Pilbara.[41]

3.1.11 Housing

Many towns dominated by mining operations lack mature, properly functioning housing markets. A key factor may be that only 30 per cent of the population in these communities is stable over a given census period indicating a high level of mobility within these communities. People who choose to work for large employers in an area therefore are often reluctant to commit to house purchases.

In turn, migration to regional areas is often dependent upon the provision of housing. Housing allocation and subsidised rentals have led to small private housing markets in many mining-dominated towns.

Regional accommodation arrangements cannot realistically preclude the need for FIFO.

3.1.12 Social Infrastructure

The hub and spoke model of service delivery appears to be dominating the service provision paradigm at the local and state government levels. The model is based on a service centre, or hub, which acts as an identifiable physical presence and primary service deliverer for surrounding communities. The spoke towns are essentially satellite communities to the hub. The types of social infrastructure services provided through this model include: health, child care, education, police and emergency services, and vocational education and training.

Social infrastructure and services tend to be provided by the hub and spoke model in regional and remote areas. The disparity in social outcomes (for example in health and education) between major regional centres and smaller communities in the same regions would suggest that the model may not (yet) be working satisfactorily. In general, health and education outcomes in regional and remote Australia are below national averages.[42]

Mining companies often contribute towards the funding of social infrastructure and services in regional and remote communities (for example schools, childcare centres, aged care facilities and services, health care facilities, recreational services) in the absence of adequate Government funding. In other cases, companies will look to increase the standard of service above base service provision provided by Government.

3.1.13 Governance Issues

Local governments in several jurisdictions struggle to provide services in the rapidly changing environment to populations with increasingly high expectations. In Western Australia local governments are struggling to manage the large inflow of funding generated through the Royalties for Regions scheme. In some cases a shire's operating budget has doubled but has not been accompanied by an increase in staffing levels necessary to effectively manage the increased budgets. There is a need for the capacity of local governments to be enhanced, particularly those that are receiving Royalties for Regions funding to maximise their potential for delivering desired outcomes.[43]

There is also concern from some local governments that there is not sufficient acknowledgement of, nor compensation for, the costs associated with FIFO staff utilising local community infrastructure and services. At the same time it needs to be acknowledged that FIFO/DIDO workforces have less impact than alternative local workforces on local services because only part of the workforce is in the local area at any point in time. This is an area that could benefit from further research.

Managing these demands has become particularly challenging for many local authorities, particularly since the global financial crisis. It must be noted that in a time when local government rates bases are under stress, "with revenue bases seeing only modest growth or no growth",[44] accommodation villages and mines do pay substantial rates, for example the Isaac Shire charging a minimum general rate levy of $105,000 for a coal mine[45] and mining contributing nearly 40 per cent of the rates base of the Central Highlands Shire in Queensland.[46]

3.1.14 Regional and Remote Indigenous Communities

The mining industry is the largest private sector employer of Indigenous Australians. Programs to include Indigenous people which encourage participation in resources development while attempting to maintain key elements of traditional lifestyle have been successfully implemented under FIFO arrangements.

The Pathways to the Pilbara program, partially funded by the Commonwealth, involving around 120 indigenous workers from the Kempsey region Long Distance Commuting to mining jobs in the Pilbara. The advent of

indigenous LDC workers in Kempsey provided a demonstration effect to working-age Indigenous residents of this relatively socio-economically disadvantaged region; the combined salaries of these workers also have a major impact on the economy of the town and its surrounding areas. They earn a minimum of $90,000 per annum and the program has a 92 per cent retention rate.[47]

Raising the living standards and social and economic outcomes of Indigenous Australians is a high priority for the minerals industry as well as the Commonwealth and State Governments. The long-term vision is that Indigenous Australians will have the same opportunities as other Australians to make informed choices about their lives, realise their full potential in whatever they choose to do and take responsibility for managing their own affairs.

The MCA and the Australian Government have engaged in a MoU to enhance Indigenous employment and enterprise development in mining affected communities. The MoU offers opportunities to work through the issues for Indigenous people surrounding FIFO/DIDO with stakeholders in a strategic way in order to achieve improved employment outcomes and to address appropriate levels of services in these communities.

There are opportunities for Indigenous people to enter the mainstream economy through employment and other business development opportunities. There has also been considerable effort directed towards increasing access to, and retention at school and further education with an end goal of improving employment prospects. These and other initiatives are largely supported by mining companies in the regions.

Many Indigenous communities rely on the services available in towns established to support mining, but have limited engagement with the mainstream economic activity in these towns. There is evidence that this marginalisation may be increasing in remote areas, partly as a factor of increased mine and government servicing from outside the immediate region.[48]

Participation of Indigenous workers and communities in FIFO/DIDO employment arrangements offers a further opportunity for them to engage in the mainstream economy.

3.1.15 Government Initiatives

The Australian Government has identified a suite of initiatives to assist industry address the skilled labour needs of the resources sector over the five years to 2015.

In 2010 the National Resources Sector Employment Taskforce presented its report[49] to the Government. The taskforce was headed by the then Parliamentary Secretary for Western and Northern Australia, the Hon. Gary Gray MP. The Government accepted the report and all 31 recommendations, and has established an implementation committee. The committee prepared a National Resources Sector Workforce Strategy.

Coincident with the implementation of the taskforce recommendations the Government established the Critical Skills Investment Fund, which allocated part of its fund to projects associated with the specific recommendations (now superseded by the National Workforce Development Fund).

One specific recommendation of the Taskforce (5.4) was: "That the Australian Government fund an industry-based, FIFO development coordinator in Cairns for two years from July 2010 as a pilot, to develop links between resources projects in remote locations and skilled workers, including local unemployed job seekers. If successful, this measure could be replicated in other appropriate locations, jointly funded by the sector and governments."

The Cairns FIFO Coordinator has been established through a joint initiative of SkillsDMC, the minerals sector Industry Skills Council, and a local employment service provider.

The Coordinator connects suitable workers in regional areas with available mining and construction jobs in remote locations via FIFO operations. An industry based FIFO Coordinator develops links between resources projects in remote locations and skilled workers, including local unemployed job seekers, to capitalise on FIFO job opportunities in Australia's growing resources and infrastructure construction industries.[50]

The FIFO Coordinator will assist resources companies to attract and connect skilled workers from the Cairns region to available work on mining, construction and infrastructure projects in remote areas; establish training and employment pathways for skilled workers and unemployed job seekers; and link mining companies with airline and airport service to facilitate the engagement of FIFO workers.

Under the National Resources Sector Workforce Strategy, the Commonwealth Government is also funding FIFO Co-ordinators in Wide-Bay Burnett, the Gold Coast, New South Wales and the Northern Territory.

The City of Geraldton-Greenough has also identified it wants to become a FIFO source and service hub for the region (and other regions). At present, major mining operations in the Mid-West region are mostly located inland, and many services are provided by a FIFO or DIDO workforce while staying within safe travel requirements. There will be

an increased FIFO operations focus through mining companies and local and state governments to service industry and remote community requirements. The City of Geraldton-Greenough is investing in training and education to develop a workforce ready to take advantage of these opportunities.

A number of Queensland coastal communities are gearing up to become FIFO source regions under the Queensland Government's Work for Queensland initiative.[51]

In New South Wales, Orange is effectively marketing its capacity to undertake FIFO source responsibilities to attract more people to live in the community.

3.1.16 Taxation - the Impact of Fringe Benefits Tax (FBT) on Labour Mobility

As outlined above, skills availability leads to the decision to source workers on FIFO arrangements. Tax is a consideration, but it is not the driving factor influencing a mining company's decision to source workers on FIFO arrangements.

The current FBT arrangements for FIFO workers recognise that housing and transportation costs are a necessary business expense to ensure labour can be deployed in remote areas. The purpose of the FBT system is to improve the integrity and fairness of the tax system by ensuring non-cash benefits provided to employees in the course of their employment are appropriately taxed. The FBT exemptions for FIFO workers recognise that essential transport and housing provided to workers in remote areas are not private in nature, and are therefore not taxed under the FBT system.

Given the remote location of many mine sites in Australia, it is common for mining companies to provide subsidised accommodation to employees as an incentive to work in remote areas and subsidise the high costs of accommodation associated with some remote areas. The FBT exemptions for remote housing (section 58ZC of the *Fringe Benefits Tax Assessment Act 1986*) and FIFO accommodation (section 47(5)) and transport (section 47(7)) are utilised by mining companies. The 50% FBT reduction for housing assistance provided to employees residing in remote areas is also utilised (section 60). However, use of the 50% concession is limited, other than for rental subsidies, as it is restrictive and administratively complex to apply.

The current FBT rules are skewed towards rental accommodation. There is little incentive in the current rules for employees to purchase a home in the local community. The tax treatment can be summarised as follows between FIFO and residential workforces:

- FIFO workforce - employer provided accommodation and transport is exempt from FBT.
- Residential workforce – employer provided accommodation is exempt from FBT.
- Residential workforce – employer subsidised accommodation is concessionally taxed with varying tax outcomes depending on the type of accommodation provided.

These distortions could be overcome by extending FBT exempt treatment of employer provided accommodation to partially exempt accommodation subsidies or by streamlining the 50% FBT concession rules for residential workforces. Under an aligned system of FBT exemptions for remote area housing, employers would be able to provide a housing subsidy to all employees residing in remote areas with the same tax outcome irrespective of whether the employee rents or purchases a home.

Company provided accommodation - remote area exemption – FIFO and residential workers

The remote area housing exemptions are commonly used by the mining industry to provide accommodation to FIFO and some residential workers. The FBT law provides an exemption and sets out conditions to target the exemption to housing in remote areas where there is limited accommodation available. These conditions are simple to administer. In determining a 'remote area', the existing remote area classifications have been in place for some time, are well understood and are reflective of the fact that these costs are a cost of doing business.

Company subsidised accommodation - remote area 50% concession – residential workers

In contrast to housing provided by an employer, other forms of housing assistance provided to an employee in remote areas are not eligible for a full FBT exemption. Rather, the value of assistance provided to an employee for interest expenses for a housing loan, expenses incurred to purchase a property, or rental costs is reduced by 50%.

Providing such assistance has proven to be restrictive and distorts assistance toward rental rather than purchase of accommodation. Given the compliance costs involved, the different tax outcomes generated by the

classification of assistance provided, and restrictions around such assistance, mining companies are less likely to provide rental assistance or costs associated with a housing loan to employees in remote areas.

In the case of rental subsidies, the 50% concession involves minimal administrative costs. The concession provides a reasonable tax outcome to the employer with the taxable value of the assistance calculated as the employer provided subsidy less 50% of the employee's rental expenditure. The straightforward eligibility criteria (assistance is provided to an employee, under an arm's length arrangement, for their usual place of residence) reduces administrative costs for both the employer and employee.

By contrast, providing a subsidy for interest expenses on a mortgage incurred by an employee has a number of restrictions. The 50% concession applies to a narrow range of loans - only residential loans for the purchase of a home or an extension are eligible. Loans to redecorate, landscape, install a pool etc are not eligible and interest concessions cannot be apportioned. This means that once provided, an employee cannot utilise any built up equity to redraw on the loan to undertake any work on their home (other than extensions). If an employee refinanced to pay for improvements, the loan would be deemed non-qualifying, and the interest subsidy would no longer be eligible for the FBT concession.

Administration of this particular benefit requires detailed and ongoing compliance checks. Purchase documentation, loan offer documentation, and utilities bills to prove eligibility are required. Each month on claiming the benefit the employee also needs to provide copies of bank statements to prove there have been no withdrawals on the loan account.

The 50% concession for the cost of purchasing housing involves low compliance costs (proof of expenditure and remote area is all that is required), however, the benefit is limited because the 50% concession does not apply to financing or mortgage servicing costs. Only upfront costs such as deposit, stamp duty, legal fees etc are eligible.

To illustrate the differing tax outcomes, assuming a $50,000 subsidy is provided to an employee under each of the three above scenarios to assist with an annual cost of $60,000 – for rent, for home loan interest expenses, and for home purchase costs. Tax payable would be $17,383 if the employee rented and $21,729 for interest expenses and also for purchase costs. Tax payable would rise to $43,458 where a loan became non-complying due to the employee redrawing on the loan for home improvements.

This distortion towards rental can impact on labour retention, increase the demand for rental properties, thereby increasing the rents in the respective area and can be unfair to employees who choose to purchase a home in a remote area.

Goods and Services Tax (GST) distortions

The ATO's view of the GST treatment of employer provided accommodation also involves a distortion against construction of homes and apartments for employees.

A number of mining companies construct and provide accommodation premises for employees in remote areas. The GST treatment differs depending on whether the accommodation provided to employees is 'residential' (a house or apartment) or 'commercial residential' (multiple occupancy quarters such as mining camps or motel like accommodation).

The ATO recognises FIFO accommodation can have the characteristics of 'commercial residential premises' and is taxable, therefore eligible for input tax credits for the costs of constructing and running such premises. However, the ATO considers supplies of 'residential premises' are not eligible for input tax credits.

These rules mean that where more permanent forms of housing are provided to employees, such as standalone homes or apartments, no input tax credits are available to a company providing this form of accommodation, thus increasing the cost of this form of accommodation and adding to the economic bias toward the provision of FIFO accommodation.

The Windsor Report[52]

The House of Representatives Standing Committee on Regional Australia's report into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia (Windsor Report) made recommendations to impose FBT on certain FIFO arrangements. The Committee recommended that the Commonwealth Government amend the *Fringe Benefits Tax Assessment Act 1986* to:

- Remove the exempt status of FIFO/DIDO work camps that are co-located with regional towns; remove the exempt status of those travelling to and from work at operational mines; and remove the general exemption for FIFO/DIDO workers from the 12 month limit of payment of the living away from home allowance (with carve outs for limited lifespan construction projects and remote areas where FIFO/DIDO is unavoidable).

By taxing business inputs and introducing a distortion into the tax system, these recommendations would increase the costs of employing workers in remote areas and discourage labour mobility. It is a principle of good tax policy that business inputs are not taxed and the FBT remote area rules for accommodation and transport provided to FIFO employees operate on this basis.

As an alternative to the Windsor report recommendation, ensuring all accommodation in remote areas is exempt from FBT and reducing administration requirements for the FBT concessions for residential workforces would remove an impediment to the development of residential housing in regional communities.

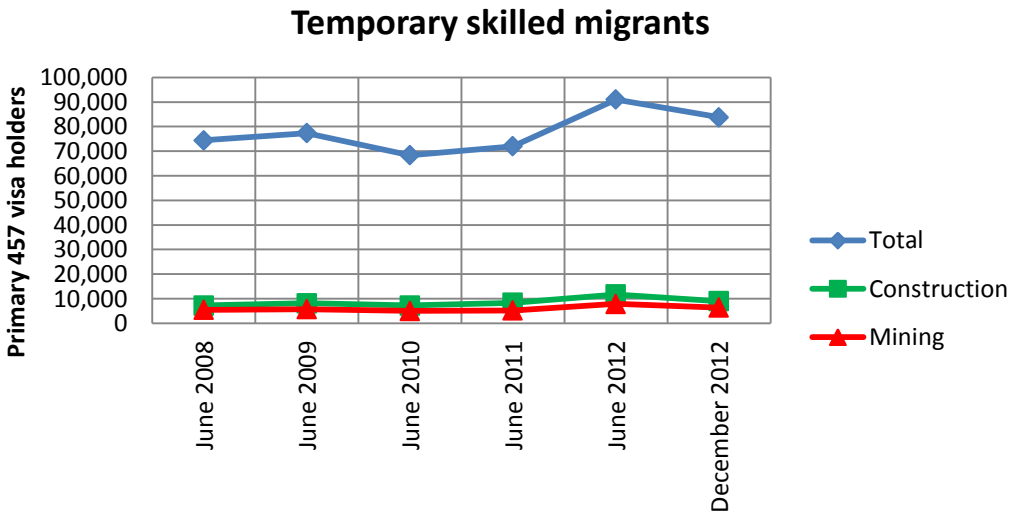
3.2 SKILLED MIGRATION

The Australian minerals industry is an employer of Australians first and foremost. The Australian minerals industry employs only 2.6 per cent of its workforce through temporary skilled migration. The Australian minerals industry spends more on training per employee than most industry sectors, and at levels that are multiples of Government benchmarks.

3.2.1 Minerals Industry Use of Temporary Skilled Migrants

At 31 December 2012, the Department of Immigration and Citizenship (DIAC)[53] reported that there were 6,380 primary 457 visa holders in the mining sector (representing 2.6 per cent of the mining workforce). The long term average for 457 visa use is 3 per cent of the mining workforce. There were 8,990 primary visa holders in the construction sector (includes all construction - residential, commercial, industrial, infrastructure, resources, etc.).

The total number of primary 457 visa holders across all industries was 83,840 (representing 0.72 per cent of the national workforce), of which the mining workforce represents 7.6 per cent.



The main occupations of primary 457 visa holders at 31 December 2012 were Professionals (43,420), Technicians and Trades (20,600) and Managers (13,910). That is, these three highly skilled occupational categories of temporary skilled migrants account for 93 per cent of all primary visa holders. Machinery Operators and Drivers totalled 370 people or 0.45% of primary visa holders.

Of the 6,380 temporary skilled migrants in the mining industry, 3,670 are located in Western Australia and 1,680 are located in Queensland.

The top five countries of origin (citizenship of primary visa holder) at 31 December 2012 were: UK (26%), India (15%), Ireland (9%), Philippines (6%), and USA (6%).

In the 6 months to 31 December 2012 there were 37,720 primary visa applications lodged by sponsors; 2,740 of these were in the mining sector and 4,650 for the construction sector. The average total remuneration of the mining sector applications granted was $137,700, which was the highest of all industry sectors. In the 6 months to 31 December 2012 there were 32,940 primary visa applications granted; of these 2,730 were in the mining sector and 4,440 were in the construction sector.

Also in the 6 months to 31 December 2012, a total of 16,920 permanent/provisional visas were granted to holders of 457 visas, with 54% of those processed under the employer nominated scheme. On an annualised basis this represents more than 50% of temporary skilled migrants converting to permanent migrants.

The most overwhelming observation is that during the period 2008 to 2012, when the minerals sector workforce grew from a pre-GFC peak of 163,800 to 246,050 (an increase of 51 per cent), the number of temporary skilled migrants employed in the minerals sector only grew from 5,460 to 6,380 (an increase of 17 per cent) over that similar period (June 2008 - December 2012). As a proportion of the total minerals workforce, temporary skilled migrants have decreased from 3.3 per cent to 2.6 per cent, primarily reflecting the decrease in the workforce off its May 2012 peak (of some 260,000) to the latest May 2013 figure (of 236,000).

This clearly demonstrates the minerals industry commitment to employing Australians first and foremost, while combatting skills shortages and supplementing its workforce with temporary (highly) skilled migrants; demand-driven and only to an average of some 3 per cent of mining workforce.

The MCA believes that 457 visas are effective in filling areas of identified skill shortages in the minerals industry, especially in the professional cohort. As the Chairman of the Ministerial Council on Skilled Migration Michael Easson has observed, the skilled migration program has been "one of the quiet achievements of Australian public policy… (and) one of the great success stories of the past decade".[54]

Easson observes that "The much maligned temporary 457 sponsored skilled worker program responds to the economic cycle… employer-sponsored migration is a demand-driven model that places skilled migrants directly in the jobs they need and where locals cannot be found". He argues that there is already a "price signal in the 457 program that ensured local employees were a more attractive proposition than foreign workers", largely as a result of the benchmark criterion for 457 applicants being market rates of pay rather than the award minimum.

Underpinning Easson's comments is a recent Migration Council of Australia report that shows 457 visa holders are vital to Australia's skills development, with 76 per cent of 457 visa holders helping to train or develop other workers. The same study shows that violations of the visa were minimal. Further to this, a recent ABS report has shown that Australia will not reach its 40 per cent higher education attainment target without migrants, with migrants, accounting for four in ten degree-qualified 25-34 year olds, as opposed to two in ten a decade ago – three-quarters of these are temporary residents such as 457 visa holders or international students.[55]

The cost of employing and sponsoring 457 visa holders ($60,000 per person according to the Australian Mines and Metals Association[56]) means they will typically be used on a needs basis. This has been evidenced by the minerals industry's substantial investment in training at a level of some 5.5 per cent of payroll (including apprenticeships and traineeships), far in excess of the 1% training benchmark that needs to be met to hire a 457 visa worker or undertake an Enterprise Migration Agreement.

Enterprise Migration Agreements have not been allowed to work effectively since their introduction, despite strong safeguards including the need for employers to provide a training plan, labour market analysis and workforce plan. EMAs should be market responsive like 457s, but on a mass scale for large scale projects, acting as a safety net in the event of local skills shortages. Calls for further tightening of the EMA guidelines is aimed at rendering them unworkable, thus adding an extra element of risk to large construction projects in the mining sector.

The MCA annually contributes to the Australian Workforce and Productivity Agency (AWPA) consultation on the Skilled Occupation List (Schedule 1 of the Consolidated Sponsored Occupations List). The MCA supports this consultative mechanism to identify medium and long-term skilled occupations likely to be in demand considering national and regional supply and demand imbalances, reflects the need of industry and considers formal licencing and registration requirements.

The MCA recommends that the process of listing occupations on the Consolidated Sponsored Occupations List continue on this consultative basis and form the platform of any departmental oversight and enforcement of agreements and undertakings entered into by sponsors. In any respect, any such oversight should be on a performance basis, not a prescriptive basis. In response to employer and market demand, the MCA was able to successfully call for a number of skill-shortage occupations to be added to the list in recent years (e.g. Project Managers), thus assisting the smoother construction and operation of several major projects.

Simply, without temporary skilled migration, the Australian minerals industry would not have been able to respond to the significant investment demand in mining experienced over the past decade. Regional economic and social impacts are clear with thriving mining communities across Australia – the recent MCA KPMG Report[57] based on 2006 and 2011 ABS Census data shows that incomes and educational attainment are higher, unemployment is lower and there are more families and working aged residents in Australia's mining regions than in regional Australia more generally.

The minerals industry welcomes an effective temporary skilled migration program that has the capacity to respond to economic demand within a framework that ensures integrity and efficiency; as yet it is too early to tell whether the Government's recent changes will have an impact on the minerals sector. The MCA, however, urges a cautious approach and would be concerned if an overall successful scheme continued to be used as a "political football".

With hundreds of billions of dollars' worth of proposed resource projects, our industry cannot source all the skilled people it needs domestically – some of these proposed projects have not reached the final investment decision stage, and misinformed debate around skilled immigration will not be conducive to positive investment decision-making.

3.3 OTHER CONSIDERATIONS – INDUSTRY TRAINING EFFORT

Training and workforce development are a crucial mechanism to ensure a supply of skilled workers enters and remains in the industry.

A valid policy base is essential - the basis of this is the notion of an "uninterrupted skills pathway", regardless of the business cycle.

This means the industry and associated education and training institutions providing continuing to fund and provide quality training throughout the cycle.

3.3.1 Minerals Industry Investment In Higher Education

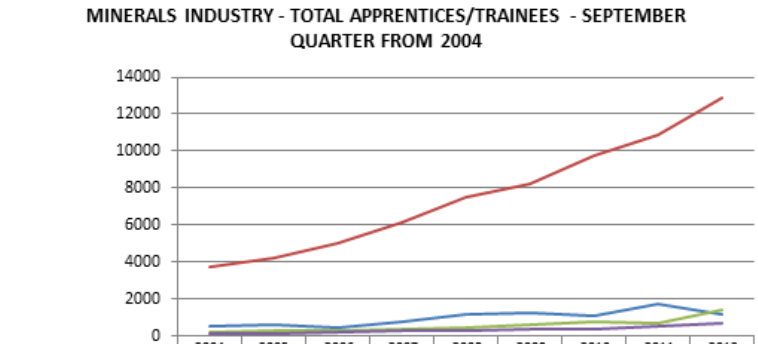
In response to the shutdown of engineering and geoscience schools, the MCA established with key companies and universities the Minerals Tertiary Education Council (MTEC), which has underpinned the tertiary disciplines with $34 million worth of funding over the past decade.

This has also underpinned developing new educational pathways – under the MTEC initiative, we have been developing an Associate Degree program that addresses professional skills shortages. As well as training more engineers and geologists, we are training paraprofessionals to do some of the work that engineers are currently doing, freeing the engineers up for more strategic work and reducing the skills pressure on the profession – this also represents a new pathway from VET qualifications to a full 4 year engineering degree.

3.3.2 Minerals Industry Investment in Apprentices and Trainees, VET and Private Training

The minerals sector spends more on training per employee than most industry sectors and significantly more than the national average, with the overwhelming majority of training being privately funded. In reality, around five per cent of the minerals industry workforce is either a trainee or an apprentice, with many more undertaking training that is not part of a formal qualification.

Recent work by NCVER[58] for the Minerals Council of Australia shows that the minerals sector spends around 5.5 per cent of payroll on training, well above government benchmarks such as the 1 per cent training benchmark required to hire 457 visa workers. On a year-on-year basis, the minerals industry continues to increase the numbers of apprentices and trainees it employs. The figure below show the total apprentices and trainees (that is, traditional trades apprenticeships plus traineeships) in the minerals industry for the September quarter 2004-2012, with total apprentices and trainees in training rising from 10,839 in the September quarter 2011 to 12,896 in the September quarter 2012[59].



	2004	2005	2006	2007	2008	2009	2010	2011	2012
Commenced	552	653	449	767	1157	1297	1104	1750	1188
In Training	3757	4217	5000	6131	7540	8197	9786	10839	12896
Completed	208	318	269	363	454	594	775	744	1461
Cancelled/Withdrawn	171	182	203	291	337	346	399	518	679

According to the NCVER report, the industry spent in excess of $1.1 billion spent on training activity for the financial year ended 30 June 2012,

In detail:

- 67 per cent of companies reported employing apprentices and trainees, above the Australian average of 29% as measured by Survey of Employer Use and Views (2011). Overall, apprentices and trainees make up around 5% of the mining workforce.
- 77 per cent of total mining operators offer at least one form of nationally recognised training to their employees (above the Australian average of 21% SEUV).
- 78 per cent of mining companies offer some form of structured non-accredited training and 82 per cent of mining employees participate in such training.

3.3.3 Minerals Industry Investment in Training Partnerships

Partnerships are important, too. The Federal Government introduced in 2012 the National Workforce Development Fund (NWDF)[60], which has been successful because it puts training funds in the hands of the employer, the logic being that the best guarantee of effective skills development is a job. The industry's base criteria for effective training is the ability to operate safely and competently in the workplace

Our sector has responded by outspending Government in the NWDF partnership $1.20 to $1.00. The reason for the take up is that the Fund allows choice to be exercised by companies as to the content, timing and relevance of quality outcomes from training via direct purchasing. This has led to considerably more efficient resources allocation of public training funds that are matched more closely to industry needs and are more responsive to necessary employer changes in skill mix.

Furthermore, we recognise that economic cycles can affect the labour market, particularly in regional areas with a narrow economic base; we are involved with the NFF, SkillsDMC and Agrifoods Australia in a program that cross-trains young people in both resources and agricultural disciplines to Cert 2 level. The Regional Agricultural and Mining Integrated Training (RAMIT)[61] program counters lack of opportunity in regional areas and the inevitable shift to larger centres.

3.3.4 Minerals Industry Investment in Training Quality

The industry has been conducting its own VET Quality Assurance Project[62] under the auspices of its Industry Skills Council SkillsDMC.

This is market-driven and outputs-based, with employers being given a set of relevant quality criteria to measure potential training organisations against, with testimonials giving market guidance to others once the training is completed. This process is already receiving commercial application by a company as part of a piloting process. Companies see that quality training will increase employee engagement and productivity.

3.3.5 Minerals Industry Investment in Advanced Apprenticeships

The National Apprenticeships Program (NAP)[63] is an MCA, Government and union backed mechanism for workers with partial qualifications to take advantage of Recognised Prior Learning and do an 18-24 month apprenticeship on site. Early studies show that these generally older, more experienced apprentices are less likely to drop out than their younger counterparts, and will add more value to companies. Use of experienced workers also addresses skills shortages more rapidly and effectively.

All NAP participants are FIFO workers who, at this stage, commute to either the Bowen Basin in Queensland or the Pilbara. A key strength of the program is that the decision to train as an apprentice is accompanied by the strong likelihood of a 'real job' at the end of the apprenticeship period.

3.3.6 Minerals Industry Investment in Strengthening the Workforce Through Diversity

Uncertainty surrounding an adequate supply of skills has created a sub-optimal investment climate for the mining sector. National skills shortages artificially push up wages and unnecessarily raise business costs

While current industry uncertainty is making predictions difficult, on current medium term trends, Australia will not be able to supply sufficient technicians, geologists, mining engineers or other related skills to meet immediate industry needs. New graduates in geoscience between 2010 and 2015 are forecast to meet less than 20 per cent of new and replacement demand. In mining engineering, the figure is 40 per cent.[64]

It is economically sound to expand the labour pool by tapping into underrepresented groups such as female and indigenous workers, particularly in occupations where skills shortages exist.

The industry has worked closely with Indigenous communities and their leaders to increase Indigenous participation in the industry, to the point where the industry is the largest public or private sector employer of Indigenous Australians. While most indigenous workers are local, some are LDC workers.

Women make up 15 per cent of the minerals workforce, up from 11 per cent in the late 1990s. There is still further progress to be made and the MCA and the broader industry are implementing strategies to increase this percentage over time.

4. THE NEED FOR EVIDENCE-BASED POLICY

The MCA shares the Productivity Commission's policy objectives around improving the productivity and economic performance of the economy, improving competitiveness and reducing regulation.

As such, we welcome the Productivity Commission's attempts to analyse geographic labour mobility, its drivers and its impacts in detail.

As the minerals industry's focus changes from price-led to volume-led growth, as well as from an investment phase to an operational phase, there is a renewed emphasis on targeted productivity.

It is critical that a range of staffing options, including LDC and temporary skilled migration, continue to be utilised to ensure the efficient allocation of labour that supports employee preferences.

To ensure the MCA's arguments and the Government's policy responses in this policy area are meaningful and evidence-based, the MCA and its affiliates have undertaken systematic and comprehensive research, in the MCA's case, the abovementioned KPMG studies.[65]

Quite offensively, the Windsor Report[66] described FIFO/DIDO as a "cancer". It ignored the MCA KPMG studies, despite acknowledging that there was a lack of empirical evidence on LDC cited in its considerations.

Furthermore, the recent tightening of conditions around the subclass 457 visa has occurred without the support of the Ministerial Council on Skilled Migration or the involvement and endorsement of industry. Nor did it take into account the skills transfer that 467 visa holders bring or their contribution to the stock of Australian graduates. Furthermore, comprehensive widespread evidence of alleged abuse of the 457 visa scheme has not been advanced in support of the changes.

The MCA urges that future Governments:

- Does not interfere in relationships between employers and employees with regards to their choice of living base.
- Opposes any changes to the tax treatment of FIFO that add to the cost of doing business and deny workers the choice to fly in and fly out of their place of employment.
- Supports continued Commonwealth funding of FIFO co-ordinators to help supply the mining industry with the skills it requires, as well as stimulate employment in coastal and other communities affected by the relatively high Australian dollar and the downturn of other industries.
- Keeps the temporary skilled migration program (sub class 457 visas) uncapped and ensures that initiatives to improve processing efficiency are maintained.
- Reverses the recent legislative changes to the Migration Act restricting the use of 457 visas; if this is not possible under the current or future Parliamentary make-up, ensure that the regulations underpinning the new Act are as "light touch" as practicable.
- Revises Enterprise Migration Agreement guidelines to reduce union consultation requirements and make them more attractive to industry.
- Recognises the industry's training effort and continues to work with it in developing a skilled, flexible and diverse workforce.
- Supports existing rigorous State and Federal assessment and project approvals processes are the correct instrument to assess and mitigate possible social, environmental and economic impacts.

5. CONCLUSION

The Minerals Council of Australia (MCA) welcomes the opportunity to make a submission to this Inquiry.

As the industry focus changes from price-led to volume-led growth with an increased focus on targeted productivity, we continue to see geographic labour mobility as more important than ever so that relevant skills are applied to projects, with LDC and skilled immigration an important option for both employers and employees.

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