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AWU SUBMISSION
FLY IN – FLY OUT
PARLIAMENTARY COMMITTEE

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Introduction

I refer to the request for written submissions by the Infrastructure, Planning and Natural Resources Committee (the Committee) in relation to the impact of fly in, fly out practices on regional Queensland.

In this submission the term FIFO should be taken to also include drive in, drive out (DIDO).

The Australian Workers' Union (AWU) has broad membership across a number of industries. Specifically, AWU members in construction and metalliferous mining undertake FIFO practices and many regional towns and communities impacted by FIFO contain substantial AWU membership.

FIFO is generally used for work in regional and remote areas.

The view of the AWU is that FIFO working arrangements are a short-term, quick fix approach unsuitable to resolve the deep structural issues of remote work, infrastructure investment and skills development in the Australian economy.

This approach by companies to remotely import a 'ready-made' workforce from our regions and cities for work in rural and remote resource projects places significant costs on the communities and cities where workers are drawn, locks out existing communities from the benefits associated with new projects, impinges upon families and creates isolation and stress for workers.

The FIFO/DIDO approach to human resourcing has the effect of:

- Narrowing the Australian economy;
- Hollowing out labour forces in the city; and
- Creating wage-price inflation in local communities as well as in the broader economy;

The AWU is strongly of the opinion that resources sector companies should be encouraged to invest in local communities, contribute to infrastructure development and investment and to invest in the expansion of skills in local and indigenous communities.

This approach will reduce the macro-economic costs of the mining boom, negate the negative social consequences of a temporary workforce approach and leave Australia with a lasting legacy from its resource wealth.



Health Impacts of FIFO

The research indicates that FIFO has a negative impact on those workers that participate in it. Stress is major condition caused by the pressures of FIFO work and travel.

Veronica Meredith, Penelope Rush and Elly Robinson in their report *Fly-in fly out workforce practices in Australia: The effects on children and family relationships* CFCA Paper No. 19 — February 2014 noted the following:

“Stress caused by being away from family and friends (especially for workers with children), negative impacts of highly compressed rosters, and high levels of stress experienced during the return/departure points in the work cycle were common findings across many studies in this review

Henry et al. (2013) found that significant stress arose from accommodation and work conditions on site, which were isolating and subject to overly onerous rules. Many workers found it difficult to seek support on site, and many used alcohol or illicit drugs to manage stress and disrupted sleep.”¹

Family Impacts of FIFO

FIFO also has negative effects on the families of those who participate in such work.

The research indicates that a proclivity for psychological distress in such families:

“a large study, which recruited over 900 participants, found that compared with the general population there was a high prevalence of psychological distress and a greater likelihood of a psychological disorder incidence amongst FIFO workers (Henry et al., 2013). Similar outcomes were found by Voysey (2012), who noted that while partners' overall psychological wellbeing was in the healthy range, they did report high levels of psychological distress.

Hoath and Haslam McKenzie's (2013) mixed methods study of two source communities in WA found that conflicting expectations of FIFO parents (e.g., children's and partner's attention on return home) and their partners (e.g., role of FIFO parent in the household and willingness to "do jobs") led to a greater vulnerability to feelings of isolation or depression.

¹ Veronica Meredith, Penelope Rush and Elly Robinson in their report *Fly-in fly-out workforce practices in Australia: The effects on children and family relationships* CFCA Paper No. 19 — February 2014 <https://aifs.gov.au/cfca/publications/fly-fly-out-workforce-practices-australia-effects>



Kaczmarek and Sibbel (2008) reported significantly higher dysfunction in the areas of communication, affective involvement, and behaviour control for FIFO mothers compared to community sample mothers, perhaps as a response to the additional challenges. In a large quantitative study by Lifeline WA (Henry et al., 2013), FIFO parents rated parenting as more challenging and less rewarding compared to other family groups²

Impact of FIFO on Communities

FIFO isolates local established communities who are most closely situated to mines and mining projects. The influx of high wage FIFO employees with large levels of disposable income, a lack of supply in housing and infrastructure leads to high, sometimes extreme, levels of localised inflation and a degradation in the standard of living.

There is no investment in local community assets, infrastructure or industry from a FIFO/DIDO regime. Locals are not provided with access to training, and small towns are not expanded to become more self-sustaining and vibrant. This results in fewer multiplier benefits to ancillary service providers and the community generally.

The AWU has been vocal about ensuring that the economic and employment benefits should first be enjoyed by established local communities where resources are located nearby.

FIFO/DIDO reduces the scope to maximise the participation of local communities. Many of these towns have high indigenous populations. This approach reduces the potential of 'closing the gap' with Indigenous Australians via the social and economic benefits that flow from natural resource projects.

Along with the loss of incentives to build local communities, FIFO results in social isolation for local communities who are excluded from the economic benefits and the culture of the FIFO workforce.

The locality of the resources should mean that local communities will have a clear stake in participating in related activities to do with the exploitation of these (local) resources.

Communities will bear the costs of lower local workforce participation and a 'skills drain'. This is particularly the case for regions with large manufacturing bases. The skills drain and subsequent competition for labour may push marginal manufacturing businesses into closure, which would have a devastating effect on the broader community.

² Ibid



Point of origin communities will also suffer from social disconnect, dysfunction and potential anti-social behavioural flow-ons as a result of family break down and isolation. These problems carry large fiscal and social costs to the broader community that are found in a loss of productivity and expenditure in government programs.

FIFO has a perverse incentive for companies to offer as little as possible by way of local infrastructure in order to maximise total returns from their operations.

FIFO enables a transfer of these costs to other regions and jurisdictions. Mining companies are not incentivised to invest at all – thus the Government should place a greater onus on this. Resource companies should show how they will assist the broader community and economy when developing resource projects.

It is possible that inflationary pressures in point of origin communities in areas such as housing could occur. This will be particularly evident in those communities with a high proportion of FIFO workers. Inflation will lead to diminished positive returns to workers as their high nominal earnings are reduced in cost of living pressures associated with competition for housing, services and goods. This inflation would have a larger impact of workers who reside in the communities, but are not participating as part of the FIFO workforce.

The preferred approach should be to ensure local non-mining communities and regions have scope to exploit local opportunities such as manufacturing rather than rely on FIFO incomes to sustain living standards as this leads to an increasingly unsustainable inflationary spiral and is exposed to large external shocks.

Relying on FIFO is an unsustainable proposition because it relies on an on- going commitment to FIFO when investing locally offers the best prospect of sustaining local populations. Such an approach heightens the risk of Dutch Disease developing in the Australian economy over the longer term.

Economic Impacts of FIFO

Benefits to the companies utilising FIFO are short term, in that any inflation in wages and travel costs are offset against the potential need for investments in infrastructure, housing, relocation and skills training. These costs are also calculated against the marginal increases in production through the instant application of a skilled employee, as opposed to the lag time associated with skills training.



Companies are externalising the costs associated with housing workers and related facilities and services to the broader community, thereby maximising short-term profits at the expense of total community welfare.

This allows an effective cross-subsidy of FIFO by taxpayers and governments in other regions and jurisdictions – principally relating to the point of origin of FIFO workers – in providing the hard and soft infrastructure to support these workers when not 'on-site'.

This draws down investment and capital accumulation by previous and current generations for private profit.

Benefits to workers are limited to job opportunity and a workforce skewed to singles. It is rarely the case that workers with families would prefer separation from family over co-location with their work, despite remoteness.

Costs to workers include managing isolation from family, social structures and broader support networks. Unquantified, it is reasonable to assume isolation would have a deleterious impact on labour productivity.

Workers under such a regime do not enjoy certainty of employment and are highly exposed to the volatile commodities market and external shocks.

It is clear that a FIFO approach not only does not promote economic diversification, it will lead to less diversity – as discussed above.

The AWU has advocated for local investment because it offers the most effective way of supporting workers and leaves a tangible legacy tomorrow from today's mining boom.

FIFO to this extent is unusual in a historical context – made possible by the convenience and relatively low marginal cost of air travel – and is without appreciation for the debilitating impact on the development of local communities which support and service local mining operations and their related workforce.

Local communities experience a deadweight loss, as there is no development of their areas into a self-sustaining economy. By not locally sourcing services, materials and manpower local communities are unable to attain an economic 'critical mass'. This sees local resources extracted without attendant benefits flowing to local communities.

Like the cross subsidy from the wider community, utilisation of FIFO also exploits local communities by denying them rights to development.



The skills sets targeted for FIFO include those which are in key demand nationwide but which are able to command a higher price in mining operations because of their relative local scarcity and the ability of mining operations to pay high wages because of their relative profitability.

Local training is as a consequence a lower priority for resource companies. Currently, incentives are in the other direction – to exploit quickly pre-existing investments made in training the current workforce and to quickly expand production to take advantage of high commodity prices and terms of trade.

This is another major cost of FIFO. There is no long-term investment by resource companies in training the workforce, including the provision of apprenticeships.

The AWU submit that there should be no barriers for local people who are qualified from obtaining employment in mines or their construction. Mining operators, whether new or well established, should place a particular emphasis on supporting local youth and indigenous workers through apprenticeship and traineeship programs.

The lack of training leads to increasing demand for trained workers from offshore and for fast-tracking offshore workforce participation via EMA and 457 visa arrangements.

This approach will handicap Australia's economy in the future. Australia is finding it needs a highly skilled workforce in order to move up the value chain in manufacturing and services post the mining boom. Skills training is an area where Australia should attempt to leverage its resource wealth and propel the country into the next phase of its economic development.

EMAs and 457 visas are not addressing the structural flaws in the labour market. These are short-term responses that facilitate access to labour for resource companies without those companies committing resources to develop and support them in the first place. It is mining corporations externalising costs which have a detrimental impact on the well-being and future of those in mining communities.

The easy option of using FIFO militates against investment locally in training, skills and has an impact on living conditions.

FIFO is one step from dependency on offshore cheap labour because no commitment has been made to build local capacity. If these structural labour market issues are not addressed demand from future resource projects in the investment pipeline will likely drive FIFO from the current domestic focus to being international in its scope.



This will be a poor outcome for the Australian economy and the Australian people who are entitled to expect to leverage the natural wealth of the nation into the skills that they can utilise in the future.

The AWU also opposes the policy of some resource companies to only hire FIFO workers. Such a practice is a cynical and duplicitous attempt to de-unionise sites and should be prohibited. It is a slap in the face to local communities.

Conclusion

It is clear that a FIFO regime imposes large costs on local communities, point of origin communities, workers and ultimately will have a deleterious impact on Australia's long-run economic performance.

This is a workforce regime that is focused purely on short-run costs. It is an approach driven by profit and an urge to extract maximum value from commodity prices at the expense of other sectors of the economy and Australian communities.

The benefits of the regime are questionable, and largely accrue to the resource companies that are able to avoid investments in infrastructure, skills and housing and are can draw-down on previous investments in capital and education.

Benefits to workers are in monetary terms only – and even these benefits potentially are only in nominal amounts – as wage increases are lost in cost of living increases in work sites and over time in FIFO dependant communities.

Time and money spent by resource companies and governments of various levels regarding how to maximise FIFO avoids addressing the real issues underpinning the FIFO system.

More resources and time must be devoted to strategies aimed at fostering local communities with a coherent investment and industry policy which is based on building local capacities and strengths and delivering on longer term outcomes and benefits for the economy and communities.