

Select Committee on the effectiveness  
of the Australian Government's  
Northern Australia agenda  
Submission of the  
Queensland Council of Unions

October 2019



## Contents

Introduction.....	1
Term of Reference 1. ....	2
Term of Reference 2 .....	3
Term of Reference 3 .....	4
Term of Reference 4 .....	5
Term of Reference 5 .....	6
Recommendations.....	9
Bibliography .....	10

## Introduction

Firstly, the Queensland Council of Unions (QCU) would like to thank the Select Committee on the effectiveness of the Australian Government's Northern Australia agenda for allowing the extension of time necessary for this submission to be provided. That extension of time has had the bonus of allowing the perusal of other submissions to the Committee.

Unsurprisingly, the focus of the QCU in this submission is on the welfare of workers. Our submission is made in the context of the decentralised nature of Queensland. Some 48.3 per cent of Queenslanders live in the greater Brisbane area. Less than half of Queenslanders living in the capital city is low by Australian standards compared to similar-sized jurisdictions. Adelaide is home to 77.3 per cent of the South Australian population and the population of Perth is 78.6 per cent of the Western Australian total.

Our submission is made in the knowledge that the market will not provide for employment outcomes in regional Queensland. Nor will it provide for the necessary infrastructure for communities to operate safely, productively and efficiently. There is a need for government to intervene to ensure there is sufficient investment in northern Australia to provide for these outcomes. We also recognise that this fundamental context runs contrary to the neo-Liberal agenda that has dominated the policy agenda in recent years (Baum and Mitchell 2012). Research within geographic regions demonstrates that labour market outcomes are beyond the control of the individual and pertain to prevailing structural economic conditions (Burrows and Martin 2016). The current policy of blaming individuals and increasingly punitive employment programs needs to be reversed.

This submission highlights some of the policy positions adopted by the Queensland Government that have attempted to reverse some of the adverse trends impacting upon workers. It also suggests further problems that are associated with current federal government policy positions. Some of the matters raised in relation to the specific terms of reference include fly-in/fly-out (FIFO) employment arrangements; the Community Development Program; the issue of public ownership and energy policy; the importance of manufacturing and value adding industries; the need for properly funded TAFE and universities; and problems associated with the labour market such wage theft and low wage growth.

## Term of Reference 1.

### **Facilitation of public and private investment in infrastructure and economic development;**

Fly-in/fly-out (FIFO) employment arrangements would appear to be one of the greatest threats to public and private investment in infrastructure and its associated economic development in regional Australia. This would also appear to be the case in northern Australia. FIFO has been the subject of at least three parliamentary inquiries throughout Australia. Most of the research into FIFO has been concentrated in the resources sector (Brown et al 2014; Cameron et al 2014; Carrington et al 2011; Ellem 2015; Langdon et al 2016; Perry and Rowe 2015). This research has focused the deleterious effect of FIFO on local communities (Blackman et al 2014; Carrington et al 2011; Ellem 2015; Langdon et al 2016; Peetz et al 2016; Perry and Rowe 2015; Robinson et al 2017; Rolfe and Kinnear 2016), workers and their families (Blackman et al 2014; Carrington et al 2011; Gardner et al 2018; Peetz et al 2012; Robinson et al 2017; Vojnovic et al 2014)..

FIFO has extended to areas of employment and industries beyond its traditional use (SDA 2019). Once restricted, by necessity, to the construction phase of resource projects, FIFO has been used in the production phase of the resource sector (Brown et al 2014; Cameron et al 2014; Carrington et al 2011; Ellem 2015; Langdon et al 2016; Perry and Rowe 2015). Absurd examples of workers living next to a mine being required to drive to a major city so they can fly back to the mine they live next to, were provided to the Queensland parliamentary inquiry (Queensland Parliament 2015).

One of the ways in which the domination of FIFO employment has been addressed is to prevent discrimination against local workers. In 2016, the Queensland Government introduced the *Strong and Sustainable Resource Communities Bill* into Queensland Parliament. This Bill introduced 'location' as grounds upon which workers could not be discriminated against. The Bill also prohibited the use of 100 per cent FIFO arrangements for operational workers on large projects near regional communities. The Explanatory note for the introduction of that Bill listed the following policy objectives (Queensland Parliament 2016):

- prescribe the social impact assessment (SIA) process for large resource projects;

- prevent the use of 100 per cent FIFO workforces for the operation of future large resource projects located near regional communities;
- prevent resource companies discriminating against local residents in the future recruitment of operational workers;
- support existing and new workers who choose to live and work in regional communities; and
- resolve the inconsistency that approval conditions may be imposed by the Coordinator-General for projects subject to an environmental impact statement (EIS) under the *State Development and Public Works Organisation Act 1971* (SDPWO Act), but not for projects subject to an EIS under the *Environmental Protection Act 1994* (EP Act).

The Queensland Government needs to be commended for doing what it could to ban 100 per cent FIFO arrangements. As with a range of policies, coordination at a national level would provide greater support for regional communities that rely on mining for their continued existence.

## Term of Reference 2

### **Economic and social benefit arising from that investment for Northern Australians, in particular First Nations people;**

One of the policies to adversely impact upon indigenous Australians is the Community Development Program (CDP) (Campbell et al 2018). CDP represents a culmination of deteriorating policy in relation to unemployment within remote areas (Staines 2017). Whilst the former program of Community Development Employment Projects (CDEP) was not without its own issues, by comparison to subsequent programs it clearly provided the best outcomes for communities and the taxpayer.

The progression from CDEP to the current CDP, including the transition through the Remote Jobs and Communities Program (RJCP) has become increasingly punitive whilst providing worse employment outcomes (Staines 2017). At least under the former CDEP, participants enjoyed award wages and local community members had the opportunity to start new businesses. CDEP also enabled a level of self-determination within local communities.

By contrast CDP provides private companies with cheap (or free) labour that undercuts local businesses that would otherwise provide for employment at the legal minimum rate of pay. CDP also provides a perverse incentive for employers to use work for the dole labour rather than employ worker (Staines 2017). The punitive nature of CDP directly discriminates against indigenous Australians. A CDP participant is 25 times more likely to be penalised than a Jobactive participant (Campbell et al 2018:12). This despite the obvious lack of alternatives available to CDP participants and a complete absence of any funding for disadvantaged job seekers under CDP.

Any serious contemplation of improving the lot of First Nations people in northern Australia would involve an immediate review with a view to abolish CDP. CDP needs to be replaced with a less punitive program that delivers better employment outcomes for participants. Not only would this improve the life of participants it would reduce the cost to the taxpayer if there was a departure from the current obsession with penalising participants.

## Term of Reference 3

### **Funding models and policy measures that capture the full value of existing and emerging industries;**

As is noted in the AMWU (2019) submission, the decline in regional manufacturing has been more acute than national figures or for any comparable economy. Regional economies are also associated with lower earnings, longer periods of unemployment and less access to universities and vocational education. As will be discussed in further detail under the next heading, manufacturing will provide better paying and more secure employment.

The AMWU also makes the case that the predominant cause of a decline in manufacturing in Australia is the exorbitant cost of power. A failure to embrace renewable energy and the sale of public assets is attributed to exponential increase in power prices that has so adversely impacted upon Australian manufacturing (see graph 3 AMWU 2019:6).

## Term of Reference 4

### **Measures taken to develop an appropriately skilled workforce;**

Government also has a role as a purchaser of products. Procurement policies for manufacturers aimed at innovative new-to-the-world products or solutions can add value. This year the Queensland Government rolled out its procurement policy (DHPW 2019) which includes the following five aims:

1. Focus on the economic benefit to Queensland – by applying a local benefits test for all significant procurement, and supporting secure and fair employment outcomes, and showcasing Queensland's food and beverage industry.
2. Maximise Queensland suppliers' opportunity to participate – by ensuring that for each procurement opportunity, at least one regional and one Queensland supplier, where possible, is invited to submit a quote or tender.
3. Support regional and remote economies – by allowing agencies to procure outside of whole-of-government supply arrangements for regional and remote locations.
4. Support disadvantaged Queenslanders – by increasing procurement with genuine, quality social enterprises.
5. Stimulate the ICT sector and drive innovation – by doubling the ICT pre-qualification exemption to \$1 million.

As with any policy its effectiveness will be judged by its results. It would be instructive for this committee to monitor the effectiveness of the Queensland Government procurement policy with a view to its replication at a national level. This type of support for local manufacturers would assist in the creation of employment and diverse industry development. Value added industries are less likely to be vulnerable to external shocks. Moreover, manufacturing can provide stable and permanent employment in well paid jobs (AMWU 2019; AMWUQNT 2019).

It is therefore essential that residents of northern Australia are provided with the capacity to obtain the necessary skills through TAFE or university that are accessible to them. The decentralised nature of Queensland provides challenges and opportunities for delivery of

vocational and further education. It is encouraging that the Queensland Government has announced that Queensland school leavers will be able to obtain a TAFE qualification without charge (Fentiman 2018). The potential for school leavers to obtain qualifications without expense is an important aspect of ensuring the supply of young Queenslanders, particularly those in the north of the state, willing to obtain the skills for the future.

What is also required is a publicly owned and properly funded TAFE system that will ensure that courses are provided to meet the needs of industry and future employees, apprentices and trainees. TAFE has a role to play in providing the mechanism to allow transitions from industries and occupations in a changing economy.

Access to tertiary education will also be necessary for the development of the skills necessary for the future. The defunding of universities and subsequent shifting of the financial burden to the student are of concern to the union movement. Education has provided social mobility for many Australians and our concern is that the continual increasing of tuition fees will restrict tertiary education to those students from the wealthiest of backgrounds (whether from Australia or overseas). Queensland has been blessed with high quality tertiary education institutions that have been reasonably accessible. It would be a disaster to have the expense of an education deter or prevent talented Queenslanders from reaching their potential.

## Term of Reference 5

### **Emerging national and international trends and their impact on the Northern Australia agenda;**

Various inquiries at the Queensland and national level have recently focused on the emerging trends in the Australian labour market. Unfortunately, those trends are often detrimental to Australian workers (Parliament of Australia 2017). The level of wage theft; low wage growth; the use of workers on temporary visas; and the extensive use of labour hire are often interrelated and have all contributed to a sense of insecurity within the Australian workforce. Casual and other forms of precarious employment are associated with many of these trends.

None of these trends are by any means exclusive to northern Australia but it would be naive to think that workers in Northern Australia are exempt from their impact. The QCU has



participated in a range of those inquiries and undertaken extensive research. Some of the following paragraphs are drawn from research undertaken in other inquiries by parliaments and various agencies.

Wage theft has emerged as one of the most significant features of the Australian labour market (Healy 2016). Noncompliance with industrial entitlements was traditionally only associated with “backyard” industries and less recognisable public identities (Goodwin and Maconachie 2007:525; Maconachie and Goodwin 2010:422; Weil 2011:41). The recent upsurge in what is described as “fissuring” of industry has lead wage theft being associated with major, nationally recognised brands (Macdonald et al 2018:81; Weil 2011; Weil 2018:440). Fissuring is described as the use of intricate legal arrangements, such labour hire, subcontracting and franchises, designed to move employment away from the principal undertaking the primary economic activity.

Competitive markets result in wafer-thin profit and workers’ pay and entitlements are the casualty. Layers of subcontracting create greater complexity and less accountability (Weil 2018:440). The employers at law have neither financial viability nor inclination to meet obligations (Gough 2013:38). Workers are left with no recourse if the employer has no assets (Macdonald et al 2018:82; Thornthwaite 2017:263).

Wage theft has been the focus of a range of inquiries, including an inquiry undertaken by the Queensland Parliament that brought down an influential report last year (Queensland Parliament 2018). That inquiry made a range of recommendations including a number that, for constitutional reasons could only be actioned at a federal level. Some of the suggested amendments to the national Fair Work system included:

- National labour hire licensing;
- Worker access to representation in the workplace and ensure compliance with industrial instruments;
- Superannuation being part of National Employment Standards;
- Review of the functions of the Fair Work Ombudsman;
- Empowering the Fair Work Commission to review unfair contracts;
- Automatic termination of zombie agreements; and
- Accommodate emerging forms of employment.

Closely associated with the upsurge in wage theft is what has been described as Australia’s low wage crisis. Stanford (2018) attributes low wage growth to the following:

- A steady erosion in the real “bite” of minimum wages, which have fallen from 60 per cent of median wages in 1990 to around 45 per cent today.
- The collapse of trade union membership in the face of legal restrictions, harassment, and full-protection for “free riders.” Today just 9 per cent of private sector workers, and less than 5 per cent of young workers, are union members.
- A corresponding collapse in collective industrial action. Adjusted for the size of the workforce, the frequency of strikes and other industrial disputes has declined by 97 per cent from the 1970s to the present decade.
- The relegation of industry awards to a baseline “safety net,” instead of a system for supporting ongoing progress in wages and working conditions.
- The generally pro-business shifts in economic policy, including tax cuts, deregulation, privatisation, and globalisation, which have also shifted economic power in favour of employers and hence indirectly suppressed wage growth.

The proliferation of the use of labour hire has contributed to the low wage growth experienced in Australia (Hardy and Stewart 2018). Labour hire has the impact of subduing the existing workforce and reducing wages by avoiding negotiated industrial instruments and the almost exclusive use of casual employment. The decision could be made to outsource a particular capacity or subcontract a specific function to a specialist firm or individual (Hall 2006; Thai 2012). However, labour hire is often used to reduce labour costs (Hall 2002). Moreover, the threat of labour hire is constantly used to facilitate organisational change by “substituting the existing workforce with a more compliant and more affordable workforce” (Hall 2002). It is not surprising that labour hire represents a major threat to the existing workforce (Belchamber 2012; Hall 2002; Naughton 2014; Watson et al 2003).

The significant majority of employees of labour hire companies are casual employees, including many long-term casual employees (Hall 2002:5; Toner and Coats 2006; Underhill 2005; Yu 2014). Some estimates suggest that casual employment amounts to 97 per cent of employees of labour hire companies (Hall 2005). Casual employment brings with it all of the disadvantages to employees of this precarious type of employment (Watson et al 2003). Casual employment also lends itself to other deleterious aspects of labour hire employment and whilst not a necessity to the type of engagement necessary, it provides further discipline over the

workforce by the threat of unemployment. All of these employment practices contribute to an environment in which wage increases have been difficult for workers to obtain.

Closely related to labour hire has been the use of guest workers (Parliament of Australia 2016). Guest workers are often used as a cheap (and exploited) alternative and are often located in industries such as agriculture. When considering guest workers, it is important to understand the layers of vulnerability that are in play. Language barriers are an obvious reason for workers (whose first language is other than English) to not be completely *au fait* with their entitlements. Added to this is the capacity for not only their employment to be threatened but the threat to their migration status means that guest workers are even less likely to stand up for their legal entitlements even if they are aware of them. When one considers student visa holders, many of whom appear to have been exploited, the restrictions on the number of hours they are permitted to work under their visa is held against them by the unscrupulous employer who entraps them into working in excess of their permitted hours only to use this fact as threat to have the student deported for breaching their visa conditions. The overseas student faces not only unemployment and deportation but potentially complaining might also impact upon their education (Parliament of Australia 2016:211; Parliament of Australia 2017:67).

## Recommendations

The QCU makes the following recommendations:

- The use of a range of policies (including approval of projects) to reduce the incidence and impact of FIFO employment on local communities.
- Departure from the punitive approach to employment schemes, particularly those that institutionally discriminate against First Nations people.
- Allowing indigenous communities greater self-determination in relation to employment programs.
- Proper funding of TAFE and universities particularly for the regions.
- Reversing the national, downward trend in the number of apprentices brought on by the absence of investment by the Commonwealth and the deregulation of VET sector.

- Use of government procurement policy to improve labour market outcomes including the level of apprentices and stringent enforcement of that policy.
- Tripartite consultation on industry needs for skills and how they are best delivered on an industry level (been dismantled by federal government policy and the advent of enterprise bargaining).
- Employers reducing their reliance on casual employment and labour hire which have had a detrimental impact on skill development.
- The adoption of the recommendations from the Queensland Parliament's inquiry into wage theft.

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