



Submission to Productivity Commission Issues Paper

Geographic labour mobility

August 2013



AMMA is Australia's national resource industry employer group, a unified voice driving effective workforce outcomes. Having actively served resource employers for 95 years, AMMA's membership covers employers in every allied sector of this diverse and rapidly evolving industry.

Our members include companies directly and indirectly employing more than half a million working Australians in mining, hydrocarbons, maritime, exploration, energy, transport, construction, smelting and refining, as well as suppliers to those industries.

AMMA works with its strong network of likeminded companies and resource industry experts to achieve significant workforce outcomes for the entire resource industry.

The resource industry currently employs more than 1.1 million people either directly or indirectly and accounts for 18% of economic activity in Australia¹ (double its share of a decade ago). The industry is forecast to contribute a record \$205 billion of export earnings to our national income in 2013-14².

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¹ Reserve Bank of Australia research discussion paper, *Industry dimensions of the resources boom*, February 2013

² Bureau of Resources and Energy Economics, *Resources and Energy Quarterly—March quarter 2013*

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Executive summary

1. AMMA welcomes the opportunity to provide input into this important study by the Productivity Commission. Examining the patterns of labour mobility, the impediments, the enablers and their effect on Australia's ability to meet its changing workforce and employment needs is an important initiative.
2. AMMA would like to highlight at the outset that it is vital for policy makers to take a realistic and pragmatic look at the complex challenges associated with domestic labour mobility, particularly as it pertains to Australia's resource industry, which AMMA represents.
3. Understanding the real-world challenges associated with labour mobility will ensure sensible and practical policy making that takes into account the necessity and benefits of supplementary labour sources (such as commuters from other states and overseas workers) while at the same time seeking to ensure the local population is as highly and relevantly-skilled as possible.
4. Increasing labour mobility within Australia is not something that will happen with small adjustments but rather requires big thinking and co-ordinated interventions by policy makers at all levels.

Guiding principles and priorities for employers

5. The resource industry recognises that a mobile and agile workforce is required for companies to gain access to the skills they need to deliver projects on time and on budget.
6. Effective steps that encourage domestic labour mobility by facilitating worker relocation can help to ensure that Australian workers are the prime beneficiaries of the resources boom.
7. In particular, the industry urges policy makers to recognise:
 - a. That genuine challenges exist in encouraging and facilitating worker relocation, particularly from urban east coast areas to remote and regional areas in the west;
 - b. That fly-in fly-out (FIFO) working arrangements can be appropriately balanced with local residential workforces;
 - c. The important contributions made to the Australian economy by skilled migrants; and
 - d. The important role played by resource companies in providing regional investment through mining projects and associated roadworks and infrastructure.
8. While there is no easy fix for improving Australia's labour mobility, AMMA makes a series of recommendations in the next chapter to help guide the future activities of policy makers.

Recommendations

The following recommendations are aimed at providing a starting point for the Productivity Commission and other policy makers about the areas that are most likely to have a positive impact on labour mobility if approached in a co-ordinated and well-informed way:

- **First and foremost, a scoping exercise** should be undertaken to clarify the roles of the various labour market “actors” in relation to labour mobility in both a national and regional context;
- **There must be enhanced co-operation** between those actors at different levels of policy development and intervention;
- **There must be an acknowledgement** that Fly-in Fly-out (FIFO) working arrangements are essential remote mining practices that both employees and employers support and which allow resource projects to operate in locations where they otherwise would not be able to;
- **The Federal Government** must ensure employers have ongoing and responsive access to temporary skilled migration as a key part of Australia’s labour mobility strategy in an increasingly global labour market;
- **State and federal governments** must allocate appropriate funding for regional development to sustain future population increases driven by resource projects, focusing investment in areas where it will have the most beneficial long-term impact;
- **There should be a recognition** that improved services, infrastructure and housing in regional communities is not the sole responsibility of companies in the resource industry and governments should provide effective support to such private sector investment;
- **Regional councils** should be encouraged to release land for housing developments in a timely and responsive way;
- **The Federal Government** should consider tax incentives for employees who take up residence in regional mining areas in an attempt to attract more employees and their families to regional communities;
- **Closer relationships** should be facilitated between government, industry and educational providers to encourage traineeships and further study in regional communities, building on the many initiatives the resource industry already undertakes to train and upskill Australians;
- **State and federal governments** should harmonise state-based impediments to labour mobility like stamp duty, school start and finish ages and occupational licensing requirements, with harmonisation of the latter already well under way; and
- **The Federal Government** should review recently enacted changes to the tax system that provide parties with less certainty over employment arrangements for the life of resource and construction projects and which at present are encouraging undesirable levels of labour mobility.

Labour mobility in Australia

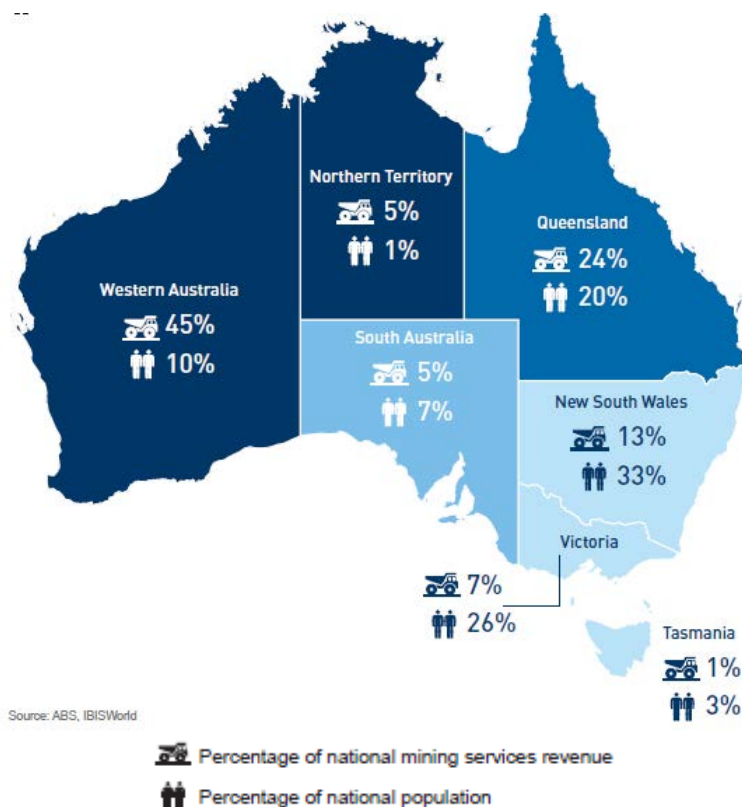
9. A greater level of labour mobility is desirable to ensure the necessary skills are transferred to the right geographical locations so that major projects, particularly resource projects, can be constructed and operated. However, policy makers must be careful not to encourage undesirable levels of mobility that result in workers chopping and changing jobs too often, adding to commercial uncertainty as well as skills and labour shortages in certain areas.
10. As the Reserve Bank of Australia recently noted³:

"Although there are potential benefits associated with workers moving between jobs, there are also costs. In particular, it is widely recognised that job stability provides considerable benefits to workers in terms of economic security. Firms also benefit from retaining a stable and experienced workforce. The benefits of longer job tenure, and the costs associated with turnover, create a trade-off between labour mobility and job stability."
11. For instance, some recent legislative changes in the fringe benefits tax area can be expected to have an adverse impact on labour mobility, providing less certainty for employees and employers on major resource projects. Changes to the tax treatment of the Living Away from Home Allowance (LAFHA) in 2012 have given all parties less certainty about employment arrangements for the life of a project and will encourage employees to reassess their job situation at arbitrary 12-month intervals.

Labour mobility trends in Australia

12. It is fair to say that Australians have shown a preference for living in urban and coastal centres, with a tendency for east coast workers not to want to relocate to the west coast.
13. The map below shows the proportion of the population residing in each state and territory alongside the proportion of national revenue from mining operations derived from each state.

³ *Labour Market Turnover and Mobility*, Bulletin – December Quarter 2012, Reserve Bank of Australia



14. As the map above shows, 79% of Australia's population currently live on the east coast (82% if you count Tasmania), while just 11% live in WA and the NT. So while WA generates 45% of national mining services revenue, it does so drawing on just 10% of the population in terms of a labour pool.
15. While labour mobility within Australia, particularly from the east coast to the west, can definitely be improved, it should be noted that in 2010 Australia's level of labour mobility was ahead of that in Canada and the European Union, although behind that of the United States.
16. As the chart below shows, migration across Australian states and territories is less common than across state lines in America but more common than across Canadian provinces or regions within the euro-area economy.



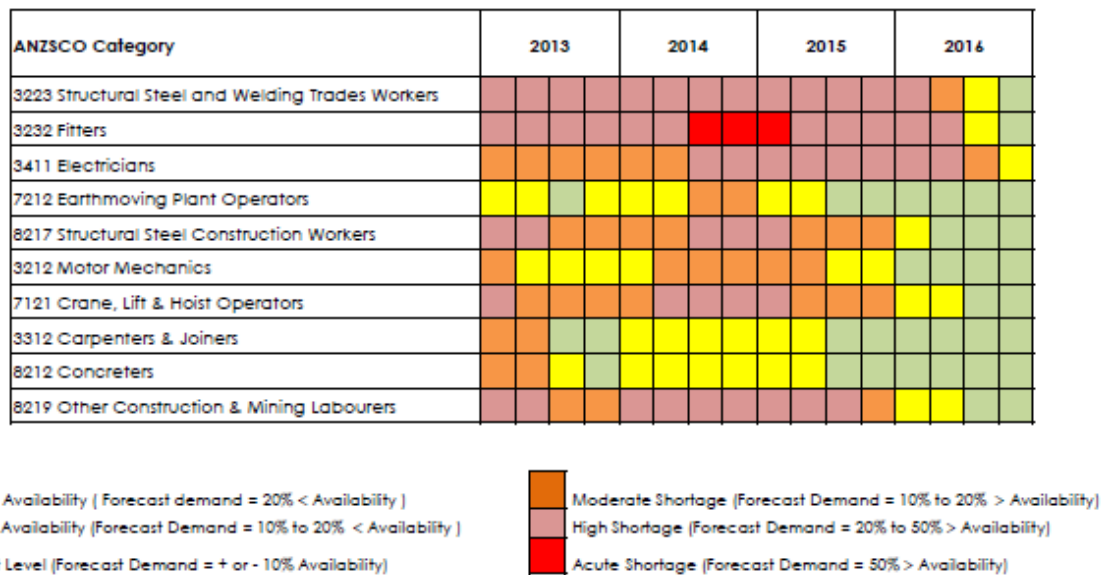
17. While America is currently ahead of Australia in terms of domestic labour mobility, it is worth noting that since 1990 even the percentage of Americans moving from one state to another each year has halved.
18. Recent data from the Household, Income and Labour Dynamics in Australia (HILDA) survey suggests that less than 1% of all workers relocate interstate as part of a job change, but this small number has made an important contribution to accommodating changes of pace in employment growth across different states in the past decade.

Mobility challenges in the resource-rich states

19. Since early 2002, employment growth in the resource-rich states of Qld and WA has exceeded national employment growth by more than 10 percentage points⁴. Employment growth in other states and territories, with the exception of the Northern Territory (NT), has been slower than national growth.
20. Qld and WA are therefore most in need of an inflow of labour from other states to keep pace with employment growth. Both Qld and WA do currently have higher rates of net migration from overseas and interstate than the national average, and net outward migration from NSW and the smaller states has provided some workers to those faster-growing states. However, despite labour market prospects arguably being stronger in WA, fewer workers have relocated there than to Qld.
21. While Australian workers are perhaps disinclined to permanently relocate to regional areas in WA, they are more inclined to work there for short periods via long-distance commuting, ie fly-in fly-out (FIFO) arrangements.
22. Between 2006 and 2011, there were significant increases in the number of long-distance “commuters” (FIFO workers) to both WA and the NT. The number of commuters to WA more than doubled to 13,600 during that five years, with the net increase equivalent to 4% of employment growth in the state during that time. Long-distance commuters overwhelmingly work in mining, construction and government, with most of the WA increase in commuters travelling to regional areas for mining operations.
23. AMMA partner and labour market consultancy Pit Crew recently examined the challenges of accessing skills in “northern” Australia (defined as Qld, the NT and WA).
24. The Pit Crew analysis paints a very different picture of the availability of labour between the southern states (NSW, Victoria, Tasmania and SA) and the northern states (Qld, the NT and WA).
25. As the chart below shows, Pit Crew predicts that construction labour shortages will become increasingly severe in northern Australia in the next three years. Specifically, an acute shortage of fitters and a high shortage of riggers, scaffolders and crane operators is expected in 2014 and 2015.

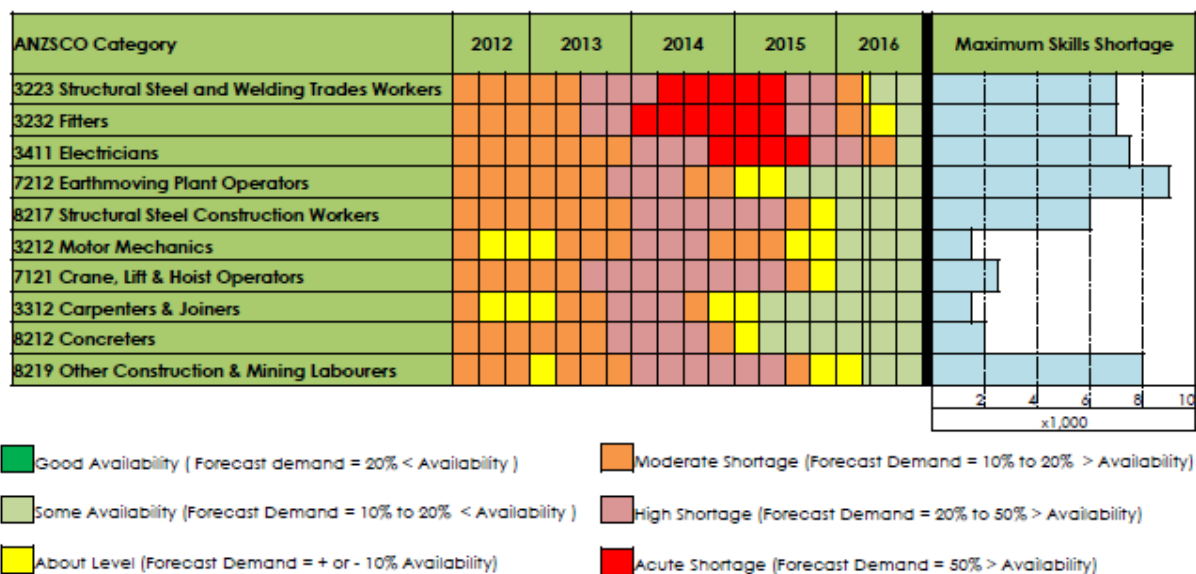
⁴ *Labour Market Turnover and Mobility*, Bulletin – December Quarter 2012, Reserve Bank of Australia

Construction labour availability in the northern states



26. The Pit Crew chart below shows predicted construction skills shortages on all major projects across Australia over the next three years.

Construction skills shortages – all Australian projects



27. As the chart above shows, acute shortages are expected in 2014 and 2015 in occupations like structural steel and welding trades and fitters and electricians, while high shortages are predicted in most other construction occupations listed.

Relocation incentives

28. Starting in January 2011, the Federal Labor Government trialled a two-year worker relocation incentives program. As part of the program, the government offered unemployed individuals up to \$6,000 in relocation expenses and families up to \$9,000 to move to regional areas for work.

29. As of June 2012⁵, only 33 people had taken up the incentives to move interstate to work in the mining industry. While 559 people had at that stage taken up the incentive, only 6% of them had done so to participate in mining.
30. The \$29.2 million program was intended to encourage 4,000 places over the two-year trial. Given the low take-up of incentives under the program, policy makers could easily double those incentives in any future programs if they think it will make a difference.
31. While the measures are flagged as “incentives” it is important to acknowledge that \$6,000 for an individual and \$9,000 for a family would in many cases only cover removalists, shipping and other expenses associated with relocating. In many cases, this would not operate so much as an “incentive” but as a cost-covering exercise, leaving individuals to still weigh up the benefits of moving interstate with no “nest egg” in tow.
32. A particular reluctance of skilled Australian workers to move to WA was confirmed in [research](#) commissioned by AMMA and conducted by Edith Cowan University in 2012⁶ (see *attachment to this submission for further details*). The study was about the costs and benefits of employing 457 visa workers in WA but made important findings about east coast workers and their perceived reluctance to move to the west coast for work.
33. The research revealed that limited skilled labour in Australia was exacerbated by the fact that even when firms could source Australian workers with the required skills on the east coast, they were often reluctant to move to WA.
34. Added to this were unrealistic expectations on the part of some workers from the east who expected to earn many times the award rate, making them a sometimes uncompetitive option for employers from a labour cost perspective.
35. According to the ECU research, there were a number of reasons workers from the eastern states were reluctant to move to WA, including:
 - a. Having to move away from family and friends;
 - b. A lack of accommodation with reasonable rental rates; and
 - c. The high cost of living in WA.
36. This reluctance of Australian workers to relocate to WA is juxtaposed with significant numbers of workers from countries like Ireland and the UK who are keen to take up the work on offer. If this trend continues, Australian workers will miss out on highly-paid work opportunities.

⁵ ‘Jobless snub offer to move interstate for mining jobs’, *The Australian*, Patricia Karvelas, 5 June 2012

⁶ Edith Cowan University research report – *457 visa workers in the Western Australian resources industry: The benefits and costs for business, migrant families and the community*, Susanne Bahn, Ghialy Yap and Llandis Barratt-Pugh, 2012

37. Fixed remuneration is high in the resource industry, with average wages increasing from \$2,360.90 a week (or \$122,767 a year) in November 2012 to \$2,423.50 a week (or \$126,022 a year) in May 2013⁷.
38. It needs to be kept in mind, however, that lifestyle factors may continue to be valued more than high salaries in the long term by Australian workers. If this is the case, policy makers need to accept this rather than trying to find new but in the end ineffective ways to entice Australian workers to move to other locations.
39. As the ECU study highlighted, and the government's incentives program underscores, large salaries are sometimes not enough to encourage some Australians to relocate to regional areas.
40. Recognising these challenges is a pre-requisite for sensible policy and underscores the need for continued support of responsible levels of skilled migration and long-distance commuting arrangements.

Demographic factors

41. In addition to labour market factors, demographic and lifestyle factors will have an influence on labour mobility.
42. Another finding from the ECU project was that to attract labour, a broad range of economic, social and cultural advantages at any given location is crucial. These included the richness of cultural amenities, recreational opportunities, the 'buzz' of the local arts and music scene, the attractiveness and condition of the natural environment and buildings, the quality of schools, and the safety of the location.
43. Young people at the start of their working lives arguably have the most to gain from moving interstate and the least to prevent them from doing so. However, in the resource industry in particular, there is a need for experienced workers for highly-skilled and safety-critical roles, so young workers or recent graduates may not be the preferred candidates.
44. The growth in two-earner households also plays a part because when both partners work or have their own careers, it becomes more difficult and less attractive to relocate to regional areas where jobs or career opportunities may not be available for both.
45. While WA has some very viable communities like Port Hedland and Karratha which are currently being developed (see chapter on *Investment in infrastructure and social services* for details), some other regional locations are not so appealing.
46. Employees are also sometimes rendered more mobile and employable if they base themselves in cities close to airports so that once a project ends they can fly out to another location for the same employer. On projects that last a few years, there are disincentives to relocating to the regions permanently,

⁷ ABS, Average Weekly Earnings, May 2013 published on 15 August 2013, catalogue number 6302.0

including taxes involved in buying and selling houses (see *chapter on "State-based impediments" for details*).

47. As highlighted later in this submission, inconsistent secondary school start and finishing ages between the states can make relocation even more complicated.

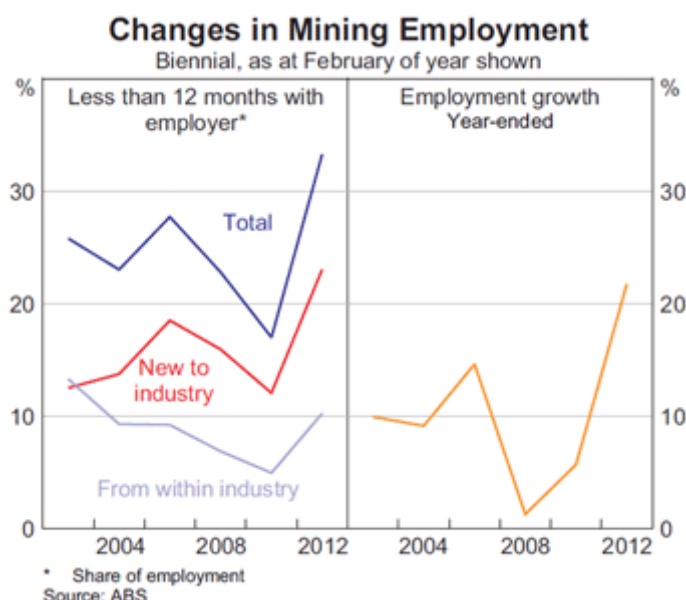
Labour turnover

48. Labour turnover is a useful indicator of mobility and includes voluntary turnover (employees choosing to leave one employer or industry for another) and involuntary turnover (dismissal, contracts expiring, probationary periods ending, etc).
49. From recent available data on labour turnover, the RBA noted ⁸:
 - a. For the 12 months to February 2012, around 80% of Australian workers had not changed jobs in the previous 12 months;
 - b. Of the 20% who had changed jobs, half (10%) were workers who left one job for another while half (10%) were not employed the previous year and took up new jobs;
 - c. Voluntary turnover (by employee choice) is usually associated with individuals' career paths and personal circumstances;
 - d. Workers are most willing to bear the risks of changing jobs when labour market conditions are strong and they are more reluctant or less able to move when employment prospects are deteriorating; and
 - e. The gains from leaving a job will be higher in tighter labour markets when firms are more intensely competing for workers through better wages and conditions.
50. The following graph produced from ABS data reported by the RBA shows the turnover of Australian workers as of 2012 in a variety of industries including mining:



⁸ *Labour Market Turnover and Mobility*, Bulletin – December Quarter 2012, Reserve Bank of Australia

51. The graph above puts the rate of labour turnover in mining at around 33% and as part of that shows a relatively high proportion of workers from other industries moving into mining.
52. The graph below shows changes in mining industry employment growth compared with labour turnover rates.



53. According to the RBA⁹, the relatively high rate of turnover seen in mining is related to rapid growth in employment, which has seen more new workers enter the industry but more existing workers change jobs as competition for labour in the industry encourages job moves from other sectors.
54. AMMA surveys over the past three years have shown that the most common rate of labour turnover cited by AMMA members is between 10% and 15%, although some have a turnover rate as high as 30% and others have a rate as low as 4%.
55. Anecdotal evidence from AMMA members suggests turnover rates are roughly the same for FIFO as for residential workers and roughly the same for men as for women.
56. AMMA members report that turnover is often driven by employees seeking better opportunities elsewhere for more money but the following mix of reasons has been cited:
 - a. Turning over most offshore crew at the end of each project;
 - b. More competitive wages in the oil and gas and iron ore sectors driven in part by labour shortages;
 - c. Location;

⁹ *Labour Market Turnover and Mobility*, Bulletin – December Quarter 2012, Reserve Bank of Australia

- d. Remuneration levels;
 - e. Candidates being deemed unsuitable during probationary periods;
 - f. Better opportunities elsewhere; and
 - g. Redundancies for reasons including efficiency of mining techniques.
57. The main business costs attributed to labour turnover by AMMA members include:
- a. Training and recruitment costs;
 - b. Lost production time;
 - c. Lengthy recruitment processes;
 - d. Lost knowledge, experience and expertise;
 - e. Retraining new workers in client site standards (ie induction training);
 - f. Pre-employment and medical checks;
 - g. Flights and accommodation;
 - h. Decreased productivity due to the loss of site-specific knowledge and work group synergies;
 - i. Reduced capacity to develop workforce skills;
 - j. Declining morale amongst remaining employees; and
 - k. Increased difficulty establishing and maintaining a positive culture.
58. The highest turnover rates in the industry are typically reported for in-demand professionals such as:
- a. Geoscientists;
 - b. Sub-surface engineers;
 - c. Underground surveyors;
 - d. Mine geologists;
 - e. Project managers; and
 - f. Drilling engineers.
59. The aim of policy makers in this area should therefore be to look at the factors impacting on labour turnover to decide whether any would be amenable to policy interventions at a higher level.

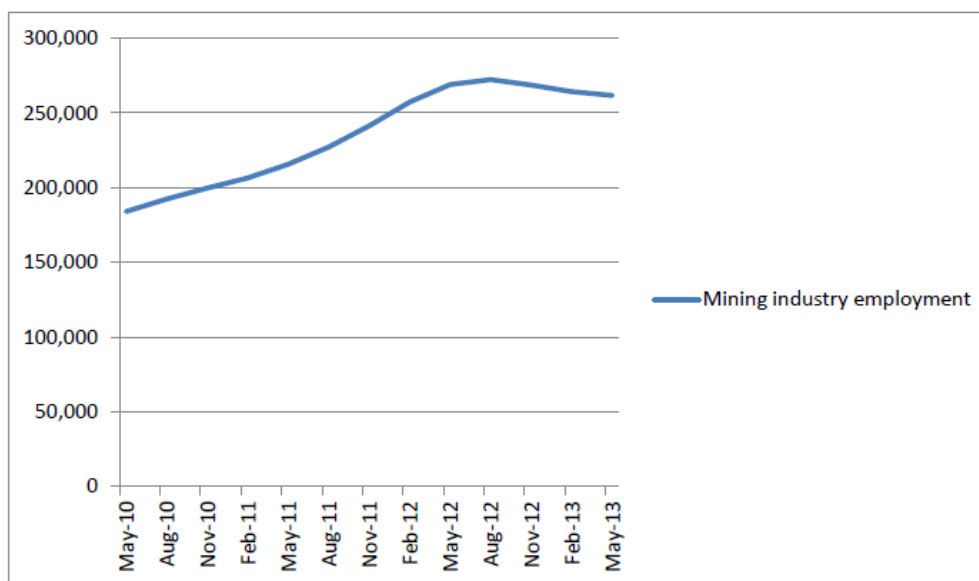
Skills and labour shortages

60. The number of direct jobs in the resource industry peaked in August 2012 at 272,300 and is now sitting at around 261,800¹⁰. Skills shortages, however, are still being experienced by resource industry employers, particularly in relation to professional occupations like engineers and project managers.
61. Anecdotal evidence suggests that around two-thirds of AMMA members are currently experiencing a skills shortage and as a result have had to consider sourcing labour from overseas or interstate to fill key roles.
62. The resource industry is a global industry, with many multi-national companies having workforces in several countries. Industry skills are internationally in demand and individuals are no longer bound to their country of origin. Australia is therefore not alone in its pursuit of the limited pool of skills that exist around the globe. In fact, a 2012 survey by Manpower¹¹ showed that one third of resource employers globally were facing severe recruitment difficulties.
63. Despite the recent tapering off of employment in the resource industry, employment levels remain ahead of predictions made by the National Resources Sector Employment Taskforce (NRSET) in June 2010.
64. NRSET predicted mining industry direct employment would grow to 250,000 jobs by 2015, with the industry already exceeding those predictions in 2013 at 261,800 jobs.
65. It is important to remember that in 2005 the mining industry employed just 107,500 people, which has more than doubled in eight years. The graph below shows the trend in mining employment over the past three years, with employment numbers still well above what they were in 2010.

¹⁰ Australian Bureau of Statistics, Labour Force Detailed Quarterly, May 2013

¹¹ 2012 Talent Shortage Survey research [results](#), Australia and New Zealand, Manpower Group

Mining industry jobs – 2010 to 2013



Labour shortfalls may have been underestimated

66. It follows that if employment in the industry continues to outpace the levels predicted by NRSET, the extent of the skills shortage by 2015 could also exceed expectations.
67. In 2010, NRSET predicted a shortfall of 1,700 mining engineers and 35,800 construction, mining and gas tradespeople in the industry by 2015. At current employment levels, the industry could see a shortage of engineers well into the thousands and a shortage of more than 50,000 tradespeople.
68. Along with the continued shortage of engineers and construction tradespeople needed to get projects off the ground, there is also a shortage of experienced workers in the industry. Today's resource industry is characterised by highly specialised processes due to advances in technologies for exploration and mineral processing. The industry therefore places a premium not only on qualified tradespeople and professionals but on those who have the specific experience the industry needs.
69. AMMA-commissioned research undertaken by Edith Cowan University in 2012¹² identified three main options for policy makers to tackle ongoing skills shortages in the industry:
 - a. Increase the number of apprenticeship training places and encourage completions (see chapter on "*The need for industry-specific education and training*" for details);

¹² Edith Cowan University research report – *457 visa workers in the Western Australian resources industry: The benefits and costs for business, migrant families and the community*, Susanne Bahn, Ghialy Yap and Llandis Barratt-Pugh, 2012

- b. Encourage skilled workers from other Australian states to relocate to resource-rich states like WA and Qld to take up available work; and
 - c. Continue to allow companies to recruit skilled labour from overseas on temporary 457 visas to make up for shortfalls in domestic supply.
70. The ECU project's other findings included that the ability of WA resource businesses to source skilled labour remains difficult due to a lack of specific skills in Australia, low numbers of workers completing apprenticeships compared with starting them, and university graduates completing training with limited 'work ready' skills.

Businesses seek to hire locally first

71. The business representatives interviewed for the ECU project indicated that workers with the specialised skills required such as engineers and project managers were in very short supply in Australia. Even so, it was evident from the interviews with business representatives that they attempted to source labour in Australia first before seeking to bring in workers from overseas.
72. Wherever possible, resource companies source labour from the local community and are cognisant of striking a balance between residential and FIFO arrangements. Some AMMA members offer additional incentives and benefits to residential workers.
73. Measures taken by employers include advertising in local newspapers, attending trade fairs and recruitment expos, promoting their brand and rewarding staff for referring people to their organisation, all in an attempt to attract suitably qualified local workers.
74. While AMMA members actively seek out employees within the local area to add value to local communities, the low population densities in those areas compared with regional and capital centres makes finding the necessary number of skilled workers challenging.

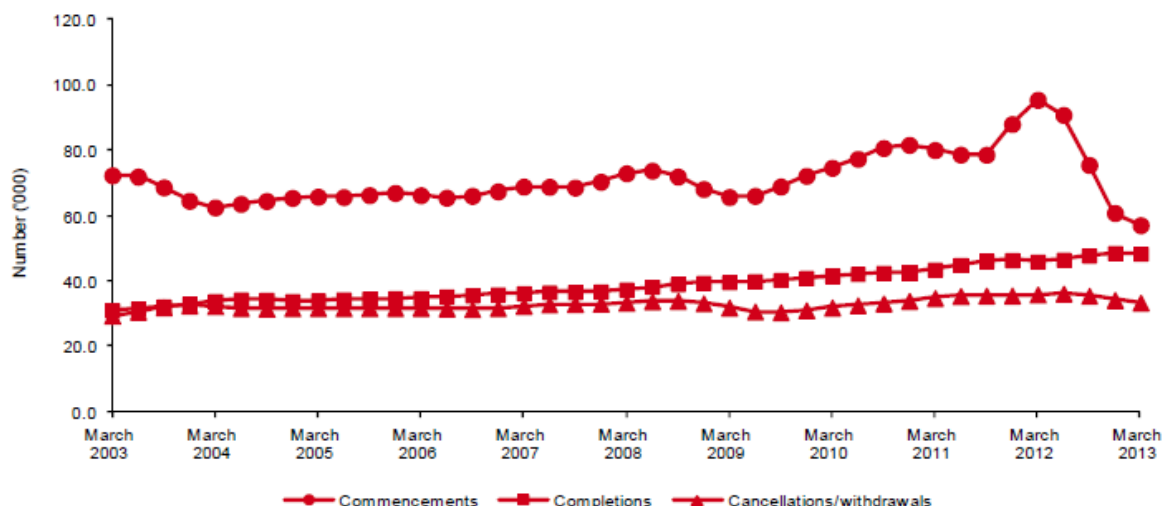
The need for industry-specific education and training

75. It is vitally important that Australian workers are highly skilled but also that those skills are relevant to the job vacancies that exist now and into the future.
76. Redeploying skilled workers from other industries like manufacturing into mining is complex and not as easy a fix as policy makers might wish. But to the extent that Australian workers can be trained to fill suitable vacancies or be redeployed from other industries, AMMA and its members are working to make that happen.
77. Not only are AMMA members doing their part to train significant numbers of new workers for the industry, AMMA itself has a range of government-funded and privately-funded initiatives under way which seek to increase the match of skills with job vacancies across the country.

Training and apprenticeships

78. The latest figures from the National Centre for Vocational Education Research (NCVER)¹³ show that while the number of apprentice and trainee commencements decreased by 9.4% to 296,300 in the 12 months to 31 March 2013, completions increased by 4% to 191,400 and cancellations and withdrawals decreased by 2.7% to 138,600, as shown in the graph below:

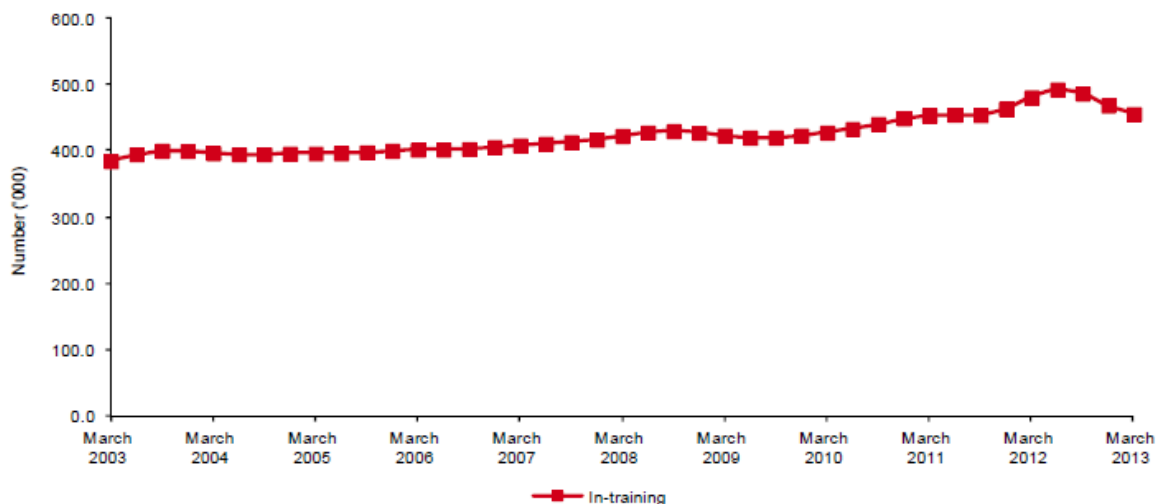
Figure 2 Commencements^{2,3}, completions² and cancellations/withdrawals,⁴ seasonally adjusted,¹ 2003–13 ('000)



79. There were 443,300 apprentices and trainees in training as of 31 March 2013, a decrease of 5.6% from the previous year but still well up on 2003 levels, as shown in the graph below:

¹³ NCVER, Australian vocational education and training statistics, Apprentices and trainees, March quarter 2013

Figure 1 In-training, seasonally adjusted,¹ 2003–13 ('000)



80. A key challenge for policy makers is therefore to improve commencement and completion rates for apprentice and trainee programs by ascertaining the correct mix of employee and employer incentives to make that happen.
81. Ongoing monitoring of successful training retention strategies is also imperative to maximise the completion rate of apprenticeships and ensure a suitable flow of trained workers into the industries where they are needed most.

Resource industry employers' training initiatives

82. Mining industry employers are supporting the development of the necessary skills through significant numbers of apprenticeship and traineeship programs.
83. Under the National Apprenticeship Program (NAP), which offers advanced entry adult apprenticeships, Anglo American Metallurgical Coal had the very first graduate of the NAP, a 35-year-old diesel-fitting apprentice who became trade-qualified in 10 months and six days.
84. Anglo American was the NAP's first host employer with an intake of 21 diesel fitters and electrical fitters/mechanics. Its program comprised two stages including a formal recognition of prior learning assessment to demonstrate existing skills and gap training to complete the trade qualification and harness a wealth of transferable skills.
85. In 2011, Bechtel announced a commitment to support 400 apprentices utilising the NAP to meet the demands for construction of three LNG plants in Gladstone in Qld.
86. In 2006, Leighton Mining (Leighton Contractors) launched its Darra Apprenticeship [Program](#) which has been deemed best practice. Features of the program are that induction and first year are completed in a workshop environment; there is a rotational program to diverse shifts, tasks and environments; there is a dedicated facility for theoretical classes; the TAFE program is integrated with practical CAT equipment training; and holistic training includes OHS requirements.

87. Participants in the program are reviewed against company values and benchmarks and given regular feedback. There is also an Apprentice of the Year program as part of the scheme. The assignment of formal apprenticeship mentors and managers ensures an easy point of access and there is also ongoing organisational learning and development, housing assistance, transport to and from site, and classes to teach general life skills.
88. The program's success is evident in its ongoing attraction and retention rates, with 95% of apprentices staying with the company.
89. Coal & Allied recently took on its largest apprentice intake to date, employing 16 new workers in the Upper Hunter Valley. Between 2002 and 2012, Coal & Allied employed 142 apprentices, with training providing practical work skills as well as education in financial management and other life skills.
90. Since the late 1990s, Barmingo has been running a highly-recognised and accredited apprenticeship program, providing training at its fully-equipped workshop in WA and support through onsite development programs. Barmingo provides apprenticeships for plant mechanics (heavy), auto electricians, boilermakers and fabricators (welders) and light vehicle mechanics.
91. Its apprenticeship programs recognise natural ability as well as prior experience and knowledge. It also encourages mature age applicants with prior mining industry experience and knowledge and offers competitive remuneration packages and a high standard of on the job coaching. For two years running, Barmingo's commitment to training apprentices was recognised at the national Minister's Awards for Excellence.
92. Building on the above initiatives, which are just a tiny snapshot of the training taking place within the resource industry, AMMA would welcome the facilitation of even closer relationships between government, industry and educational providers such as schools, universities and TAFEs to further encourage traineeships and study in regional communities in the disciplines most relevant to the mining industry such as engineering, science and management.

AMMA initiatives to boost skills and workforce participation

93. AMMA is committed to leading and developing a range of initiatives designed to enhance the skills and knowledge of Australian workers, making them more mobile and employable.
94. AMMA provides a range of training and consultancy services to the resource industry in areas like leadership development, employee relations and nationally recognised training certificates. With Registered Training Organisation (RTO) status, AMMA also assists its members in sourcing funding for numerous training projects and initiatives.
95. AMMA works with various strategic partners including the Federal Government, academics, member companies and non-government organisations to deliver innovative skills initiatives for the industry.

96. At a wider level, AMMA has shown leadership through initiatives with an emphasis on women's workforce participation as well as general education and training, plus skills brokering, upskilling and collaboration.

AMMA's miningoilandgasjobs.com

97. AMMA's mininoilandgasjobs.com is an electronic platform matching the correct skill set with industry employers' requirements. It brings together job seekers and recruiters through a user-friendly online database. Candidates are able to upload their profile so that employers and headhunters can reach out to them. Vacancies listed on the website cover areas as diverse as planners/schedulers, site supervisors, engineers, procurement officers, maintenance and trades workers.
98. To further assist jobseekers, miningoilandgasjobs.com contains comprehensive information about employment, training and development in the resource industry. It functions not only as a jobs board but as a career and industry guide developed by the industry for the industry. Information is provided publicly on career paths, training resources, Australian universities, apprenticeships and traineeships, upskilling, mining schools, job requirements, skills assessments and assistance compiling CVs.
99. Breaking into the resource industry is made easier for jobseekers by providing them with a good understanding of how the industry works and the best way to acquire the credentials and experience they need.
100. More than 10,000 Australian jobseekers attended the inaugural AMMA miningoilandgasjobs.com Expo in Perth in May 2012 where jobseekers connected directly with hundreds of major resource employers, top-tier construction contractors and training institutes.

AMMA SkillsConnect

101. AMMA SkillsConnect brings together Australia's peak industry bodies and pre-eminent organisations in workforce-related fields to provide member organisations with a single point of service delivery.
102. It facilitates a range of activities from domestic and international labour sourcing, function-specific training and development, apprenticeship and cadetship programs, verification of competency and international skills assessments.

Australian Women in Resources Alliance (AWRA)

103. The Australian Women in Resources Alliance (AWRA) is a jointly-funded initiative led and managed by AMMA with the goal of increasing women's participation in the mining industry. An AWRA leadership committee is comprised of representatives from various industry bodies and employers across Australia.
104. Using funding provided by the Department of Education, Employment & Workplace Relations (DEEWR) through its Critical Skills Investment Fund, AWRA is

implementing strategies to support increasing women's participation in the industry from the current 16%¹⁴ to 25% by 2020.

105. Research shows that bringing more women into an environment allows diversity to increase workplace productivity as well as boosting workforce supply, both of which are vital for labour mobility.
106. AMMA maintains it is important for the Productivity Commission and other policy makers to acknowledge the leadership the resource industry is showing in this area along with a commitment to workplace training, skills development and matching qualified candidates with resource industry employers.

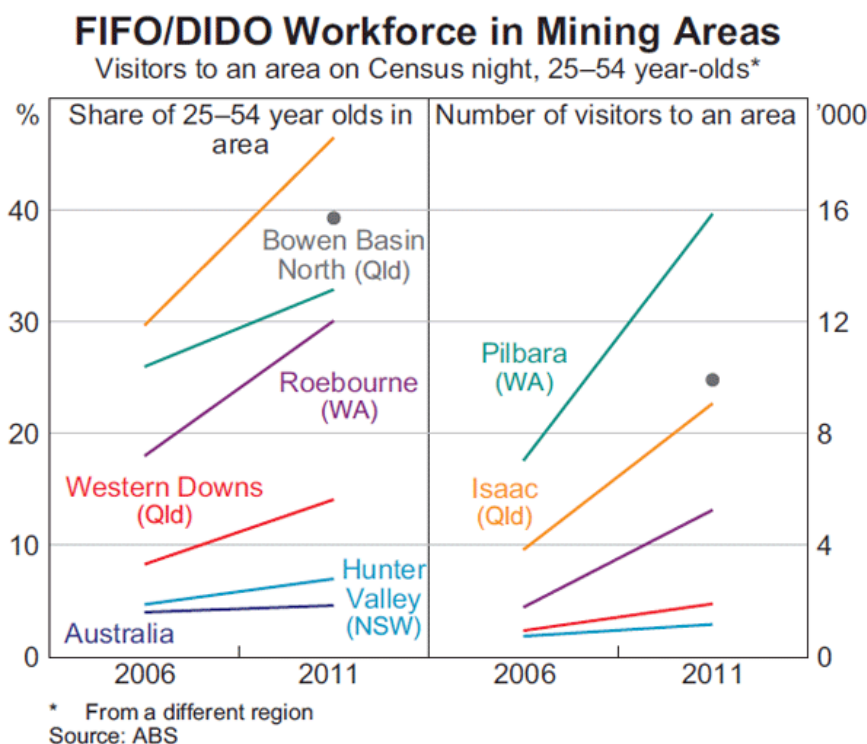
¹⁴ Australian Bureau of Statistics, Labour Force, Detailed Quarterly, Australia, May 2013, Catalogue number 6291.0.55.003

The importance of FIFO arrangements

107. Fly-in Fly-out (FIFO) work practices had their origins in the late 1940s in the offshore oil sector in the Gulf of Mexico. As the offshore oil industry developed around the world, FIFO work practices expanded.
108. In Australia, FIFO operations began in the 1960s and have seen rapid growth since the 1970s as air travel became more affordable and available. Drive-in drive-out (DIDO) work practices also became more common during this time.
109. In the past, Australia's mining operations were predominantly residential and based on the idea of establishing a mine and a town around the mine, such as at Mount Isa in Queensland, Broken Hill in NSW, Savage River in Tasmania and Goldsworthy in Western Australia.
110. Today, we see a growing trend by companies, often driven by the desires of individual employees, to use FIFO work practices because of a combination of social, geographical, economic and labour market factors.
111. In particular, mining companies have used FIFO strategies to ease labour shortages on regional sites, especially in WA.
112. This "outsourcing" of resource industry workforces has had its critics, the primary concern being that such practices may be directing jobs and economic benefits away from the regional communities in which the mining activities are taking place.
113. However, it must be remembered that FIFO workers routinely participate in local communities and contribute to the economic sustainability of local towns. Resource industry companies themselves contribute generously to local communities' social and economic wellbeing, in some cases more so than governments.
114. Many companies have policies in place to source products and services from local communities on a cost and service basis. Resource industry employers often provide financial incentives to local employees in the form of buying or building houses to allow their workforce to live in regional communities.
115. Even so, FIFO remains the preferred option for many highly-skilled workers, with one AMMA member company spending \$47 million on an upgrade of a local airport to meet the demand for FIFO working arrangements.

The prevalence of FIFO arrangements

116. Census data suggests that more than 50,000 Australian workers are currently FIFO/DIDO workers in mining and mining-related construction operations¹⁵.
117. In regions like the Pilbara in WA and the Bowen Basin in Qld, 30% to 40% of all 25 to 54 year olds are estimated to be FIFO/DIDO workers, representing a 50% increase since 2006.
118. The graph below gives a breakdown of the proportion of FIFO/DIDO workers in key mining towns, with the Bowen Basin showing the sharpest increase in the number of 25 to 54 year olds working FIFO rosters between 2006 and 2011.



119. FIFO arrangements are suitable and popular across a range of occupations including trade, technical and professional / managerial roles, with the extent of FIFO arguably more dependent on location and remoteness than occupation.
120. FIFO is more common during construction phases of projects due to the labour-intensity and short-term nature of them, so it is common to see a greater association of construction and trade skills with FIFO arrangements compared with more ongoing operational roles like site managers and the like.
121. FIFO arrangements remain a sensible and practical way to facilitate labour mobility and ensure skills are made available when and where they are needed.

¹⁵ *Labour Market Turnover and Mobility*, Bulletin – December Quarter 2012, Reserve Bank of Australia

122. With a demonstrated reluctance by some Australians to relocate for work, resource companies have had to make it more attractive to work in the regions by allowing skilled workers to commute for each “swing”.
123. That said, resource industry employers are conscious of seeking a balance between residential and FIFO arrangements where possible:

‘We are continuing to emphasise residential opportunities ... We have moved from around 42% to 68% of the workforce being residential through offering additional incentives and benefits to being residential... We offer an allowance of \$16,000 to employees who choose to live locally. The option does not suit all employees for a variety of reasons ...’¹⁶
124. While the resource industry will try to work with local townships to create opportunities for local communities, this is not always possible and there needs to be sensible policy making from governments and an acceptance of the role that FIFO working arrangements play in assisting what would otherwise be non-commercial operations.
125. FIFO arrangements are undoubtedly helping to ease the effects of the current critical skills shortage and should be supported as part of a range of responses to the industry’s need for mobile and skilled labour.
126. In AMMA’s October 2011 [submission](#) to the House of Representatives Standing Committee on Regional Australia’s inquiry into *The use of FIFO and DIDO workforce practices in Australia* (see attachment to this submission for further details), AMMA noted that by far the most common reason cited by its members for using FIFO arrangements was that the remoteness of operations made it difficult to find employees willing to relocate.
127. On top of that, the remoteness of some regional locations made it virtually impossible to have fully-fledged townships nearby, which is important for policy makers to recognise.

Recent criticisms of FIFO arrangements

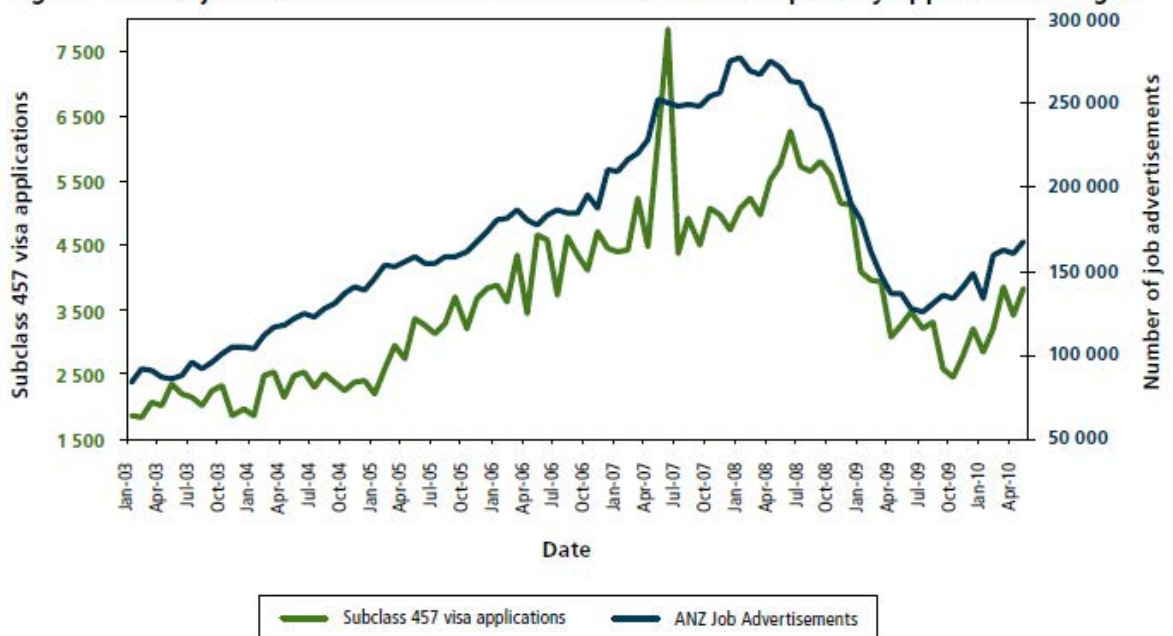
128. [Reports](#) such as that handed down in February 2013 by the House of Representatives Standing Committee on Regional Australia are not particularly helpful in taking a pragmatic view of the driving forces behind FIFO arrangements, which have emerged in response to employee lifestyle choices as much as to commercial pressures.
129. The “cancer” versus “saviour” dichotomy evoked in that report is unfortunate given that employer groups like AMMA have long advocated a middle path that balances the essential use of FIFO arrangements with residential workforces.
130. AMMA believes it is time to stop demonising these types of working arrangements and take a long hard look at the practical realities that exist in the modern world, which include a greater level of employee choice.

¹⁶ Respondent to AMMA member survey, 2011

The benefits of skilled migration

131. Despite continued attempts by some quarters to denigrate the use of skilled labour from overseas and paint it as exploitative and taking jobs away from Australians, the benefits of using skilled migrants as a supplementary labour force on resource and construction projects should not be underestimated.
132. The benefits extend to all parties, from skilled migrants themselves via improved quality of life; to the Australian workforce through knowledge and skills transfer; to employers via the loyalty that skilled migrants show towards their sponsors; and to the Australian economy by ensuring projects can be constructed and progressed to the operational phase and then use “skilled up” Australians, creating more local jobs.
133. It is important to remember that programs such as the 457 temporary skilled migration program are demand-driven and respond to changes in unemployment. The graph below shows that 457 visa applications declined along with the number of job ads during the global financial downturn in 2008-2009.
134. When job vacancies go down, so too do the number of 457 visa applications, showing that Australia’s skilled migration system is functioning as it should as a supplementary or “top up” labour source in times of high demand.

Figure 14: ANZ job advertisement series and subclass 457 visa primary applications lodged



Source: DIAC 2010, unpublished

Note: The spike in June 2007 was a result of the announcement in the last week of June of the introduction of the English language requirement for trade occupations from 1 July 2007. Modelling by the DIAC suggests that over 1,800 additional applications were lodged in the last week of June as a result of the announcement, which then resulted in a lower application rate over the following two to three months.

135. It is also important to remember that relocation costs for employers associated with bringing skilled workers in from overseas can range from \$7,000 to \$65,000 per employee and this is hardly the 'low-cost' option for sourcing labour.

Skilled migration is labour mobility

136. There are numerous benefits associated with the use of skilled labour from overseas, not least of which is an increase in employment opportunities in the host country.
137. Research commissioned by AMMA in 2012 conducted by Edith Cowan University¹⁷ highlighted numerous benefits to the Australian economy from using skilled migrants as part of a workforce. Many of these benefits are relevant to the issue of labour mobility and include:
- a. Access to immediate skills for business growth;
 - b. Contributions to the future skills pool;
 - c. Increased labour market flexibility; and
 - d. Completion of construction phases of resource projects on time and on budget.
138. Benefits to the Australian economy of hiring skilled migrants, many of which were reported in the ECU study, include that skilled migrants:
- a. spend money on goods and services while in Australia, often in local communities;
 - b. pay the highest rate of tax while in Australia;
 - c. in states such as WA pay a \$4,000 fee for each child attending an Australian school;
 - d. transfer their knowledge to local workers because they are often at the forefront of global innovation and technology; and
 - e. ensure access to global project construction and management capabilities.
139. Benefits to the skilled migrants themselves derived from working in Australia include:
- a. Being treated with equality and respect;
 - b. Increased opportunities for career advancement;

¹⁷ Edith Cowan University research report – *457 visa workers in the Western Australian resources industry: The benefits and costs for business, migrant families and the community*, Susanne Bahn, Ghialy Yap and Llandis Barratt-Pugh, 2012

- c. Enhanced quality of life; and
 - d. The possibility of taking up permanent residency in Australia.
140. The ECU study noted there was no requirement for workers on 457 visas to remain with their original sponsoring employer (except that there is a requirement for them not to be out of work for more than 30 days or they have to return home).
141. However, participants in the study highlighted it was a rarer occurrence for skilled migrants to change employers than it was for local workers, with overseas workers showing a high degree of loyalty to their original sponsoring employer despite their skills being in high demand.

The globalisation of the workforce

142. Increasingly, the growth of trans-border multinational companies together with the scarcity of high-level skills is generating an international labour market.
143. International companies working on resource projects in Australia often use their internal workforce to complete project phases such as construction. It is very often the case that these workers have had specialised training to construct, operate and maintain intricate machinery. Very often, these international workers transfer some of their skills to Australian workers, leaving Australia with a more highly-skilled domestic labour force as a result.

Investment in infrastructure and social services

144. AMMA has long been an advocate for genuine discussions between industry and policy makers about the need for increased infrastructure and social spending in regional areas as one way of supporting labour mobility.
145. Targeted investment in regional areas along with government funding in specific remote areas may encourage more workers to move to available jobs.
146. Specifically, both state and federal governments need to increase spending on infrastructure including transport networks, schools and hospitals to attract workers and their families. It is, however, important that this spending is targeted to the locations where it will have the most impact.
147. More broadly, investment in social infrastructure in expanding regions and relocation assistance to help labour move from declining to expanding regions all represent part of the policy mix that should be explored by governments.
148. Government initiatives such as [Pilbara Cities](#) (which seeks to build the populations of Karratha and Port Hedland in WA into cities of 50,000 people), [SuperTowns](#) and the Southern Inland Health [Initiative](#) are delivering infrastructure and services to attract and retain people and businesses in regional communities and should be encouraged. Significant further investment in regional WA could be complemented with a co-ordinated approach to attract investment throughout all sectors, not just resources.
149. It is also important that government investment is not confined to rural and regional areas because the extent to which the labour market can capitalise on investment opportunities may be severely constrained by inadequate infrastructure in urban and rural areas.
150. The bulk of Australia's infrastructure needs are in major urban centres where there has arguably been under-investment in infrastructure over a number of years. That means congestion costs, electricity blackouts and shortages will increase unless we can deliver more infrastructure and/or learn to use it more efficiently.
151. As reported by Deloitte Access Economics¹⁸, the image of tankers queuing for weeks or months off the Port of Newcastle highlighted the shortcomings in the previous mining boom from 2006 to 2008 in terms of investment in infrastructure. Those images could be repeated unless policy makers take decisive action.

¹⁸ Deloitte Access Economics, Long term economic and demographic projections; ADF Posture Review 24 November 2011

Housing affordability

152. The importance of housing affordability to the issue of labour mobility, particularly mobility from Australia's east coast to west coast, should not be understated.
153. AMMA-commissioned research conducted by ECU in 2012¹⁹ found that 457 visa workers considering moving to Australia for work compared the difference in accommodation and living costs in Houston in Texas with that in Perth in WA before deciding which country to take up employment in.
154. Both Texas and WA have a similar climate and a large resource industry, but the ECU study revealed that in the eyes of many workers, Perth offered a far poorer lifestyle for similar costs.
155. The ECU study found a number of businesses encouraged workers to live and work in the region where projects were based but a lack of regional infrastructure limited the availability of housing in the regions for many families.
156. A lack of affordable rental accommodation in Perth and the regions was mentioned by almost all skilled migrant participants interviewed for the ECU study, although it is important to note these issues will affect both migrant and domestic workers considering relocating to the west.
157. Those interviewed for the project explained how difficult it was for resource workers in regional WA to secure accommodation even after they had come to Australia to work. Even for those families who were happy to live and work in the regions where projects were based, high rental costs were often prohibitive and could see workers and their families return home earlier than planned.
158. Highly-regarded demographer Bernard Salt²⁰ noted that affordable housing in Perth and the regions where projects were based was crucial to supporting continued economic growth and resource industry growth.
159. Along with other policy levers in this area, it will be important to enhancing labour mobility for regional councils to release land for housing developments in a timely and responsive way.

¹⁹ Edith Cowan University research report – *457 visa workers in the Western Australian resources industry: The benefits and costs for business, migrant families and the community*, Susanne Bahn, Ghialy Yap and Llandis Barratt-Pugh, 2012

²⁰ Salt, B (2012) *The big tilt: What happens when the boomers bust and the Xers and Yers inherit the earth*, Hardie Grant Books, Melbourne

State-based impediments

160. AMMA calls on the next Federal Government to streamline relevant state-based regulations that serve to discourage skilled Australian workers from moving to regions of greater employment.
161. AMMA has previously identified three key areas of harmonisation that would enhance labour mobility and the free flow of workers to resource sector opportunities:
- a. state-based 'taxes on moving' such as stamp duty;
 - b. school start and leaving ages; and
 - c. licensing qualifications (AMMA notes that harmonisation in this area is well under way).
162. AMMA notes that the above initiatives are also supported by the Business Council of Australia as ways to improve geographical labour mobility in its recently released *Economic Action Plan*.

Stamp duty

163. In September 2011²¹, Deloitte Access Economics director Chris Richardson was quoted as saying Australian governments needed to streamline state-based regulations in order to encourage workers to move to the regions.
164. In his view, the first such initiative should be to reduce costly property stamp duties which were a significant impediment to mobility. Richardson called stamp duty a 'tax on moving' and said it should be levied in the same way as council rates:
- "A worker who wants to move from, say, the Illawarra region to the Pilbara is going to get hit by stamp duties on both properties."*
165. Other commentators²² have similar views on stamp duty and its effect on labour mobility, and to the extent that it deters residential moves the duty is an added friction impairing the smooth functioning of labour markets. This is an issue of particular relevance to labour shortages in resource regions of Australia.
166. Stamp duty can add significantly to the purchase price of a property and, generally speaking, every change of home ownership (with some minor exemptions) will incur a stamp duty.

²¹ *Labour mobility is 'key to the resources boom'* by Scott Murdoch, *The Australian*, 10 September 2011

²² Henry, K., Harmer, J., Piggott, J., Ridout, H. And Smith, G. (2009), *Australia's Future Tax System*, Report to the Treasurer, Available: taxreview.treasury.gov.au.

167. The following table gives an indicative look at the different rates of stamp duty applying across the states and territories according to property value:

Stamp duty according to property value in Australia		
	\$400,000	\$700,000
Qld	\$5,250	\$17,350
Tas	\$9,550	\$25,550
WA	\$13,015	\$27,265
NSW	\$13,490	\$26,990
ACT	\$15,000	\$32,000
SA	\$16,330	\$32,330
NT	\$16,514	\$34,650
Vic	\$16,370	\$37,070

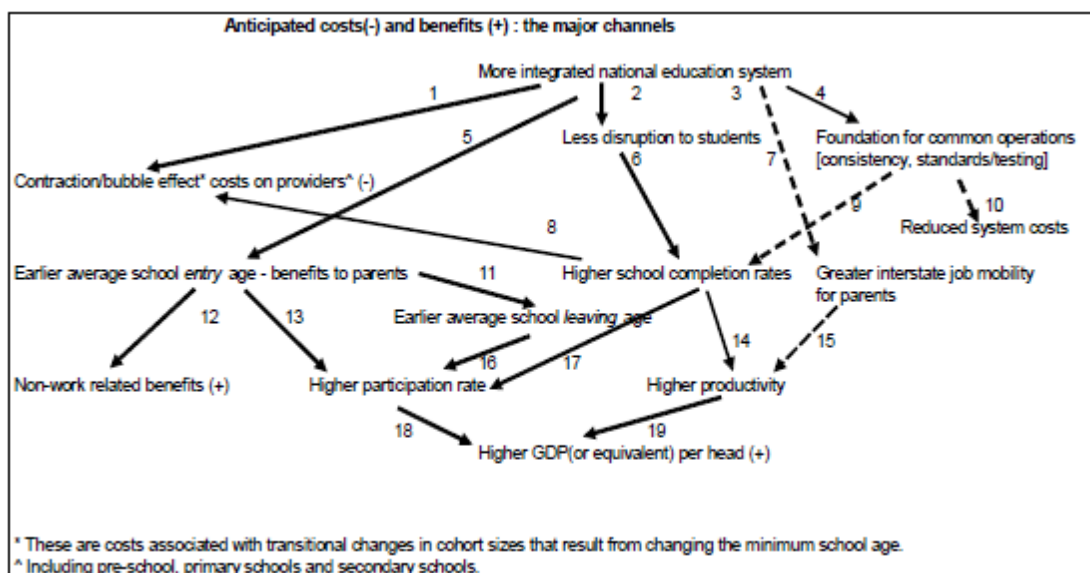
168. As the table above shows, the difference between stamp duties from one state to another can be as much as \$11,000 on a \$400,000 home (or 2.75%) and as much as \$20,000 on a \$700,000 home (or 2.85%). This is a significant difference, especially when someone is considering relocating for work.
169. A study by the Spatial Economics Research [Centre](#) at the London School of Economics throws light on just how large an impediment stamp duty can be²³. The authors of that study found that higher stamp duty on dwelling purchases negatively affected a household's propensity to move. In their view, the scale of the effect was astonishing. Their headline finding was that a "two percentage-point increase in the stamp duty may reduce mobility of homeowners by around 40 percent".
170. Other research indicates stamp duties lead to higher housing prices and rents, resulting in declining housing affordability and in turn, labour mobility. Higher prices make it costlier for individuals to move. Wood, Ong and Winter²⁴ found that house prices and rents have increased ahead of average earnings over the past 25 years, tipping more and more Australian households into housing affordability stress. They argue the decline in housing affordability is in part due to a set of federal and state tax arrangements that distort the use of land and buildings in ways that impair the efficient operation of housing markets.
171. It is possible therefore for governments to improve labour mobility by removing these taxes on moving that not only make it costly for individuals to relocate, but act to worsen housing affordability in general.

²³ The Effect of the UK Stamp Duty Land Tax on Household Mobility <http://ideas.repec.org/p/cep/sercdp/0115.html>

²⁴ Australian Housing and Urban Research Institute, Wood, Ong & Winter

School start and finishing ages

172. AMMA along with Deloitte Access Economics director Chris Richardson²⁵ advocate harmonising school start and finishing ages across the country to remove a further impediment for workers with families who are considering moving to resource-rich states.
173. At present, there is a patchwork of minimum and compulsory school starting ages across the states and territories, along with a patchwork of minimum leaving ages and requirements.
174. Across eight states and territories there are five different minimum school starting ages as well as considerable variation in the language used to describe the early years of schooling. The term “kindergarten” is used in some states to describe the first year of school but not in others. It is also widely recognised that different terminologies contribute to parental confusion and student discontinuity in schooling.
175. According to a 2006 report²⁶, the lack of national commonality of the minimum age of school commencement has long been a significant impediment for children who move across jurisdictional boundaries during their school years. As the report says:
- “For affected children, these differences act as a powerful inhibiting factor as they and their families move from one part of Australia to another.”*
176. By nationally harmonising school start and finishing ages, the benefits in the graph below have been identified²⁷:



²⁵ *Labour mobility is ‘key to the resources boom’* by Scott Murdoch, *The Australian*, 10 September 2011

²⁶ *Cost/Benefit Analysis Relating to the Implementation of a Common School Starting Age and Associated Nomenclature by 1 January 2010*, [Volume 1](#), March 2006, Atelier Learning Solutions Pty Ltd in consortium with Access Economics

²⁷ *Cost/Benefit Analysis Relating to the Implementation of a Common School Starting Age and Associated Nomenclature by 1 January 2010*, [Volume 1](#), March 2006, Atelier Learning Solutions Pty Ltd in consortium with Access Economics

Occupational licensing requirements

177. A number of occupations and job roles in Australia are subject to state and territory licensing requirements which vary significantly across the jurisdictions, with each state responsible for issuing trade certificates and administering legislation.
178. An occupational license is any form of regulation that restricts entry to an occupation or profession to people who meet the requirements stipulated by the regulatory authority. Historically, occupational licensing legislation and regulation has been done on a state by state and industry by industry basis in Australia. The result has been that requirements vary in each state and territory and from industry to industry.
179. In some cases, the occupational licensing requirements for particular industries and occupations are similar across the country while in other cases only a small number of states have licensing or regulatory requirements for a particular industry.
180. In July 2008, the Council of Australian Governments (COAG) agreed to introduce a national occupational licensing system as part of a program of regulatory reform to increase Australia's productivity.
181. National licensing is expected to have benefits including:
 - a. Improved business efficiency and improved competitiveness of the Australian economy;
 - b. Reduced red tape;
 - c. Enhanced productivity; and
 - d. Improved labour mobility.
182. COAG recognised that the state by state nature of occupational licensing has impacted on workforce mobility and increased the regulatory burden on business. To help alleviate some of the burden and create a more seamless national occupational licensing environment, COAG has implemented major reform in this area.
183. COAG recently [announced](#) the National Occupational Licensing System would be implemented in 2014 following consultation with the states and territories.
184. The national system will allow licence holders to use their national licence to work anywhere in Australia and is a move that AMMA welcomes as a positive driver of labour mobility, especially given the resource industry's focus on trades skills and the current shortage that exists in that area.

Tax incentives and disincentives

185. Changes to individuals' tax situations can be both positive and negative drivers of labour mobility.
186. Along with other recommendations in this submission, AMMA would encourage policy makers to look at personal income tax concessions as possible enticements to workers who might be considering locating to regional areas for work.
187. Policy makers should at the same time review other recent changes to the tax system that will have a negative impact on labour mobility by encouraging workers to change jobs and locations in order to avoid arbitrary losses in take-home pay.
188. Recent changes to the tax treatment of the Living Away from Home Allowance (LAFHA) should be wound back for permanent residents and guest workers from overseas. The changes, which took effect on 1 October 2012, will create significant challenges for resource companies relying on interstate and international moves for work.
189. The cost of living in Australia is already extremely high compared with other countries. The less favourable tax treatment of the LAFHA following the 2012 legislative amendments presents an even greater deterrent to employees coming from overseas and interstate, even if their employer is able to make up the resulting shortfall in salary after the legislative changes are taken into account.
190. The changes will act as a disincentive to resource industry employees to move to where the work is given the new requirement to maintain a home in Australia which they are living away from.
191. Ironically, one side effect of the changes may be that companies decide to build camps as opposed to paying workers allowances and benefits to live in regional towns where that money could flow into local communities in the form of expenditure on food and accommodation.
192. The changes will be most unworkable in a project-driven environment like the resource industry where people are required to move and relocate for indefinite periods.
193. There is little doubt the new 12-month time limit on receiving LAFHA tax concessions at each location will encourage increased turnover in the industry. After the initial 12-month period has elapsed at each location and there is no longer the same tax benefit to employees, unless employers make up the shortfall, employee mobility will increase but not in a good way. This will create significant direct and indirect costs for businesses associated with replacing or moving employees around.
194. In some cases, and it is difficult to determine at this stage how many, employees will leave a company after 12 months because they are no longer

eligible for the tax concessions. Employers simply may not be able to make up the difference in take-home pay.

195. This also means employers will have to review all salary arrangements after 12 months to see if it makes more commercial sense to bump up employees' take-home pay or whether they simply cannot afford to do that.
196. Alternatively, the 12-month time limit will have other adverse impacts on employee mobility by putting employers under pressure to move their teams around to different client sites every 12 months so that staff will not be worse off financially as a result of the tax changes.
197. This will create a logistical nightmare for many projects and require a complex juggling of commercial pressures. The impacts will be felt by the employee, the client and the direct employer, all of whom will be impacted by the disruptions associated with moving staff around their businesses.
198. Typically, employees on resource projects, whether from within Australia or overseas, are required to work on a project for three or four years, sometimes up to six. Twelve months seems an arbitrary time limit for LAFHA tax concessions that fails to take into account the practicalities of construction schedules. Weather-related and industrial issues can also delay construction, rendering the 12-month time limit even more unworkable.
199. In nearly all cases, unless employers make up the shortfall, after the 12 months is up employees will perceive they are performing the same job for less money and look for alternatives. In many cases, workers will return home earlier than planned, spelling further bad news for domestic and international labour mobility in Australia's resource industry.