

8 May 2015

Committee Secretary
House of Representatives Standing Committee on
Education and Employment
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Parliament House
Canberra ACT 2600

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By email: ee.reps@aph.gov.au

Dear Madam/Sir

UnionsWA submission to Inquiry into inhibitors to employment for small business and disincentives to working for individuals

UnionsWA is the governing peak body of the trade union movement in Western Australia, and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). As a peak body we are dedicated to strengthening WA unions through co-operation and co-ordination on campaigning and common industrial matters. UnionsWA represents around 30 affiliate unions, who in turn represent approximately 140,000 Western Australian workers.

UnionsWA thanks the Committee for the opportunity to make a submission to this inquiry. Specifically UnionsWA wants to make the case that inhibitors to employment for small business very much include the policies and practices of large companies and governments. Accordingly we would like to share with the committee the experience of the 'WA Jobs' campaign – a joint initiative of unions and employers to ensure that local and small businesses benefitted from the resources boom.

In February 2011 the Australian Steel Institute (ASI), the Australian Manufacturing Workers Union (AMWU), the Association of Professional Engineers, Scientists and Managers (APESMA) and UnionsWA united as the Skilled Work Alliance to stage a campaign to ensure WA's major resources projects source more of their engineering and fabrication work from local businesses. The WA Jobs from WA Resources campaign represented the first time a peak industry group and unions have campaigned side-by-side in WA.¹

¹ Campaign website: <http://www.wajobs.org.au/>

In 2009 WA Premier Colin Barnett had declared that ‘every workshop’ in WA would be full once the Gorgon Gas project in North West WA went ahead.²

However by 2011, Goldman Sachs was estimating that local contractors would win only a 20 per cent market share of the resources bounty.³

Overall, between November 2008 and November 2011 manufacturing employment in WA fell by around 8,000 full-time and part time jobs.⁴ Rather than being a once-in-a-generation opportunity for young Western Australians to obtain training and apprenticeships to develop new skills, in the midst of a ‘boom’ local workshops were operating below their capacity, with most of the manufacturing and fabrication work for major projects being sent offshore. As a result the small businesses who supplied WA’s industrial areas and workforces struggled and unemployment actually rose in some parts of WA. WA engineers also increasingly needed to go overseas if they wanted work on these major resources projects.⁵

The lack of local manufacturing and fabrication work going to WA firms was not simply a question of the locals competing with the internationals on a level playing field and being found wanting. Australian suppliers were being actively shut out of work on big resources projects because of preferences for ‘country of origin’ suppliers.⁶ According to reports in *the Australian* newspaper at the time:

THE builder of Australia's biggest infrastructure project, the \$6 billion Oakajee port and rail development, is under instructions to import Chinese equipment and services, intensifying claims that Australian companies will be locked out of lucrative contracts.⁷

In many cases ‘competition’ was simply unfair. Overseas companies would award contracts to manufacturers from their own country by offering generous terms of financing that were not available to domestic manufacturers.

This was effectively a local manufacturing ‘lock-out’, allowed by the state government and the WA Chamber of Commerce and Industry (CCI). Local Industry Participation was meant to be facilitated by the WA ‘Industry Capacity Network’ (ICN). However despite the CCI being a key ‘support partner’ of the ICN – there is no evidence that they in any way effectively

² ‘Rush to share in Gorgon’s \$10bn contract spoils’, *Australian Financial Review* (1/9/2009), pp.1,4.

³ ‘More LNG engineering contracts to go overseas’, *AFR* 30/9/2011)

<http://www.afr.com/business/energy/gas/more-lng-engineering-contracts-to-go-overseas-20110929-i47c8>

⁴ 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2011, Australian Bureau of Statistics,

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Nov%202011?OpenDocument>

⁵ <http://www.wajobs.org.au/the-problem/>

⁶ ‘Mining contracts ‘lock out Aussies’ with ‘buy Chinese’ clauses’, *The Australian* (17/1/2012)

<http://www.theaustralian.com.au/business/mining-energy/mining-contracts-lock-out-aussies-with-buy-chinese-clauses/story-e6frg9df-1226245921231>

⁷ ‘\$6bn Oakajee port builder urged to buy Chinese’ *The Australian* (18/1/2012)

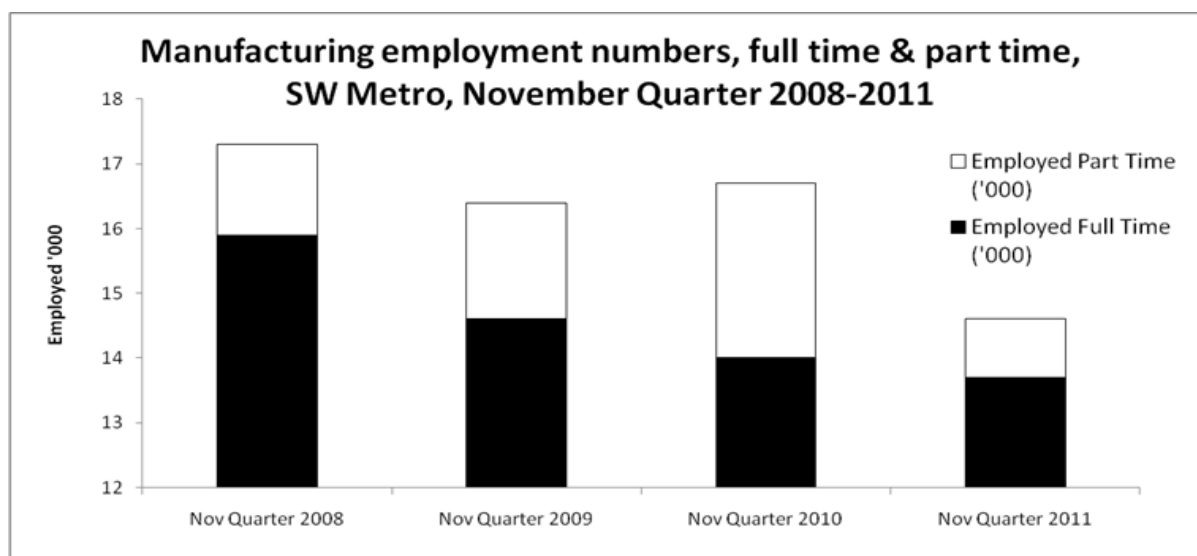
<http://www.theaustralian.com.au/business/bn-oakajee-port-builder-urged-to-buy-chinese/story-e6frg8zx-1226246855496>

promoted local work for local businesses.⁸ After a major community protest in 2011, which brought together both employers and unionists in a call for more local content,⁹ the state government issued a new 'Local Industry Participation Framework'. However this contained no policy changes of substance, and in any case was too little too late.¹⁰

Lock out consequences: regional youth unemployment and falling apprenticeships

The local manufacturing 'lock-out' inflicted real harm on the people of WA, by severely limiting the opportunities for secure work that a healthy manufacturing industry should have provided them.

The traditional manufacturing area of Western Australia is the South-West Metropolitan region, stretching from Applecross just south of Perth to Karnup just north of Mandurah and containing the Kwinana industrial strip. Between November 2010 and November 2011, the number of people employed in manufacturing in the suburbs around Kwinana fell by more than 12 per cent, according to ABS data. In November 2010, 16,700 people were recorded as working in manufacturing in the South West Metropolitan Region of Perth. By November 2011, this had shrunk to 14,600. In November 2008, 17,300 manufacturing workers were employed in this region.¹¹



While projects such as Gorgon were under construction and requiring hundreds of thousands of tonnes of fabricated steel, the fabrication workshops in Kwinana should have been booming, creating jobs and apprenticeships for young people who live in the area. Instead, analysis of ABS data shows that youth unemployment in the South West

⁸ <http://www.icn.org.au/content/western-australia/support-partners>

⁹ 'Local manufacturers lose out', <http://www.abc.net.au/7.30/content/2011/s3182046.htm>

¹⁰ *Industry Participation: Local Content Report Nov 2011*

<http://www.commerce.wa.gov.au/publications/industry-participation-local-content-report-nov-2011>

¹¹ 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2011

Metropolitan Area steadily increased from 15.4 per cent in November 2008 to 25.9 per cent in November 2011.¹²

Coupled with rising regional youth unemployment was a decline in the number of people undertaking apprenticeships in the key areas of construction and engineering. Figures released by the National Centre for Vocational Education Research (NCVER) showed that the number of people in training in the automotive and engineering trades in WA (which contains the metal fabrication trades) fell from 7,700 to 7,500 in the three months to June 2011. The number of people in training in the construction trades also fell from 4,500 to 4,300 over the same period.¹³ The number of people engaged in training, as a proportion of total people employed in the automotive and engineering trades (the training rate) are significantly below 2008 levels. The training rate was calculated at 19.2 per cent for March 2008. In March 2011 it was calculated at 14 per cent.

People Employed / In Training: Automotive & Engineering Trades¹⁴

PEOPLE EMPLOYED – FEBRUARY QUARTER *		IN TRAINING – MARCH **	TRAINING RATE
2008	46,000	8,800	19.2%
2011	55,000	7,700	14.0%

Note that the ‘in-training’ numbers fell even though overall employment numbers in those trades increased over the same period. The training *rate* in automotive and engineering trades is important, because it provides a measure of the ability of the local workforce to meet the demand for skilled metal workers that future major resources projects should drive. Low training rates point to future capacity issues, a shrinking skills base and a potential worsening of local industry participation in WA’s booming resources sector. Despite employer complaints about ‘skills shortages’ it is simply becoming harder to get an apprenticeship for a young person in WA. The inability of local steel fabrication manufacturers in the Kwinana to win contracts during the boom has contributed to the South West Area of WA having the worst youth full-time unemployment outcomes in the state.

¹² 6291.0.55.001 - Labour Force, Australia, Detailed - Electronic Delivery, Nov 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.001Nov%202011?OpenDocument>

¹³ Apprentices and Trainees 2011 June Quarter, NCVER, State and Territory Data Tables, <http://www.ncver.edu.au/publications/2439.html>

¹⁴ ABS Employed Persons (ST E08_Aug96_ANZSIC06) by Occupation Unit Group (ANZSCO06), Sex, State, Status in Employment. ** NCVER Apprentices and Trainees 2011: March quarter

One Response: Skilled Jobs Legislation

Unions developed with the WA Labor State opposition the *Skilled Jobs (Benefits from the Boom) Bill 2012*. That Bill sought to impose on resource companies requirements to more transparently account for local content. It did not mandate levels of local content, but did seek to ensure that resource companies should provide evidence of their commitment to local content to government, and the WA public.¹⁵

UnionsWA contends that a key inhibitor to employment in small and local businesses in WA has been the lack of a serious commitment to local industry participation on the part of the state government, and the 'big end of town' as represented by the CCI.

At the very least, every opportunity should be taken to increase the accountability of resource companies for the claims they make about local industry participation and local workforce recruitment. This should not simply be about 'transparency' (although that is crucial); it is also about utilising the powers of government to ensure that local business, and workers, actually benefit from a resources boom, instead of just reading about it in the media.

Please contact me on 08 9328 7877 or MHammat@unionswa.com.au if you would like to discuss matters further.

Yours sincerely

Meredith Hammat

Secretary

¹⁵ The Bill was declined a Second Reading in 2012. See <http://www.parliament.wa.gov.au/parliament/bills.nsf/BillProgressPopup?openForm&ParentUNID=3724163059152B3E48257A1C00142543>