



17/10/2022

Committee Secretary
Senate Standing Committee on Community Affairs
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Sent via email: community.affairs.sen@aph.gov.au

Dear Committee Secretariat

SOCIAL SERVICES LEGISLATION AMENDMENT (WORKFORCE INCENTIVE) BILL 2022

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for more than 89 per cent of Western Australia's mineral and energy workforce employment,¹ ranging from mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services.

Western Australia's resources sector performed strongly in 2020-21, with just 56 of CME's member companies contributing more than \$100.46 billion to the Australian economy, inclusive of \$12.67 billion in wages and salaries to 70,396 full-time Australians.² Commodity exports from the sector are a major contributor to Australia's economic recovery from its largest global contraction since the 1940s,³ and are forecast to reach a new record of \$450 billion in national export earnings during 2022-23.⁴

The pace of Australia's economic recovery from the shocks of COVID-19 has been truly remarkable, seeing record job growth and last month's unemployment rate dropping to its lowest level in almost 50 years.⁵ Whilst this turn of events does deliver an economic benefit in terms of improved local workforce participation, the unprecedented job vacancy rate and depressed migration rate nexus⁶ have exacerbated long-standing skill shortages in a number of critical areas of the resources sector (e.g. specialist engineers and trades) and placed new stressors in the local labour market (particularly in remote and regional areas).

CME acknowledge the resources sector is a strong driver of workforce demand in the Western Australian economy. Workforce modelling commissioned by CME in May 2021 predicted a peak demand of an additional 40,000 skilled workers over the next four years within the Western Australian resources sector alone, with a potential shortfall of 33,000 workers as soon as 2023.

Despite the removal of COVID travel restrictions we are seeing continued labour market tightening evidenced in ASX statements across the sector, and ultimately impacting the sector's ability to increase existing or new productive capacity. These challenges and proposed solutions are discussed in detail in CME's pre-Jobs and Skills Summit Submission which is enclosed for further context.

When faced with the considerable challenge of an escalating demand for skills and labour and a tightening local labour market, the resources sector actioned a diverse number of responses to support the safety and productivity of its workforce. These include, improving or implementing new pathway programs into the

¹ Government of Western Australia, [2020-21 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 10 October 2021.

² CME, [2020-21 Economic Contribution Factsheets](#), last updated 12 July 2021.

³ Commonwealth of Australia, [Resources and Energy Quarterly: September 2020](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 29 September 2020.

⁴ Commonwealth of Australia, [Resources and Energy Quarterly: September 2022](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 4 July 2022.

⁵ Commonwealth of Australia, [Labour Force, Australia](#), June 2022 ref period, Australian Bureau of Statistics (ABS), accessed 16 August 2022.

⁶ Commonwealth of Australia, [5 Year Productivity Inquiry: The Key to Prosperity](#), Productivity Commission, 3 August 2022.

industry and growth in the number of apprenticeship and trainee commencements, collectively supported by government investment stimulus and industry commitment. However, the recruitment of new and inexperienced individuals to the industry has placed significant pressure on the capacity of existing training systems and supervisory frameworks to accommodate on-going demand. As such, a critical shortage in the number of qualified and experienced trainers and/or supervisors is challenging industry's ambition to recruit and train new (and diversified) talent pools and is placing downstream pressure on supervisory staff and safety personnel.

To help alleviate challenges and productivity impacts owing to skills dilution, CME member companies have explored opportunities to recruit or extend the employment of an increasingly diverse pool of workers, including veterans and workers at or near retirement age. The opportunity for these workers to act as mentors and informal trainers for the newly recruited talent is vast and would deliver dividends in the form of further protecting health and safety outcomes for the workforce, enhancing opportunities to transfer relevant productive knowledge, and providing additional financial benefits to workers who may be nearing retirement age. However, it is apparent systematic restrictions which impact on-going entitlements and benefits for this pool of potential workers, act as a disincentive to return to (or extend their employment within) industry.

As such, the introduction of the *Social Services Legislation Amendment (Workforce Incentive) Bill 2022* is warmly welcomed by CME and its members as a proactive measure to help address workforce demand during a time of unprecedented labour market tightening. Specifically, CME support in-principle amendments to suspend rather than cancel the provision of benefits and entitlements for the eligible cohort in the event of increasing employment income. We note this measure will aid workforce participation optionality and overall mobility, whilst incentivising workers to access additional income in an economic environment of inflationary pressures and rising cost of living.

To capitalise on the opportunities, and with \$304 billion in the Western Australian resources project pipeline⁷, underlying constraints to labour productivity (and thereby economic output) need to be addressed, including through access to a skilled and experienced workforce with specialised domain knowledge. The removal of barriers to support the engagement of veterans and retired/retiring workers into voluntary employment positions is positively viewed by CME and its members. Investigation of further opportunities to remove barriers and incentivise workforce participation within this cohort are also encouraged.

CME appreciates the opportunity to provide input into this inquiry and should you have any questions about this submission please don't hesitate to contact Adrienne LaBombard, A/Director Policy and Advocacy on
or at

Yours faithfully

Rebecca Tomkinson
Chief Executive Officer

Enc. Letter to Treasury – CME Pre-Jobs and Skills Summit Submission

⁷ Commonwealth of Australia, [Resources and Energy Major Projects – 2021 Report](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 20 December 2021.



30/08/2022

Ms Louise Rawlings
Assistant Secretary
Jobs and Skills Summit Taskforce
The Treasury
Langton Crescent
Parkes ACT 2600

Sent via email:

Dear Assistant Secretary,

JOBS AND SKILLS SUMMIT – PERSPECTIVE OF THE WA RESOURCES SECTOR

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for more than 89 per cent of the State's mineral and energy workforce employment,¹ ranging from mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services.

Australia's resource and energy export earnings reached record levels in FY 2021-22 estimated at \$405 billion and forecast to rise to \$419 billion in 2022-23.² Commodity exports from the sector are a major contributor to Australia's economic recovery from its largest global contraction since the 1940s.³

Overview

The activity of the resources sector is vast and complex, including a diversified pipeline of major construction works (both brownfield and greenfield), production volumes at record levels, ongoing maintenance activities, as well as investment in downstream processing and strategic industry development (including large scale decarbonisation). Contributions from the WA mining and resources sector directly and indirectly support a wide variety of businesses and government entities across the local and national economy, representing at least \$100 billion in direct contributions drawn from a subset of 56 CME member companies in 2020-21.⁴ To capture the breadth of local industry CME have incorporated feedback from member companies who are spread across the resources sector (e.g. primary producers and contracting partners) in the preparation of this letter.

This letter is structured to provide a brief overview of the demand for labour and skills for the Western Australia resources sector alongside impacts of labour market deficiencies, outline company responses to skills and labour market challenges, and finally provide recommendations for the Federal Government to consider.

The current labour market and impacts for the resources sector

The pace of the nation's economic recovery from the global pandemic have seen the unemployment rate reach its lowest level in almost 50 years.⁵ There has never been more people employed in the WA mining and resources industry, with some 156,238 personnel engaged on-site in 2021 – a significant increase of

¹ Government of Western Australia, [2020-21 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 10 October 2021.

² Commonwealth of Australia, [Resources and Energy Quarterly: June 2022](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 4 July 2022.

³ Commonwealth of Australia, [Resources and Energy Quarterly: September 2020](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 29 September 2020.

⁴ The Chamber of Minerals and Energy of WA, [Economic contribution factsheet 2020/21](#), 27 March 2022.

⁵ Commonwealth of Australia, [Labour Force, Australia](#), July 2022 ref period, Australian Bureau of Statistics (ABS), accessed 19 August 2022.

10.6 per cent since the outset of the pandemic in 2020.⁶ Whilst this does deliver an economic benefit in terms of improved local workforce participation, the unprecedented job vacancy rate and depressed migration rate nexus⁷ have exacerbated long-standing skill shortages in a number of critical areas for the resources sector (e.g. experienced and specialised skills) and placed new stressors in the local labour market (particularly in regional and remote areas).

CME acknowledge the resources sector is a strong driver of this demand in the Western Australia economy. Workforce modelling commissioned by CME in May 2021 predicted demand for an additional 40,000 skilled workers over the next four years within the Western Australian resources sector alone, with a potential shortfall of 33,000 workers as soon as 2023. Despite the removal of COVID travel restrictions we are seeing this shortage evidenced in ASX statements from companies across the sector, ultimately impacting our ability to increase existing or new productive capacity and constraining economic output.

Further, Australia is on the cusp of opportunity and recent events have highlighted the economic and social opportunity of leveraging strengths of the Western Australian resources sector as a competitive, sustainable, stable supplier of materials to underpin the global energy and digital technology transition. However, the sector is facing considerable headwinds in the form of geopolitical tensions, disrupted supply chains, intense global competition for investment capital, delays and duplication within regulatory and approval processes, and a constrained local labour market exacerbated by global skill shortages. In an environment of intense competition and stagnating labour productivity,⁸ this constrained skills market compromises the industry's ability to capitalise on favourable investment trade flows and deliver optimal economic outputs – including value-added products. In short, labour market tightening undermines Australia's international competitiveness, including our ability to attract the substantial capital required for new projects related to renewable energy and decarbonisation.

Responding to labour market tightening

When faced with the considerable challenge of an escalating demand for skills and labour and a tightening local labour market, the WA mining and resources sector has collaborated alongside government to progress a diverse range of responses to support the safety and productivity of its workforce. Three focus areas of these responses include, maximising local training and development pathways, further improving safety and employment conditions (including the urgent priority to address sexual harassment against women in our industry), and supporting diverse STEM education and VET pathways to into our sector. Beyond these direct and domestically focused actions, there remains a fundamental and urgent need to draw upon skills migration from outside as the only means to materially reduce the impact of acute shortages across our sector – now and into the future.

The WA resources sector acknowledges more needs to be done to eliminate sexual harassment and assault and ensure our workplaces are safe and inclusive. At a local level, the sector is proactively responding to the Community Development and Justice Standing Committee's *Enough is Enough* Report⁹ findings and recommendations and is looking forward to the WA Government handing down their response in mid-September. CME will continue to share good practice strategies to drive industry wide improvements to eliminate sexual harassment an example of this is the Implementation Framework¹⁰ which captures the key target areas being addressed by our member companies.

In the context of local training and development, resources companies have sought to expand the pool of prospective candidates available to the sector and further diversify their talent pipelines. These talent diversification strategies include; working with non-traditional talent cohorts and improving (or building new) pathways into the industry, such as those for women and older cohorts for trades and traineeships, indigenous, youth, and transition pathways from adjacent industries; boosting apprenticeship and traineeship commencements and completions; re-assessing job application criteria to widen the cohort of potential

⁶ Department of Mines, Industry Regulation and Safety WA, [Industry activity indicators, 2021](#).

⁷ Commonwealth of Australia, [5 Year Productivity Inquiry: The Key to Prosperity](#), Productivity Commission, 3 August 2022.

⁸ Commonwealth of Australia, [5 Year Productivity Inquiry: The Key to Prosperity](#), Productivity Commission, 3 August 2022.

⁹ Western Australia Legislative Assembly, Community Development and Justice Standing Committee, Report 2, *Enough is Enough, Sexual Harassment against women in the FIFO mining industry*, June 2022

¹⁰ The Chamber of Minerals and Energy of WA, [Implementation Framework: Eliminating Sexual Harassment in the WA Resources Sector](#), June 2022

eligible candidates; offering new work placement and/or 'VET in Schools' training opportunities; offering working from home arrangements where possible, and; revising rosters to offer more family or lifestyle friendly options. In addition, career development or training actions from resources companies have included further investment in upskilling opportunities including placing more workers through apprenticeship pathways; bringing back retired tradespeople to act as mentors to less experienced workers; working with education providers (TAFE and universities) to develop future skill sets, and; improving access to quality training facilities.

In the context of contractual and financial arrangements, resources companies have also sought to attract and retain employees through improved employment offerings. These offerings may include sustained high wages, financial incentives for relocation, employee sourced housing (e.g. mortgage or rent assistance), and living assistance (e.g. private health insurance, childcare or utilities costs); supporting work placements for relocating spouses; offering flexible working hours and more career development opportunities, and; offering free or discounted shares and bonds.

Lastly, CME and our members are heavily engaged in strategies seeking to improve the long-term skills availability in STEM-based occupations. For instance, CME and our members have developed and are progressively rolling out the Digital Technologies in Schools Program, with support from the Western Australian Government. The program delivers digital and automation related learning content in the context of resources operations from Pre Primary through to Year 10, with a view to attract students to STEM occupations and the resources sector. The program is currently underway in the Pilbara and set to be expanded throughout WA and potentially into other states. In addition, individual resources companies frequently participate in career awareness events activities (including CME's 'inspiring girls' annual event) and are a substantial contributor or partner to many of the fifty-plus STEM-based education programs or scholarships running within WA.

Recommendations

Australia's migration policy settings

Whilst every effort to secure a local workforce is made, the large and complex nature of resource sector projects highlights an on-going requirement to source experienced and highly skilled professionals from international talent pools. This is particularly apparent during terms of favourable trade and when seeking to adopt new technologies, such as those required for nascent industries and during decarbonisation. Further, migration can also play a valuable role in lifting productivity through the onshoring of new productive knowledge, supporting the development of local skills by onshoring mentors and trainers, and provide relief to regional or remote areas most impacted by skills and labour shortages. However, to realise these benefits, there needs to be ongoing policy and funding support to attract and retain international talent. It is only through increased and sustained international skills migration that our sector – and Australia as a whole - can remain a globally competitive value-adding economy.

As documented in CME's 'Navigating through COVID-19' report from last year (the COVID-19 report), CME found 70 per cent of member companies experienced disruptions due to international travel restrictions during the pandemic (91 per cent experienced disruptions due to domestic travel restrictions).¹¹ With border restrictions lifted and travel seeking to normalise, the resources sector is once again able to re-engage the full potential of the international labour market. However, with labour markets in most advanced economies at, or above, full employment,¹² **a need for streamlined and efficient immigration settings which position Australia competitively in the global skills marketplace is an immediate priority.**

To ensure Australia (and the resources sector) is competitive within the global skills marketplace, CME makes the following recommendations:

- Improve taxation and migration policy settings to make the Australia more competitive as a destination to live and work.
- Increase resourcing to the Department of Home Affairs to improve the scope for in-demand occupations to be able to access the skilled migration program and reduce the length of time for visa processing.

¹¹ The Chamber of Minerals and Energy of WA and EY, [The WA resources sector – Navigating through COVID-19 and recovery](#), 22 March 2021

¹² Commonwealth of Australia, [5 Year Productivity Inquiry: The Key to Prosperity](#), Productivity Commission, 3 August 2022.

- Update occupation shortage lists more frequently and consider industry specific lists or other pathways to accommodate niche in-demand roles.
- Re-assess occupational classifications through the ANZSCO system and consider the implementation of industry-wide labour agreements for semi-skilled positions.
- Revisit opportunities to streamline migration including labour market testing requirements and improve the efficiency of application processes to ensure these are 'fit for purpose'.
- Revisit the pathway to a permanent residency visa via the Global Talent Visa and ensure it is optimised for young professionals.

Supporting local training investment

There has never been more people employed in the WA resources sector with more than 156,000 engaged across the state.¹³ Industry is investing heavily in local skills and training, with businesses continuing to take on high numbers on apprentices and trainees,¹⁴ alongside implementing a suite of employment attraction and retention incentives. However, the current labour market conditions and the changing nature of work is driving a need for a more efficient training sector, supported by both Government and local industry. In particular, the increasing mobility of labour seen within the modern economy¹⁵ is driving an **imperative for the education and training system to be able to provide high-value and efficient training outcomes to individuals which better recognise the transferability of skills**. This is especially important when building opportunities for more diverse talent pipelines and/or facilitating workforce mobility during an economic downturn (or growth).

To supply the skills required for the future of the resources industry, a continued investment in local skills and training is needed. Therefore, CME recommends the following measures:

- Support pilot projects to improve VET skill recognition pathways and the establishment of skills assessment facilities for foreign and local workers.
- Support a training system which is nimble, responsive and a contestable market.
- Support the implementation of dual apprenticeships and reduced completion timelines based on new competency frameworks.
- Support training funding mechanisms which don't disincentivise the implementation of robust recognition of prior learning processes to complete full qualifications.
- Incentivise more agile and innovative training methods to better enable the system to keep pace with industry need and future skills demand.
- Support innovative partnerships between training providers and industries.
- Support the implementation of broad based-STEM targeted programs in schools.

Incentivising workforce participation through Fringe Benefit Tax

To improve gender-based employment and equity outcomes, CME recommends the government reconsider the Fringe Benefit Tax (FBT) treatment of the following employer-provided assistances:

- Extend the FBT exemption for on-premises childcare assistance to off-premises. For women who return to work, the inclusion of childcare services in salary sacrificed employment packages is more likely to positively affect labour supply than lowering the cost of childcare. However, this financial assistance attracts the highest marginal rate of tax. Further, children's education costs for employees required to reside in remote areas should be treated as a living away from home allowance and exempt from FBT.
- FBT concessions in remote areas should be revisited as an economy-wide measure to attract and retain skilled labour. Access to accommodation, particularly in 'resources focused' regional areas, remains a critical constraint to attracting and retaining talent. If properly structured, it would benefit sectors like

¹³ Government of Western Australia, [2020-21 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 10 October 2021.

¹⁴ National Centre for Vocational Education Research, [Apprentices and trainees 2021 - September quarter DataBuilder](#), published 25 March 2022, accessed online 19 August 2022.

¹⁵ Reserve Bank of Australia, [Job Mobility in Australia during the COVID-19 Pandemic](#), Bulletin – June 2022, 16 June 2002.

mining, oil and gas, agriculture, education, law, and health. It is notoriously challenging to have professionals stay beyond their contracted short-term arrangements. Expanding the employee-sourced housing concession to an exemption would help reduce the disproportionate administrative burden of demonstrating nexus to employment, particularly where it cannot be reasonably construed as an 'overly generous private benefit' in remote and very remote areas of Western Australia and Northern Territory.

CME suggests the above amendments could be trialled on a 'pilot' basis in regional and remote areas where identified acute skills shortages exist alongside heavy industry, such as the Pilbara or Goldfields regions of WA.

Conclusion

With just over \$36 billion of committed resources and energy projects within Western Australia, and a further \$90.6 billion in the project pipeline,¹⁶ access to a sufficiently skilled and experience with sectoral domain knowledge will be critical in ensuring Australia can capitalise on the opportunities presented.

A concerted and coordinated effort from Government, industry and training sector stakeholders, supported by contemporary policy settings, will be required to address key labour market constraints in the near-, medium- and long-term, and assist Australia in achieving its productivity and economic ambitions.

Should you have questions regarding this letter, please contact Adrienne LaBombard, Acting Director of Policy and Advocacy on [redacted] or via email at [redacted].

Yours sincerely

Robert Carruthers
Acting Chief Executive Officer

¹⁶ Government of Western Australia, [Western Australia Mineral and Petroleum Statistics Digest 2020-21](#), Department of Mines, Industry Regulation and Safety, 1 March 2022.